Tajco Group A/S

Jens Ravns Vej 11A, DK-7100 Vejle

Annual Report for 1 January - 31 December 2019

CVR No 33 57 47 97

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21/5 2020

Henrik Lykke Søberg
Chairman of the General Meeting

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	12
Balance Sheet 31 December	14
Statement of Changes in Equity	16
Cash Flow Statement 1 January - 31 December	17
Notes to the Financial Statements	18

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Tajco Group A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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

Vejle, 28 April 2020

Executive Board

Erik Laursen

Board of Directors

Leif Jensen Chairman	Limin Kevin Mao	Frank Lorenz
Susanne Ann-Charlotte Budin		

Independent Auditor's Report

To the Shareholders of Tajco Group A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Tajco Group A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group'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 Group's and 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

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the 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.

- 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, 28 April 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kragh	Henrik Berring Rasmussen
statsautoriseret revisor	statsautoriseret revisor
mne26783	mne34157

Company Information

The Company	Tajco Group A/S Jens Ravns Vej 11A DK-7100 Vejle Telephone: + 45 7532 1411 Website: www.tajco-group.com CVR No: 33 57 47 97 Financial period: 1 January - 31 December Municipality of reg. office: Vejle
Board of Directors	Leif Jensen, Chairman Limin Kevin Mao Frank Lorenz Susanne Ann-Charlotte Budin
Executive Board	Erik Laursen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

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

	Group				
	2019	2018	2017	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	885.086	885.470	894.897	794.451	838.992
Gross profit/loss	241.149	279.774	294.814	266.116	263.784
Profit/loss before financial income and expenses	18.195	70.366	52.666	50.284	76.029
Net financials	-2.490	-3.733	-13.193	-2.301	3.769
Net profit/loss for the year	8.899	48.492	24.643	35.421	55.985
Balance sheet					
Balance sheet total	647.148	628.325	689.572	642.874	580.792
Equity	215.084	204.565	156.688	141.702	159.136
Cash flows					
Cash flows from:					
including investment in property, plant and equipment	-32.100	-27.588	-23.006	-22.500	-26.250
Number of employees	1.185	1.136	1.148	1.187	1.123
Ratios					
Gross margin	27,2%	31,6%	32,9%	33,5%	31,4%
Profit margin	2,1%	7,9%	5,9%	6,3%	9,1%
Return on assets	2,8%	11,2%	7,6%	7,8%	13,1%
Solvency ratio	33,2%	32,6%	22,7%	22,0%	27,4%
Return on equity	4,2%	26,8%	16,5%	23,5%	38,9%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

TAJCO Group develops and manufactures premium tailpipe trims for the global automotive industry. Operations consist of product development, manufacturing and sales for OEM and Tier 1 partners. TAJCO Group products are mainly delivered directly to car manufacturing plants in Europe, Asia and the US.

Tailpipe trims are used as a design element on most premium cars. Tailpipe trims are subject to the strict quality requirements of the automotive industry and, consequently, the quality demands on TAJCO Group are extensive. In order to stay ahead of market demands, all companies within TAJCO Group are certified according to the standard IATF 16949:2016.

Development in the year

The consolidated income statement for 2019 shows a profit of TDKK 8,899, which is deemed unsatisfactory. The profit for the year is negatively impacted by Typhoons at the production site in China and by the China import tariffs imposed by President Trump for the US Sales.

As per 31.12.2019, the consolidated balance sheet shows an equity of TDKK 215,084.

The past year and follow-up on development expectations from last year

The figures for 2019 should be viewed as a reflection of a year-on-year sales level similar to 2018. Year 2020 sales are expected to be at a lower level than 2019.

Outlook

At this stage it is not possible to give a precise indication of the outlook for 2020, because it is impacted by the current global outbreak of the Coronavirus (COVID 19), which has significantly lowered visibility on what to expect in 2020. As factories in China have been closed for longer than usual in connection with the Chinese New Year and as a result of COVID 19 a significant negative impact is expected on TAJCO Group's financial figures for 2020. Our customers production sites in Europe and US has been closed for a longer time and this will, as well, have an negative impact on Revenue and profit for the year.

