

# Roth North Europe A/S

Centervej 5, 3600 Frederikssund

CVR no. 34 01 21 13

## Annual report 2018

Approved at the Company's annual general meeting on 27 May 2019

Chairman:



.....  
Jakob Kristensen





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## Statement by Management

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Roth North Europe A/S for the financial year 1 January - 31 December 2018.

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

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 2018 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2018.

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

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

Frederikssund, 27 May 2019  
Executive Board:

  
Morten Nyvang Voss  
Per Storm Kronil

Board of Directors:

  
Manfred Roth  
Chairman  
Christin Roth-Jäger  
Matthias Donges  
Morten Nyvang Voss  
Per Storm Kronil

## Independent auditor's report

To the shareholder of Roth North Europe A/S

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Roth North Europe A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 2018 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

## Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note 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.

### Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

### Independent auditor's report

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

Copenhagen, 27 May 2019

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Ole Hedemann  
State Authorised  
Public Accountant  
mne14949

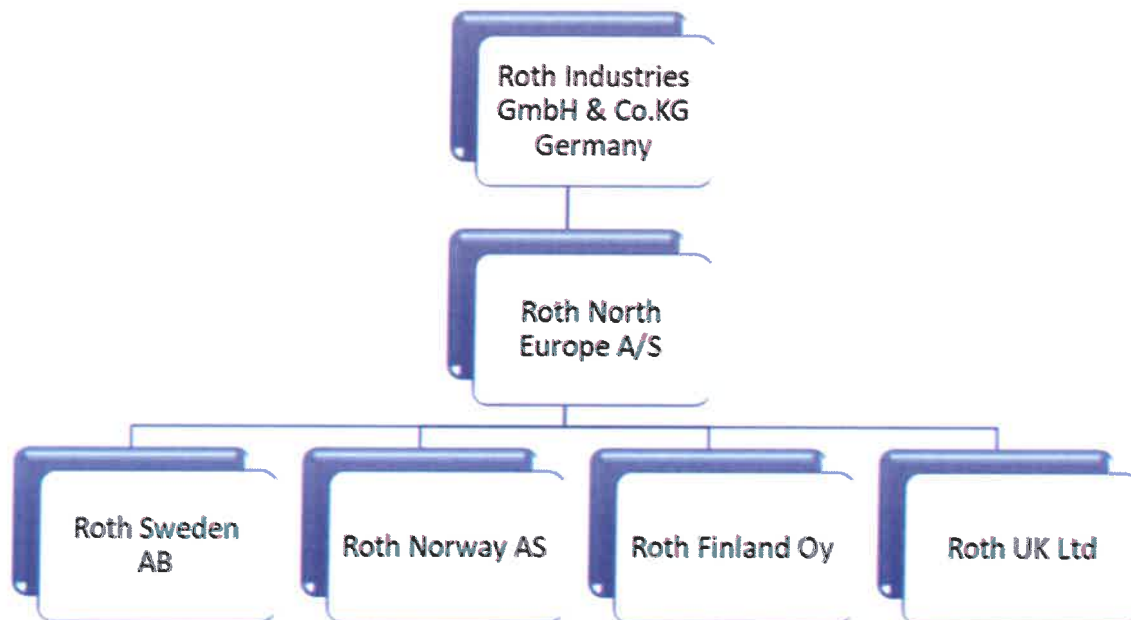


Anders Flymer-Dindler  
State Authorised  
Public Accountant  
mne35423

## Management's review

### Group chart

Roth North Europe is 100% owned by the German family-run company Roth Industries GmbH & Co. KG. Roth DK has fully owned subsidiaries in Sweden, Norway, Finland and the UK. The legal structure of Roth North Europe A/S is shown below:



