
Tajco Group A/S

Jens Ravns Vej 11A, DK-7100 Vejle

Annual Report for 1 January - 31 December 2020

CVR No 33 57 47 97

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2021

Henrik Lykke Søberg
Chairman of the General
Meeting



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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 2020.

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 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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

Vejle, 28 May 2021

Executive Board

Erik Laursen
Executive Officer

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 2020 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 2020 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 2020, 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 Financial 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 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh
statsautoriseret revisor
mne26783

Henrik Berring Rasmussen
statsautoriseret revisor
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				
	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	684.896	885.086	885.470	894.897	794.451
Gross profit/loss	214.197	241.149	279.774	294.814	266.116
Profit/loss before financial income and expenses	5.941	18.195	70.366	52.666	50.284
Net financials	-5.090	-2.490	-3.733	-13.193	-2.301
Net profit/loss for the year	628	8.899	48.492	24.643	35.421
Balance sheet					
Balance sheet total	602.573	647.148	628.325	689.572	642.874
Equity	205.552	215.084	204.565	156.688	141.702
Cash flows					
investment in property, plant and equipment	-14.289	-32.100	-27.588	-23.006	-22.500
Average number of employees	1.008	1.185	1.136	1.148	1.187
Financial ratios					
Gross margin	31,3%	27,2%	31,6%	32,9%	33,5%
Profit margin	0,9%	2,1%	7,9%	5,9%	6,3%
Return on assets	1,0%	2,8%	11,2%	7,6%	7,8%
Solvency ratio	34,1%	33,2%	32,6%	22,7%	22,0%
Return on equity	0,3%	4,2%	26,8%	16,5%	23,5%

Financial ratios have been calculated in accordance with definitions in the Accounting Policies in Note 20.

Management's Review

Key activities

TAJCO Group develops and manufactures premium tailpipe trims for the global automotive industry. Operations consist of product development, engineering, manufacturing and sales for OEMs 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 IATF 16949:2016 standard.

Development in the year

The consolidated income statement for 2020 shows a profit of TDKK 628, which is considered unsatisfactory. The result for the year is negatively impacted by both the COVID-19 pandemic and restructuring costs related to the decision taken during 2020 to cease the production activities in Slovakia. COVID-19 had a severe impact on revenue in second quarter but recovered in the last half of 2020. Cashflow development has been strong with an improvement of TDKK 27,600 in 2020. As per 31.12.2020, the consolidated balance sheet shows an equity of TDKK 205,552.

Outlook

As mentioned above the revenue recovered in the last half of 2020 when TAJCO Group customers resumed their production activities. Despite the uncertainties caused by the outbreak of COVID-19, the stable development is currently expected to continue in 2021 with a single-digit growth rate.

Special risks - operating risks and financial risks

Raw material prices and freight rates

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 only to a limited degree can be compensated by contractually agreed price increases.

This is similar for fluctuations in freight rates which can also only to a limited degree be compensated by contractually agreed price increases. TAJCO Group continuously monitors the market and assesses if long term agreements for freight rates are considered advantageous.

Management's Review

Currency

Due to its international operations, TAJCO Group earnings, cash flow and equity are affected by the development in exchange rates and interest rates in several currencies. It is TAJCO Group policy not 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.

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 footprint as described above under “Key Activities”, with manufacturing and logistic facilities in China and Slovakia, as well as sales and administration offices in Denmark, Germany, United States, China and Japan. Subcontractors in China are furthermore part of the production setup. 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 <https://www.tajco-group.com/about/csr>

Management's Review

Focus on management of subcontractors

TAJCO Group uses several subcontractors. 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 recorded that all TAJCO Group 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 trained in quality, environmental and occupational health and safety awareness, and in 2020 we have 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 Group monitors and follows up on work safety through the registration of the number of accidents. A major "Safety First" campaign was initiated in 2019. In 2020, the number of work-related accidents was reduced to 4 compared to 19 in 2019. This positive trend is the result of significantly increased efforts within operations and the global 'Safety First' campaign. Structured risk assessments, safety audits, comprehensive training programmes during onboarding activities as well as on the job training are now integrated into operations.