Special risks - operating risks and financial risks

Steel Price

TAJCO Group´s use of stainless steel as raw material creates a specific risk; the potentially significant fluctuations in steel prices in the volatile market may create cost increases, which can only be compensated by setting the price for finished products at a higher level. This pricing increase is only possible to a limited degree.

Management's Review

Currency

Due to the global nature of its operations, TAJCO Group earnings, cash flow and equity are affected by the development in exchange rates and interest rates in several currencies. It is against TAJCO Group policies to hedge these commercial currency risks. To the extent possible, TAJCO Group seeks to naturally hedge the risks, which occur as a consequence of the actions in an international market. Furthermore, TAJCO Group continuously monitor fluctuations in currencies and continuously evaluates the need for hedging by forward contracts.

For subsidiaries, which are separate legal entities, the currency adjustments of investments are recognised directly in equity.

Climate Policy

TAJCO Group has not implemented a climate policy.

External environment

TAJCO Group continuously invests to ensure that all the environmental requirements are followed, including initiatives to ensure that the use of chemicals does not impact or cause damage on the external environment. The necessary environmental licenses have been obtained in order to be able to carry out activities.

Statement of corporate social responsibility

TAJCO Group has a global operating footprint, with manufacturing facilities in China and Slovakia, as well as sales offices in Denmark, Germany, United States, China and Japan. Subcontractors in China are furthermore used as part of the production. TAJCO Group products are exported globally.

TAJCO Group is aware of its responsibility as an employer and world citizen, and therefore has a great focus on acting in a financially and socially responsible manner. A CSR policy has been developed, approved by the Board of Directors, implemented and integrated in TAJCO Group business strategies. Highlights of the policy are pointed out below . The complete version is available from www.tajco group.com.

Management's Review

Focus on management of subcontractors

TAJCO Group uses several subcontractors in China. It is essential for TAJCO Group to ensure that these subcontractors follow and comply with the same ethical and social responsibility standards as TAJCO Group.

The determined effort to follow up on this by review of the subcontractors is ongoing to ensure that subcontractors have recorded, implemented and followed up on the policies.

It has been observed that all of TAJCO Group's ethical guidelines have been observed and followed by its subcontractors.

Focus on the development of employees

TAJCO Group focuses both on the professional development of its employees as well as on providing employees with a safe working environment. Employees are motivated and trained internally in quality, environmental and occupational health and safety awareness, and there is now an increased focus on leadership as well as development of employees in general.

Furthermore, clear terms of employment regarding training, working hours and ethics are referred to in the TAJCO Group Employee Handbook.

At group level, TAJCO monitors and follows up on work safety through the registration of the number of accidents. In 2019, the number of work related accidents was increased to 19 compared to 15 in 2018. The negative trend is deemed unsatisfactory, and as consequence TAJCO Group has during 2019 significantly increased the effort within the area of health and safety.

Especially in manufacturing, there has been increase focus on the accident prevention. Structured risk assessments, safety audits, comprehensive training programmes during onboarding activities as well as on the job training are used as a natural part of operations now.

Management's Review

Human rights

It is important for TAJCO Group that all human rights are respected and maintained. The TAJCO Group global CSR policy clearly states that TAJCO Group under no circumstances makes use of child labour, thus supporting the ILO Convention regarding minimum ages of employees.

TAJCO Group continuously ensures that all human rights are respected, and there is a continuous follow up on this.

In 2019, TAJCO Group has continued to conduct process audits amongst all potential suppliers in order to ensure compliance with the company's human rights policy. Moreover, TAJCO Group have continued throughout 2019 to ensure agreement with the TAJCO Group supplier code of conduct, in advance of all potential business offers as well as all new supplier collaborations. Hereby TAJCO Group ensure the prevention of underage labour as well as the upholding of labour and human rights. In 2019, TAJCO Group have continued declining potential suppliers because of the company's pre-agreement compliance requirements. It is important for TAJCO Group that all human rights are respected and maintained.

Focus on anticorruption

There is significant focus on avoidance of corruption of any kind. The TAJCO Group Code of Conduct for Employees is applicable to all employees. This is to ensure that all employees are fully aware of the TAJCO Group's position on ethically correct behaviour. All employees sign the Code of Conduct at employment.

Throughout, we have continuously taken necessary preventive precautions to eliminate corruption. Moreover, in 2019 anti-corruption e-learning have been rolled out and completed by all employees.