### Financial highlights for the Group

DKK million	2018	2017	2016	2015	2014
<b>Key figures</b>					
Gross profit	81.1	87.5	74.3	63.1	55.7
Profit from ordinary activities	15.4	27.4	22.5	15.2	9.9
Profit/loss from net financials	-1.0	-1.3	-0.8	-0.6	-2.4
Profit for the year	9.5	19.6	17.0	11.1	5.5
Total assets	180.0	141.7	118.8	101.8	97.1
Amount relating to investments in property, plant and equipment	31.1	1.6	3.6	2.8	0.6
Equity	83.6	74.0	59.7	41.9	31.2
Cash flows from operating activities	-6.2	20.3	11.0	13.6	-5.5
Cash flow from investing activities	-31.1	-1.6	-3.6	-2.8	-0.6
Cash flows from financing activities	27.3	-1.9	-4.3	-13.6	3.0
Total cash flows	-10.0	16.8	3.1	-2.8	-3.1
<b>Financial ratios</b>					
Equity ratio	46.4%	52.2%	50.3%	41.2%	32.1%
Return on equity	12.0%	29.2%	33.5%	30.4%	18.6%
Average number of full-time employees	96	85	71	69	66

Financial ratios are calculated in accordance with the description in accounting policies



## Management's review

### Company details

Name	Roth North Europe A/S
Address, postal code, city	Centervej 5, DK-3600 Frederikssund
CVR no.	34 01 21 13
Registered office	Frederikssund
Financial year	1 January - 31 December
Website	<a href="http://www.roth-northeurope.com">www.roth-northeurope.com</a>
Telephone	+45 47 33 97 00
Board of Directors	Manfred Roth, Chairman Matthias Donges Morten Nyvang Voss Christin Roth-Jäger Per Storm Kronil
Executive Board	Morten Nyvang Voss Per Storm Kronil
Auditor	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuhs Vej 4, P O Box 250, DK-2000 Frederiksberg
Bankers	Nordea Bank Danmark A/S



## Management's review

### Principal activities

The Roth North Europe develops, manufactures and markets complete heating and sanitation systems especially adapted to the North European market. A shared service centre in Denmark supplies the group entities in the other Nordic countries with logistics, finance, IT, procurement, marketing and administration services. Sales take place through heating and sanitation wholesalers.

The Group offers complete systems within the fields of; Energy generation, energy storage and energy distribution in the form of solar systems, tank systems for energy and water storage, water-borne floor heating systems, piping systems for domestic water and heating as well as snow melting systems.

### Development in activities and financial matters

The income statement of the Group for 2018 shows a profit of DKK 9,480 thousand against DKK 19,552 thousand in the previous year, and the Group's and the Parent Company's balance sheet at 31 December 2018 shows equity of DKK 83,553 thousand.

The positive trends in recent years stagnated somewhat in 2018. Group revenue is at the same level, whereas profit for the year has decreased significantly compared to last year. However, it is satisfactory that all companies, apart from the newly acquired subsidiary in England in 2017, still realise profits.

Despite our continued optimisation of business procedures, etc., 2018 has to some extent been a consolidation year where the number of employees in the Group increased by 11 to a total of 96 on average.

The expansion of the business with more employees, a loss in the English company due to large investments as well as unfavourable exchange rates are thus the main reasons for the decreasing results in 2018. Moreover, the year's expansion of the common shared service centre also had an effect.

### *Roth North Europe A/S, Denmark*

Despite a strong sales organisation and a growing market, revenue in the Company has not quite met expectations but is, however, still in line with last year. Sales in Denmark are still made to a few customers in a very competitive market.

The Company's income statement for 2018 shows a profit of DKK 9,480 thousand, including profits from subsidiaries. The Company's balance sheet at 31 December 2018 shows equity of DKK 83,533 thousand after transfer of profit/loss for the year.

The Company's performance for the year shows a downturn compared to 2017 - primarily due to consolidation and declining sales - and the budgeted income statement was not completely met either. However, results for the year are generally considered satisfactory.

### *Roth Sweden AB*

Due to increased sales to several of our largest customers, revenue exceeded expectations for the year. At the same time, revenue is slightly higher than last year.

The company's market share is at the same level as in recent years. With increasing project sales and heavy price pressure, earnings were also subject to increased pressure in 2018, which is expected to continue in 2019.

Structural changes in the market means that revenue for 2019 is only expected to be at the 2018 level; however, performance for 2019 is expected to be relatively better than last year.

For 2018, the company's income statement shows a minor profit that is, however, somewhat lower than last year and significantly affected by the low SEK. Overall, the profit is considered less satisfactory.