Human rights

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

In 2020, TAJCO Group continued to conduct process audits among all potential suppliers in order to ensure compliance with the company's human rights policy. Due to the risk of violation of human rights within in the value chain, TAJCO Group has continued throughout 2020 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 ensures the prevention of underage labour as well as the upholding of human and labour rights. In 2020, TAJCO Group has 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

Management's Review

Focus on anticorruption

Due to the potential risk of corruption, there is as significant focus on preventing actions such as the TAJCO Group Code of Conduct for Employees which is applicable to all employees. The purpose is to ensure that all employees are fully aware of TAJCO Group's stance on ethically correct behaviour. All employees sign the Code of Conduct upon employment.

Throughout the year, we have continuously taken necessary preventive precautions to eliminate corruption.

TAJCO Group has implemented, promoted and trained employees in the TAJCO Group Whistle-blower system and implemented additional controls to safeguard the wellbeing of the employees.

Focus on environment

Acknowledging that the manufacturing processes in TAJCO comes with a risk for the environment, there is significant focus on reducing this, by implementing the international standards for Environmental Management ISO 14001:2015 and Occupational Health and Safety ISO 45001:2018 at the manufacturing site in China. Analysis is continuously made in the plant located laboratory, monitoring that regulatory limits are not exceeded.

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.

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.

Sustainability is on the agenda at TAJCO and efforts to reduce our environmental footprint has resulted in various initiatives throughout 2020:

- Installed RTO system for painting waste gas disposal to reduce emission with the result waste gas and CO₂ discharging, discharging concentration of non-methane hydrocarbon being reduced from ~100mg/m³ to ~10mg/m³
- Replaced cleaning agent of washing line with the result wastewater volume was reduced from 4500T in 2019 to 2900T in 2020.
- Implementing a project for waste heat re-use from air compressor as well as other energy reduction initiatives, resulting in a reduction of in total 1.200.000 KWH per year

Management's Review

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 in key positions at all organisational levels by 2025 – matching the automotive industry standards as a minimum. It is our firm belief that the best way to embrace diversity and inclusion in the TAJCO Group is by embedding our Values and Culture.

The Board of Directors for both TAJCO Group A/S and TAJCO A/S consists of the same people and has a female representation of 25% thereby complying with the Danish Business Authorities latest guidance. The TAJCO Group target is to continually have at least a 20% representation of female members on the Board of Directors.

It is a stated target for TAJCO Group to have at least 20% women in the Group Management team. By the end of 2020, women were represented with 15% in the TAJCO Group 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		Parent company	
		2020	2019	2020	2019
		DKK '000	DKK '000	DKK '000	DKK '000
Revenue	1	684.896	885.086	1	0
Expenses for raw materials and consumables		-405.648	-538.119	0	0
Other external expenses		-65.051	-105.818	-2.414	-1.435
Gross profit/loss		214.197	241.149	-2.413	-1.435
Staff expenses	2	-171.971	-198.078	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-36.285	-24.876	0	0
Profit/loss before financial income and expenses		5.941	18.195	-2.413	-1.435
Income from investments in subsidiaries		1	0	3.126	10.549
Financial income	3	3.149	4.134	0	0
Financial expenses	4	-8.240	-6.624	-790	-681
Profit/loss before fax		851	15.705	-77	8.433
Tax on profit/loss for the year	5	-223	-6.806	705	466
Net profit/loss for the year		628	8.899	628	8.899

	Group		Parent company	
	2020	2019	2020	2019
	DKK '000	DKK '000	DKK '000	DKK '000
Proposed distribution of profit				
Proposed dividend for the year	0	2.000	0	2.000
Reserve for net revaluation under the equity method	0	0	3.127	13.478
Retained earnings	628	6.899	-2.499	-6.579
	628	8.899	628	8.899