TAJCO Group has implemented, promoted and trained employees in the TAJCO Group Whistleblower system and implemented additional controlling to safeguard the wellbeing of the employees.

Focus on environment

Acknowledging that the manufacturing processes have an impact on the environment, there is significant focus on reducing environmental impact. The international standards for Environmental management ISO 14001:2015 and Occupational Health and Safety OHSAS 18001:2007 are in place at the manufacturing locations.

Both manufacturing facilities in China and Slovakia are inspected regularly by local environmental and safety authorities. During the year, there have been minor deviations, which have been corrected immediately. As a result , TAJCO Group operations are at all times compliant with local environmental requirements.

Management's Review

Energy and environmental considerations are integrated in all TAJCO Group projects by means of an overall evaluation and registration of the energy and environmental impact of the products in relation to the manufacturing process, generation and disposal of production waste, scrap and chromium re plating.

Statement on gender composition

Diversity among management and employees is central for the continuous development and success of TAJCO Group. TAJCO Group has a policy on gender equality that seeks to increase the number of women by 2025 at key organisational levels – matching the automotive industry standards as a minimum. It is our firm belief that the best way to embrace diversity and inclusion at TAJCO is through the embedding of our Values and Culture.

The Board of Directors have a 25% female representation with a total of 4 Board members. The TAJCO Group target is to continuing have at least 20% female members of the Executive Board and the Board of Directors by the end of 2021.

It is a stated target for TAJCO Group to have at least 20% women on the management team. By the end of 2019 TAJCO had 17% women at the management team.

All interested and capable candidates are encouraged to apply for positions within TAJCO Group, regardless of gender, culture or age, the company has seen a modest increase in women in managerial positions.

Income Statement 1 January - 31 December

	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
		DKK '000	DKK '000	DKK '000	DKK '000
Revenue	2	**885.086**	**885.470**	**0**	**0**
Expenses for raw materials and consumables		-538.119	-493.047	0	0
Other external expenses		-105.818	-112.649	-1.435	-310
Gross profit/loss		**241.149**	**279.774**	**-1.435**	**-310**
Staff expenses	3	-198.078	-182.603	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-24.876	-26.805	0	0
Profit/loss before financial income and expenses		**18.195**	**70.366**	**-1.435**	**-310**
Income from investments in subsidiaries		0	0	10.549	49.244
Financial income	4	4.134	4.422	0	57
Financial expenses	5	-6.624	-8.155	-681	-711
Profit/loss before fax		**15.705**	**66.633**	**8.433**	**48.280**
Tax on profit/loss for the year	6	-6.806	-18.141	466	212
Net profit/loss for the year		**8.899**	**48.492**	**8.899**	**48.492**