## Management's review

### *Roth Norway AS*

With a somewhat increased revenue compared to 2017, the company has exceeded expected revenue for 2018, and the company has gained market shares. Despite a continued weak NOK, the company has nevertheless realised a profit exceeding expectations for 2018.

Compared to 2017, the profit is also considerably higher in 2018 and is considered very satisfactory, not least in light of the continued weak NOK.

### *Roth Finland Oy*

Revenue slightly exceeded expectations and is slightly above the level of 2017.

However, profit for the year is somewhat below the level of 2017, primarily due to increasing costs, but exceeds expectations.

In recent years, the Finnish company has seen a very positive development, which is expected to continue in line with the company's continuously increasing market share.

### *Roth UK Limited*

The English company, which was acquired in 2017, shows a considerable loss for 2018, which is according to plan.

The company has experienced financial turmoil in recent years, but the restructuring made and plans for the company give us reasonable hope that the losses in recent years will be turned into profits in the next couple of years.

As the English market is much larger than the total Nordic market and with a small market share at present, the potential in England seems very large.

### **Knowledge resources**

The Company markets and sells products that are developed and manufactured by other group entities and external suppliers. Other than that, the Company does not possess any significant knowledge resources.

### **Special risks**

Roth North Europe A/S is exposed to interest rate and currency risks, which are hedged on a current basis in accordance with the Company's risk management policies.

### **Impact on the environment**

The Company is committed to acting within the framework of environmental law and generally accepted standards. The Company has no production activities that have any significant effect on the environment.

### **Research and development**

Since the Company is part of an international group, some of its research and development activities are handled by the Group's headquarters in Germany. However, the Company also carries on own research and development activities, focusing primarily on innovative high-quality products for the Nordic and English markets.

### **Subsequent events**

No significant events have occurred after the balance sheet date.



## **Management's review**

### **Outlook**

The Group's activity level in the first months of 2019 has exceeded the Company's expectations. Higher revenue than expected combined with relatively lower controlled costs have thus entailed good results in the first months of the year. For the year as a whole, a profit is expected that will at least meet the Group's budget targets and contribute to increase the Group's equity ratio.

**Consolidated financial statements and parent company financial statements**  
**1 January - 31 December**

**Income statement**

Note	DKK'000	Group		Parent	
		2018	2017	2018	2017
	<b>Gross profit</b>	81,062	87,500	40,020	38,349
2	Staff costs	-63,600	-58,100	-27,736	-23,795
	Amortisation and depreciation	-2,060	-1,991	-1,742	-1,815
	<b>Operating profit</b>	15,402	27,409	10,542	12,739
	Share of net profit in subsidiaries	0	0	2,265	10,697
3	Financial income	206	430	241	151
4	Financial expenses	-1,223	-1,691	-1,394	-1,357
	<b>Profit before tax</b>	14,385	26,148	11,654	22,230
5	Tax for the year	-4,905	-6,596	-2,174	-2,678
	<b>Profit for the year</b>	9,480	19,552	9,480	19,552

**Consolidated financial statements and parent company financial statements for  
the period 1 January - 31 December**

**Balance sheet**

Note	DKK'000	Group		Parent	
		2018	2017	2018	2017
	<b>ASSETS</b>				
	<b>Fixed assets</b>				
6	<b>Property, plant and equipment</b>				
	Land and buildings	53,107	25,623	53,107	25,623
	Fixtures and fittings, tools and equipment	4,836	3,194	3,960	2,621
	Property, plant and equipment under construction	100	193	100	193
		<u>58,043</u>	<u>29,010</u>	<u>57,167</u>	<u>28,437</u>
	<b>Investments</b>				
7	Equity investments in subsidiaries	0	0	57,553	47,357
		<u>0</u>	<u>0</u>	<u>57,553</u>	<u>47,357</u>
	<b>Total fixed assets</b>	<u>58,043</u>	<u>29,010</u>	<u>114,720</u>	<u>75,794</u>
	<b>Non-fixed assets</b>				
	<b>Inventories</b>				
	Raw materials and consumables				
	Work in progress				
	Finished goods and goods for resale	34,405	28,668	33,609	26,956
		<u>34,405</u>	<u>28,668</u>	<u>33,609</u>	<u>26,956</u>
	<b>Receivables</b>				
	Trade receivables	72,259	59,026	26,968	16,937
	Receivables from group entities	0	10	4,961	40
	Other receivables	2,736	1,590	4,759	1,644
8	Prepayments	1,100	1,436	652	701
		<u>76,095</u>	<u>62,062</u>	<u>37,340</u>	<u>19,322</u>
	<b>Cash</b>	<u>11,417</u>	<u>21,993</u>	<u>6,216</u>	<u>17,528</u>
	<b>Total non-fixed assets</b>	<u>121,917</u>	<u>112,723</u>	<u>77,165</u>	<u>63,806</u>
	<b>TOTAL ASSETS</b>	<u>179,960</u>	<u>141,733</u>	<u>191,885</u>	<u>139,600</u>