Balance Sheet 31 December

Assets

	Note	Group		Parent company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Software		5.279	8.240	0	0
Intangible assets	6	5.279	8.240	0	0
Plant and machinery		71.699	85.747	0	0
Other fixtures and fittings, tools and equipment		992	1.682	0	0
Leasehold improvements		4.402	6.480	0	0
Property, plant and equipment in progress		16.646	23.567	0	0
Property, plant and equipment	7	93.739	117.476	0	0
Investments in subsidiaries	8	0	0	244.778	249.811
Fixed asset investments		0	0	244.778	249.811
Fixed assets		99.018	125.716	244.778	249.811
Raw materials and consumables		20.508	11.949	0	0
Work in progress		30.350	23.945	0	0
Finished goods and goods for resale		114.234	130.416	0	0
Inventories		165.092	166.310	0	0
Trade receivables		132.459	150.631	0	0
Contract work in progress	9	30.816	45.039	0	0
Receivables from group enterprises		3.136	5.751	0	0
Other receivables		18.777	19.654	0	0
Deferred tax asset	12	0	0	606	0
Corporation tax		1.548	0	99	466
Prepayments	10	7.480	20.144	0	0
Receivables		194.216	241.219	705	466
Cash at bank and in hand		144.247	113.903	0	78
Currents assets		503.555	521.432	705	544
Assets		602.573	647.148	245.483	250.355

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Share capital		1.000	1.000	1.000	1.000
Reserve for net revaluation under the equity method		0	0	187.576	193.918
Retained earnings		204.552	212.084	16.976	18.166
Proposed dividend for the year		0	2.000	0	2.000
Equity		205.552	215.084	205.552	215.084
Provision for deferred tax	12	3.031	9.391	0	0
Other provisions	13	1.486	2.631	0	0
Provisions		4.517	12.022	0	0
Other payables		0	682	0	0
Long-term debt	14	0	682	0	0
Credit institutions		168.157	183.761	111	0
Trade payables		121.341	131.757	77	0
Contract work in progress, liabilities	9	1.524	8.751	0	0
Payables to group enterprises		60.049	60.294	38.616	35.205
Corporation tax		8	1.377	0	0
Other payables	14	41.425	33.420	1.127	66
Short-term debt		392.504	419.360	39.931	35.271
Debt		392.504	420.042	39.931	35.271
Liabilities and equity		602.573	647.148	245.483	250.355
Distribution of profit	11				
Contingent assets, liabilities and other financial obligations	17				
Related parties	18				
Fee to auditors appointed at the general meeting	19				
Accounting Policies	20				

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	212.084	2.000	215.084
Ordinary dividend paid	0	0	0	-2.000	-2.000
Exchange rate adjustments relating to foreign entities	0	0	-8.160	0	-8.160
Net profit/loss for the year	0	0	628	0	628
Equity at 31 December	1.000	0	204.552	0	205.552

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	192.609	19.475	2.000	215.084
Ordinary dividend paid	0	0	0	-2.000	-2.000
Exchange rate adjustments relating to foreign entities	0	-8.160	0	0	-8.160
Net profit/loss for the year	0	3.127	-2.499	0	628
Equity at 31 December	1.000	187.576	16.976	0	205.552

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2020 DKK '000	2019 DKK '000
Net profit/loss for the year		628	8.899
Adjustments	15	34.280	34.697
Change in working capital	16	33.612	49.723
Cash flows from operating activities before financial income and expenses		68.520	93.319
Financial income		3.673	4.134
Financial expenses		-8.764	-6.625
Cash flows from ordinary activities		63.429	90.828
Corporation tax paid		-9.498	-6.812
Cash flows from operating activities		53.931	84.016
Purchase of intangible assets		0	-1.745
Purchase of property, plant and equipment		-14.289	-32.100
Sale of property, plant and equipment		3.553	4.783
Sale of intangibles assets		308	0
Cash flows from investing activities		-10.428	-29.062
Change in cash and cash equivalents		43.503	54.954
Cash and cash equivalents at 1 January		-124.401	-179.355
Cash and cash equivalents at 31 December		-80.898	-124.401
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		144.247	113.903
Payables, net, to group enterprises		-56.988	-54.543
Overdraft facility		-168.157	-183.761
Cash and cash equivalents at 31 December		-80.898	-124.401