Distribution of profit

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000
Proposed distribution of profit				
Proposed dividend for the year	2.000	0	2.000	0
Reserve for net revaluation under the equity method	0	0	13.478	49.244
Retained earnings	6.899	48.492	-6.579	-752
	8.899	**48.492**	**8.899**	**48.492**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2019	2018	2019	2018
		DKK '000	DKK '000	DKK '000	DKK '000
Software		8.240	11.064	0	0
Intangible assets	7	**8.240**	**11.064**	**0**	**0**
Plant and machinery		85.747	77.740	0	0
Other fixtures and fittings, tools and equipment		1.682	2.628	0	0
Leasehold improvements		6.480	5.229	0	0
Property, plant and equipment in progress		23.567	23.775	0	0
Property, plant and equipment	8	**117.476**	**109.372**	**0**	**0**
Investments in subsidiaries	9	0	0	249.811	237.642
Fixed asset investments		**0**	**0**	**249.811**	**237.642**
Fixed assets		**125.716**	**120.436**	**249.811**	**237.642**
Raw materials and consumables		11.949	28.032	0	0
Work in progress		23.945	30.021	0	0
Finished goods and goods for resale		130.416	105.407	0	0
Inventories		**166.310**	**163.460**	**0**	**0**
Trade receivables		150.631	166.866	0	0
Contract work in progress	10	45.039	57.632	0	0
Receivables from group enterprises		5.751	6.524	0	0
Other receivables		19.654	13.643	0	0
Corporation tax		0	0	466	212
Prepayments	11	20.144	28.487	0	0
Receivables		**241.219**	**273.152**	**466**	**212**
Cash at bank and in hand		**113.903**	**71.277**	**78**	**13**
Currents assets		**521.432**	**507.889**	**544**	**225**
Assets		**647.148**	**628.325**	**250.355**	**237.867**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2019	2018	2019	2018
		DKK '000	DKK '000	DKK '000	DKK '000
Share capital		1.000	1.000	1.000	1.000
Reserve for net revaluation under the equity method		0	0	193.918	180.440
Retained earnings		212.084	203.565	18.166	23.125
Proposed dividend for the year		2.000	0	2.000	0
Equity		**215.084**	**204.565**	**215.084**	**204.565**
Provision for deferred tax	13	9.391	6.671	0	0
Other provisions	14	2.631	2.645	0	0
Provisions		**12.022**	**9.316**	**0**	**0**
Other payables		682	0	0	0
Long-term debt	15	**682**	**0**	**0**	**0**
Credit institutions		183.761	193.751	0	0
Trade payables		131.757	109.874	0	0
Contract work in progress, liabilities	10	8.751	13.187	0	0
Payables to group enterprises		60.294	63.406	35.205	33.237
Corporation tax		1.377	4.103	0	0
Other payables	15	33.420	30.123	66	65
Short-term debt		**419.360**	**414.444**	**35.271**	**33.302**
Debt		**420.042**	**414.444**	**35.271**	**33.302**
Liabilities and equity		**647.148**	**628.325**	**250.355**	**237.867**

Subsequent events	1
Distribution of profit	12
Contingent assets, liabilities and other financial obligations	18
Related parties	19
Fee to auditors appointed at the general meeting	20
Accounting Policies	21

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	1.000	0	203.565	0	204.565
Exchange adjustments relating to foreign entities	0	0	1.620	0	1.620
Net profit/loss for the year	0	0	6.899	2.000	8.899
Equity at 31 December	**1.000**	**0**	**212.084**	**2.000**	**215.084**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	1.000	180.440	23.125	0	204.565
Exchange adjustments relating to foreign entities	0	0	1.620	0	1.620
Net profit/loss for the year	0	13.478	-6.579	2.000	8.899
Equity at 31 December	**1.000**	**193.918**	**18.166**	**2.000**	**215.084**

Cash Flow Statement 1 January - 31 December

	Note	Group 2019	Group 2018
		DKK '000	DKK '000
Net profit/loss for the year		8.899	48.492
Adjustments	16	34.697	48.208
Change in working capital	17	49.723	-108.690
Cash flows from operating activities before financial income and expenses		**93.319**	**-11.990**
Financial income		4.134	4.422
Financial expenses		-6.625	-8.156
Cash flows from ordinary activities		**90.828**	**-15.724**
Corporation tax paid		-6.812	-14.128
Cash flows from operating activities		**84.016**	**-29.852**
Purchase of intangible assets		-1.745	-1.774
Purchase of property, plant and equipment		-32.100	-27.588
Sale of property, plant and equipment		4.783	4.774
Cash flows from investing activities		**-29.062**	**-24.588**
Dividend paid		0	-13.000
Cash flows from financing activities		**0**	**-13.000**
Change in cash and cash equivalents		**54.954**	**-67.440**
Cash and cash equivalents at 1 January		-179.355	-111.915
Cash and cash equivalents at 31 December		**-124.401**	**-179.355**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		113.903	71.277
Payables, net, to group enterprises		-54.543	-56.881
Overdraft facility		-183.761	-193.751
Cash and cash equivalents at 31 December		**-124.401**	**-179.355**

Notes to the Financial Statements

1 Subsequent events

The Tajco Group has production in China via a subsidiary and major part of the sales to customers in Europe and US, thus the Corona outbreak had an effect on the Group's production and financial results in 2020. The subsequent event has no effect on the financial statements for 2019. The effect on the financial statements for 2020 is discussed under expected development.