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK'000	Group		Parent	
		2018	2017	2018	2017
		<b>EQUITY AND LIABILITIES</b>			
		<b>Equity</b>			
9	Share capital	720	720	720	720
	Net revaluation reserve according to the equity method	0	0	23,597	21,852
	Retained earnings	82,833	73,225	59,236	51,373
	<b>Total equity</b>	<b>83,553</b>	<b>73,945</b>	<b>83,553</b>	<b>73,945</b>
	<b>Provisions</b>				
10	Deferred tax	2,200	1,780	2,275	1,780
	<b>Total provisions</b>	<b>2,200</b>	<b>1,780</b>	<b>2,275</b>	<b>1,780</b>
	<b>Liabilities other than provisions</b>				
11	<b>Non-current liabilities other than provisions</b>				
	Debt to mortgage credit institutions	11,506	12,271	11,506	12,271
	Lease commitments	86	290	86	290
		<b>11,592</b>	<b>12,561</b>	<b>11,592</b>	<b>12,561</b>
	<b>Current liabilities other than provisions</b>				
11	<b>Current portion of non-current liabilities other than provisions</b>				
	than provisions	969	1,206	969	1,206
	Credit institutions	28,457	0	28,457	0
	Trade payables	17,551	11,224	14,930	7,776
	Payables to group entities	7,142	7,176	38,792	29,342
	Corporation tax	1,973	3,640	968	638
	Other payables	26,523	30,201	10,349	12,352
		<b>82,615</b>	<b>53,447</b>	<b>94,465</b>	<b>51,314</b>
	<b>Total liabilities other than provisions</b>	<b>94,207</b>	<b>66,008</b>	<b>106,057</b>	<b>63,875</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>179,960</b>	<b>141,733</b>	<b>191,885</b>	<b>139,600</b>

- 1 Accounting policies
- 12 Mortgages and collateral
- 13 Contractual obligations and contingencies
- 14 Related parties

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK'000	Group		
		Share capital	Retained earnings	Total
		720	73,225	73,945
17	Equity at 1 January 2018	0	9,480	9,480
	Transfer, see "Distribution of profit/loss"	0	-520	-520
	Foreign exchange adjustments, foreign subsidiary	0	831	831
	Value adjustment of hedging instruments, 31 December	0	-183	-183
	Tax on equity transactions			
	Equity at 31 December 2018	720	82,833	83,553

Note	DKK'000	Parent				
		Share capital	Net revaluation reserve acc. to the equity method	Retained earnings	Dividend proposed for the year	Total
		720	21,852	51,373	0	73,945
17	Equity at 1 January 2018	0	2,265	7,215	0	9,480
	Transfer, see "Distribution of profit/loss"	0	-520	0	0	-520
	Foreign exchange adjustments, foreign subsidiary	0	0	831	0	831
	Value adjustments of hedging instruments at 31 December	0	0	-183	0	-183
	Tax on equity transactions					
	Equity at 31 December 2018	720	23,597	59,236	0	83,553