Notes to the Financial Statements

1 Revenue	Group		Parent company	
	2020	2019	2020	2019
	DKK '000	DKK '000	DKK '000	DKK '000
Geographical segments				
Europe	458.635	582.582	1	0
America	96.638	107.847	0	0
Asia	125.816	188.952	0	0
Africa	3.807	5.705	0	0
	684.896	885.086	1	0
Business segments				
Trims	623.730	779.399	0	0
Tools	28.473	57.385	0	0
Scrap	32.692	48.302	0	0
	0	0	1	0
	684.896	885.086	1	0
2 Staff expenses	Group		Parent company	
	2020	2019	2020	2019
	DKK '000	DKK '000	DKK '000	DKK '000
Wages and salaries	149.064	173.758	0	0
Pensions	2.528	2.741	0	0
Other social security expenses	18.344	18.457	0	0
Other staff expenses	2.035	3.122	0	0
	171.971	198.078	0	0
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	3.573	3.120	0	0
Board of directors	1.000	1.000	0	0
	4.573	4.120	0	0
Average number of employees	1.008	1.185	0	0

Notes to the Financial Statements

	Group		Parent company	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
3 Financial income				
Interest received from group enterprises	3.009	222	0	0
Other financial income	140	3.912	0	0
	3.149	4.134	0	0
4 Financial expenses				
Interest paid to group enterprises	1.384	1.336	765	681
Other financial expenses	6.856	5.288	25	0
	8.240	6.624	790	681
5 Tax on profit/loss for the year				
Current tax for the year	6.673	5.334	-99	-466
Deferred tax for the year	-6.246	-164	-606	0
Adjustment of tax concerning previous years	-204	1.636	0	0
	223	6.806	-705	-466

Notes to the Financial Statements

6 Intangible assets

Group

	<u>Software</u> DKK '000
Cost at 1 January	53.557
Exchange rate adjustment	-375
Disposals for the year	<u>-1.278</u>
Cost at 31 December	<u>51.904</u>
Impairment losses and amortisation at 1 January	45.317
Exchange rate adjustment	-189
Amortisation for the year	2.467
Reversal of amortisation of disposals for the year	<u>-970</u>
Impairment losses and amortisation at 31 December	<u>46.625</u>
Carrying amount at 31 December	<u>5.279</u>

Notes to the Financial Statements

7 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	156.037	10.934	19.278	23.459
Exchange rate adjustment	-3.785	-43	-575	-457
Additions for the year	5.066	128	2.061	7.034
Disposals for the year	-2.275	-645	-88	-2.736
Transfers for the year	6.292	0	42	-6.334
Cost at 31 December	<u>161.335</u>	<u>10.374</u>	<u>20.718</u>	<u>20.966</u>
Impairment losses and depreciation at 1 January	70.183	9.251	12.797	0
Exchange rate adjustment	-1.844	-135	-305	0
Impairment losses for the year	6.648	0	484	4.320
Depreciation for the year	16.149	873	3.424	0
Reversal of impairment and depreciation of sold assets	-1.500	-607	-84	0
Impairment losses and depreciation at 31 December	<u>89.636</u>	<u>9.382</u>	<u>16.316</u>	<u>4.320</u>
Carrying amount at 31 December	<u>71.699</u>	<u>992</u>	<u>4.402</u>	<u>16.646</u>

Notes to the Financial Statements

	Parent company	
	2020 DKK '000	2019 DKK '000
8 Investments in subsidiaries		
Cost at 1 January	57.202	57.202
Cost at 31 December	57.202	57.202
Value adjustments at 1 January	192.609	180.440
Exchange rate adjustment	-8.161	1.620
Net profit/loss for the year	3.128	10.549
Value adjustments at 31 December	187.576	192.609
Carrying amount at 31 December	244.778	249.811

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 Manufacturing 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	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
9 Contract work in progress				
Selling price of work in progress	78.749	121.130	0	0
Payments received on account	-49.457	-84.842	0	0
	29.292	36.288	0	0
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	30.816	45.039	0	0
Prepayments received recognised in debt	-1.524	-8.751	0	0
	29.292	36.288	0	0