2 Revenue

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000
Geographical segments				
Europe	582.582	562.340	0	0
America	107.847	133.414	0	0
Asia	188.952	182.579	0	0
Africa	5.705	7.137	0	0
	885.086	**885.470**	**0**	**0**
Business segments				
Trims	779.398	776.721	0	0
Tools	57.386	65.739	0	0
Scrap	48.302	43.010	0	0
	885.086	**885.470**	**0**	**0**

Notes to the Financial Statements

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000
3 Staff expenses				
Wages and salaries	173.758	159.288	0	0
Pensions	2.741	2.587	0	0
Other social security expenses	18.457	18.062	0	0
Other staff expenses	3.122	2.666	0	0
	198.078	**182.603**	**0**	**0**
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	3.120	3.126	0	0
Board of directors	1.000	1.150	0	0
	4.120	**4.276**	**0**	**0**
Average number of employees	**1.185**	**1.136**	**0**	**0**

4 Financial income

Interest received from group enterprises	222	2.013	0	57
Other financial income	3.912	2.409	0	0
	4.134	**4.422**	**0**	**57**

5 Financial expenses

Interest paid to group enterprises	1.336	1.901	681	711
Other financial expenses	5.288	6.254	0	0
	6.624	**8.155**	**681**	**711**

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000
6 Tax on profit/loss for the year				
Current tax for the year	5.334	16.037	-466	-212
Deferred tax for the year	-164	2.104	0	0
Adjustment of tax concerning previous years	1.636	0	0	0
	6.806	**18.141**	**-466**	**-212**

7 Intangible assets

Group

	Software
	DKK '000
Cost at 1 January	51.714
Exchange adjustment	98
Additions for the year	1.745
Cost at 31 December	53.557
Impairment losses and amortisation at 1 January	40.650
Exchange adjustment	42
Amortisation for the year	4.625
Impairment losses and amortisation at 31 December	45.317
Carrying amount at 31 December	**8.240**

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	132.852	10.902	14.996	23.775
Exchange adjustment	995	48	94	72
Additions for the year	2.147	405	3.365	26.183
Disposals for the year	-1.237	-422	0	-4.468
Transfers for the year	21.173	0	822	-21.995
Cost at 31 December	155.930	10.933	19.277	23.567
Impairment losses and depreciation at 1 January	55.112	8.274	9.767	0
Exchange adjustment	424	33	68	0
Depreciation for the year	15.671	1.263	2.962	0
Reversal of impairment and depreciation of sold assets	-1.024	-319	0	0
Impairment losses and depreciation at 31 December	70.183	9.251	12.797	0
Carrying amount at 31 December	**85.747**	**1.682**	**6.480**	**23.567**

9 Investments in subsidiaries

	Parent company 2019 DKK '000	Parent company 2018 DKK '000
Cost at 1 January	57.202	57.202
Cost at 31 December	57.202	57.202
Value adjustments at 1 January	180.440	131.811
Exchange adjustment	1.620	-615
Net profit/loss for the year	10.549	49.244
Value adjustments at 31 December	192.609	180.440
Carrying amount at 31 December	**249.811**	**237.642**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Tajco A/S	Vejle, Denmark	DKK 900.000	100%
Tajco Manufactoring Co. Ltd.	Ningbo, China	CNY 37.266.346	100%
Tajco Slovakia s.r.o.	Malacky, Slovakia	EUR 500.000	100%

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the Financial Statements

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000
10 Contract work in progress				
Selling price of work in progress	121.130	148.019	0	0
Payments received on account	-84.842	-103.574	0	0
	36.288	**44.445**	**0**	**0**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	45.039	57.632	0	0
Prepayments received recognised in debt	-8.751	-13.187	0	0
	36.288	**44.445**	**0**	**0**

11 Prepayments

Prepayments consist of prepaid expenses relating to concluded contracts, rent, licences, telecommunication and insurance premiums.