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Cash flow statement

Note	DKK'000	Group	
		2018	2017
	Profit/loss for the year	9,480	19,552
15	Adjustments	7,982	9,848
	Cash generated from operations before changes in working capital	17,462	29,400
16	Changes in working capital	-16,074	-1,967
	Cash generated from operations	1,388	27,433
	Interest received	52	26
	Interest paid	-1,170	-1,206
	Corporation tax paid	-6,483	-5,983
	<b>Cash flows from operating activities</b>	<b>-6,213</b>	<b>20,270</b>
	Acquisition of property, plant and equipment	-31,094	-1,605
	Disposal of property, plant and equipment	0	3
	<b>Cash flows from investing activities</b>	<b>-31,094</b>	<b>-1,602</b>
	Loan financing:		
	Mortgage debt	-769	-761
	Debt to credit institutions	28,457	-440
	Finance leases	-437	-700
	<b>Cash flows from financing activities</b>	<b>27,251</b>	<b>-1,901</b>
	<b>Net cash flows</b>	<b>-10,056</b>	<b>16,767</b>
	Cash and cash equivalents, beginning of year	21,993	7,016
	Foreign exchange adjustments of investments in subsidiaries	-520	-1,790
	<b>Cash and cash equivalents, year end</b>	<b>11,417</b>	<b>21,993</b>

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.



## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies

The annual report of Roth North Europe A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The financial statements have been prepared in accordance with the same accounting policies as last year.

### Consolidated financial statements

#### *Control*

The consolidated financial statements comprise the Parent Company Roth North Europe A/S and subsidiaries controlled by Roth North Europe A/S.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

#### *Significant influence*

Entities over whose financial and operating decisions the Group exercises significant influence are classified as associates. Significant influence is assumed to exist if the Parent Company directly or indirectly holds or controls 20% or more of the voting power of the investee, but does not control the investee.

The existence of potential voting rights that may currently be exercised or converted into voting rights is considered when assessing whether significant influence exists.

#### *Preparation of consolidated financial statements*

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries that are not wholly-owned are included in the Group's profit/loss and equity, but are disclosed separately.

#### *Foreign currency translation*

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

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies (continued)

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

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the year, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries that are considered part of the total investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries that are integral entities, monetary items are translated at closing rates. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity must be transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Fair value adjustments of derivative financial instruments held to hedge net investments in separate foreign subsidiaries or associates are recognised directly in equity.

#### Income statement

##### Revenue

Income from the sale of goods held for sale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from revenue.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies (continued)

##### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit/loss'.

##### Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security contributions, etc., for the Company's employees. The item is net of refunds made by public authorities.

##### Depreciation on property, plant and equipment

The item comprises depreciation on property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Land and buildings	50 years
Fixtures and fittings, tools and equipment	3-15 years
Property, plant and equipment under construction	3-15 years

The basis of depreciation is calculated by reference to the residual life of the asset once it is no longer in use and is reduced by impairment losses, if any. The depreciation period and the residual value is determined at the date of acquisition and is re-assessed annually. If the residual value exceeds the carrying amount of the asset, the asset is no longer depreciated.

##### Income from equity investments in group entities

These include the Parent Company's proportionate share of the profit/loss for the year, net of tax and adjustment of intra-group gains/losses.

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Financial income and expenses include interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions, amortisation of mortgage loans and surcharges and refunds under the on-account tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to transactions taken to equity is recognised in equity.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies (continued)

Deferred taxes related to items recognised directly in equity are taken directly to equity.

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Property, plant and equipment are tested for impairment whenever there is indication that an asset might be impaired. The impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the value in use and the net selling price (recoverable amount).

#### Equity investments in group entities

Equity investments in group entities are measured using the equity method at the Parent Company's proportionate share of such entities' equity plus goodwill on consolidation and less intra-group profits and negative goodwill. The proportionate share corresponding to the negative value is set off against receivables, if any. For group entities, amounts in excess thereof are recognised as provisions.

#### Impairment of fixed assets

Intangible assets, property, plant and equipment and equity investments in subsidiaries and associates are tested annually for indication of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is evidence of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

#### Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value.

#### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

#### Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities that are subject to insignificant risks of changes in value.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies (continued)

##### Equity

###### *Net revaluation reserve according to the equity method*

The net revaluation reserve according to the equity method includes net revaluations of equity investments in subsidiaries and associates relative to cost. The reserve may be eliminated in case of losses, realisation of equity investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

##### Corporation tax

Current tax payables and receivables are recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

Deferred tax is measured according to the taxation rules and at the tax rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through set-off against deferred tax liabilities within the same jurisdiction.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

##### Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including a guaranteed residual value, if any, based on the interest rate implicit in the lease.