10 Prepayments

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

	Group		Parent company	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
11 Distribution of profit				
Proposed dividend for the year	0	2.000	0	2.000
Reserve for net revaluation under the equity method	0	0	3.127	13.478
Retained earnings	628	6.899	-2.499	-6.579
	628	8.899	628	8.899

Notes to the Financial Statements

	Group		Parent company	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
12 Provision for deferred tax				
Provision for deferred tax at 1 January	9.391	6.671	0	0
Amounts recognised in the income statement for the year	-6.246	-164	-606	0
Amounts recognised in equity for the year	-114	2.884	0	0
Provision for deferred tax at 31 December	3.031	9.391	-606	0
Intangible assets	88	364	0	0
Property, plant and equipment	1.773	4.215	0	0
Inventories	-804	-404	0	0
Contract work in progress	-1.105	431	0	0
Intercompany profit on inventories	-3.477	-2.685	0	0
Debts	-608	0	0	0
Other provisions	-2.338	-945	0	0
Prepayments	823	1.325	0	0
Deferred Dividend tax etc.	15.491	7.090	0	0
Tax loss carry-forward	-6.812	0	-606	0
Transferred to deferred tax asset	0	0	606	0
	3.031	9.391	0	0

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

Deferred tax asset

Calculated tax asset	0	0	606	0
Carrying amount	0	0	606	0

Notes to the Financial Statements

13 Other provisions	Group		Parent company	
	2020	2019	2020	2019
	DKK '000	DKK '000	DKK '000	DKK '000
Other provisions includes expected losses on contracts.				
Other provisions	1.486	2.631	0	0
	1.486	2.631	0	0
The provisions are expected to mature as follows:				
Within 1 year	1.486	2.631	0	0
	1.486	2.631	0	0

14 Long-term debt

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

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	0	682	0	0
Long-term part	0	682	0	0
Other short-term payables	41.425	33.420	1.127	66
	41.425	34.102	1.127	66

15 Cash flow statement - adjustments	Group	
	2020	2019
	DKK '000	DKK '000
Financial income	-3.149	-4.134
Financial expenses	8.240	6.624
Depreciation, amortisation and impairment losses	36.285	24.876
Income from investments in subsidiaries	-1	0
Tax on profit/loss for the year	223	6.806
Exchange rate adjustment, etc.	-7.318	525
	34.280	34.697

Notes to the Financial Statements

	Group	
	2020	2019
	DKK '000	DKK '000
16 Cash flow statement - change in working capital		
Change in inventories	1.218	-2.850
Change in receivables, contract work in progress	38.710	26.722
Change in other provisions	-1.145	-14
Change in other payables and trade payables etc	-5.171	25.865
	33.612	49.723

	Group		Parent company	
	2020	2019	2020	2019
	DKK '000	DKK '000	DKK '000	DKK '000
17 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 DKK 8 million secured on fixtures and operating equipment as well as goodwill at a total carrying amount of	48	176	0	0
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The Group and parent company have guaranteed the bank debt of group enterprises. Bank debt in affiliated companies at 31 December 2020 amounts to TDKK 115.823

The Group has guaranteed DKK 2,724k, regarding its engagement with trading partners.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.512	1.398	0	0
Between 1 and 5 years	1.880	1.256	0	0
	3.392	2.654	0	0

Rental obligations, period of non-terminability	22.912	39.454	0	0
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Notes to the Financial Statements

17 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.

18 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

Notes to the Financial Statements

	Group		Parent company	
	2020	2019	2020	2019
	DKK '000	DKK '000	DKK '000	DKK '000
19 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	537	502	0	50
Other assurance engagements	101	0	0	0
Tax advisory services	161	35	0	0
Other services	221	116	0	0
	1.020	653	0	50
Other auditors				
Audit fee	92	96	0	0
	92	96	0	0
	1.112	749	0	50

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Tajco Group A/S for 2020 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 2020 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

20 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

20 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

20 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.

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

The fixed assets' residual values are determined at nil.

Notes to the Financial Statements

20 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

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

20 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

20 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

20 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

20 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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