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000
12 Distribution of profit				
Proposed dividend for the year	2.000	0	2.000	0
Reserve for net revaluation under the equity method	0	0	13.478	49.244
Retained earnings	6.899	48.492	-6.579	-752
	8.899	**48.492**	**8.899**	**48.492**

Notes to the Financial Statements

13 Provision for deferred tax

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000
Provision for deferred tax at 1 January	6.671	2.985	0	0
Amounts recognised in the income statement for the year	-164	2.104	0	0
Amounts recognised in equity for the year	2.884	1.582	0	0
Provision for deferred tax at 31 December	**9.391**	**6.671**	**0**	**0**
Intangible assets	364	878	0	0
Property, plant and equipment	4.215	-148	0	0
Inventories	-404	-636	0	0
Contract word in progress	431	1.827	0	0
Intercompany profit on inventories	-2.685	-1.396	0	0
Debts	0	-197	0	0
Other provisions	-945	-842	0	0
Prepayments	1.325	2.354	0	0
Deferred Dividend tax etc.	7.090	5.333	0	0
Tax loss carry-forward	0	-502	0	0
	9.391	**6.671**	**0**	**0**

Deferred tax has been provided at 22% corresponding to the current tax rate.

Notes to the Financial Statements

14 Other provisions

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	DKK '000	DKK '000	DKK '000	DKK '000

Other provisions includes expected losses on contracts.

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Other provisions	2.631	2.645	0	0
	2.631	**2.645**	**0**	**0**
The provisions are expected to mature as follows:				
Within 1 year	2.631	2.645	0	0
	2.631	**2.645**	**0**	**0**

15 Long-term debt

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

The debt falls due for payment as specified below:

Other payables

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Between 1 and 5 years	682	0	0	0
Long-term part	682	0	0	0
Other short-term payables	33.420	30.124	66	66
	34.102	**30.124**	**66**	**66**

16 Cash flow statement - adjustments

	Group 2019	Group 2018
	DKK '000	DKK '000
Financial income	-4.134	-4.422
Financial expenses	6.624	8.155
Depreciation, amortisation and impairment losses	24.876	26.805
Tax on profit/loss for the year	6.806	18.141
Exchange adjustment, etc.	525	-471
	34.697	**48.208**

Notes to the Financial Statements

17 Cash flow statement - change in working capital

	Group 2019	Group 2018
	DKK '000	DKK '000
Change in inventories	-2.850	-29.528
Change in receivables, contract work in progress	26.722	-5.168
Change in other provisions	-14	83
Change in other payables and trade payables etc	25.865	-74.077
	49.723	**-108.690**

Notes to the Financial Statements

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000

18 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

Mortgage deed on movable property of nom DDKK 8 million secred on fixtures and operating equipment as well as goodwill at a total carrying amount of	41	92	0	0

The Group and parent company have guaranteed the bank debt of group enterprises. Bank debt in affiliated companies at 31 December 2019 amounts to TDKK 130.416

The Group has guaranteed DKK 2,725k, regarding its engagement with trading partners.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:				
Within 1 year	1.398	1.569	0	0
Between 1 and 5 years	1.256	951	0	0
	2.654	**2.520**	**0**	**0**
Rental obligations, period of non-terminability	39.454	47.873	0	0

Notes to the Financial Statements

18 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income. The total amount is shown in the Annual Report of Casifa ApS, which acts as the management company of the joint taxation.

19 Related parties

	Basis
Controlling interest	
Casifa ApS	Majority shareholder

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Casifa ApS	Silkeborg

20 Fee to auditors appointed at the general meeting

	Group		Parent company	
	2019	2018	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000
PricewaterhouseCoopers				
Audit fee	502	502	50	50
Tax advisory services	35	186	0	0
Andre ydelser	116	161	0	0
	653	**849**	**50**	**50**
Other auditors				
Audit fee	96	96	0	0
	96	**96**	**0**	**0**
	749	**945**	**50**	**50**

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Tajco Group A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2019 are presented in DKK '000.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation and provisions.

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Tajco Group A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Leases

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

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

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

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

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes to the Financial Statements

21 Accounting Policies (continued)

Income Statement

Revenue

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

Contract work in progress (customer tools) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Income from investments in subsidiaries

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with the parent company and the parent company's Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Software are measured at cost less accumulated amortisation. Software are depreciated over the expected lifetime, which is 3 years.

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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

Plant and machinery	8	years
Other fixtures and fittings, tools and equipment	3-8	years
Leasehold improvements	5	years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

21 Accounting Policies (continued)

Impairment of fixed assets

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

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

Investments in subsidiaries

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

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

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

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

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

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning contracts, rent, licences, telecommunication and insurance premiums etc.

Equity

Dividend

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”, ”Payables, net, to Group enterprises” and ”Overdraft facilities”.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$