##### Cash flow statement

The cash flow statement shows the entity's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are stated as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid net financials and paid income taxes.

Cash flows from investing activities comprise payments in connection with purchase and sale of fixed assets, securities that are part of investment activities and payments in connection with purchase and sale of businesses and activities.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies (continued)

##### Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

DKK'000	Group		Parent	
	2018	2017	2018	2017
<b>2 Staff costs</b>				
Wages and salaries	51,610	46,615	23,981	20,712
Pensions	3,237	3,011	1,973	1,665
Other social security costs	6,216	5,855	350	299
Other staff costs	2,537	2,619	1,432	1,119
	<u>63,600</u>	<u>58,100</u>	<u>27,736</u>	<u>23,795</u>
Average number of employees during the year	<u>96</u>	<u>85</u>	<u>41</u>	<u>36</u>
Remuneration of the Executive Board and Board of Directors	<u>4,803</u>	<u>4,296</u>	<u>4,803</u>	<u>4,296</u>
<b>3 Financial income</b>				
Interest income from group entities	0	0	86	20
Other financial income	206	430	155	131
	<u>206</u>	<u>430</u>	<u>241</u>	<u>151</u>
<b>4 Financial expenses</b>				
Interest expenses, group entities	0	0	468	402
Other financial expenses	1,223	1,691	926	955
	<u>1,223</u>	<u>1,691</u>	<u>1,394</u>	<u>1,357</u>
<b>5 Tax for the year</b>				
Current tax charge for the year	4,669	6,111	1,860	2,320
Adjustment of the deferred tax charge for the year	420	349	495	222
Adjustment regarding previous years	-1	0	2	0
Tax on changes in equity	-183	136	-183	136
	<u>4,905</u>	<u>6,596</u>	<u>2,174</u>	<u>2,678</u>

**Consolidated financial statements and parent company financial statements  
1 January - 31 December**

**Notes**

**6 Property, plant and equipment**

DKK'000	Group			Total
	Land and buildings	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	
Cost at 1 January 2018	30,840	12,784	193	43,817
Exchange rate adjustment	0	-21	0	-21
Additions	28,024	2,970	100	31,094
Transferred	0	193	-193	0
Disposals	0	-2,622	0	-2,622
<b>Cost at 31 December 2018</b>	<b>58,864</b>	<b>13,304</b>	<b>100</b>	<b>72,268</b>
Depreciation and impairment losses at 1 January 2018	5,217	9,590	0	14,807
Exchange rate adjustment	0	-20	0	-20
Depreciation	540	1,520	0	2,060
Disposals	0	-2,622	0	-2,622
<b>Depreciation and impairment losses at 31 December 2018</b>	<b>5,757</b>	<b>8,468</b>	<b>0</b>	<b>14,225</b>
<b>Carrying amount at 31 December 2018</b>	<b>53,107</b>	<b>4,836</b>	<b>100</b>	<b>58,043</b>
Property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	286	0	286
Depreciated over	50 years	3-15 years	3-15 years	

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes

#### 6 Property, plant and equipment (continued)

DKK'000	Parent			Total
	Land and buildings	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	
Cost at 1 January 2018	30,840	11,138	193	42,171
Additions	28,024	2,348	100	30,472
Transferred	0	193	-193	0
Disposals	0	-2,147	0	-2,147
Cost at 31 December 2018	58,864	11,532	100	70,496
Depreciation and impairment losses at 1 January 2018	5,217	8,517	0	13,734
Depreciation	540	1,202	0	1,742
Disposals	0	-2,147	0	-2,147
Depreciation and impairment losses at 31 December 2018	5,757	7,572	0	13,329
Carrying amount at 31 December 2018	53,107	3,960	100	57,167
Items of property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	286	0	286
Depreciated over	50 years	3-15 years	3-15 years	

DKK'000	Parent	
	2018	2017
<b>7 Equity investments in subsidiaries</b>		
Cost at 1 January	25,505	22,486
Additions	0	3,019
Cost at 31 December	25,505	25,505
Value adjustments at 1 January	21,852	16,005
Additions	0	-3,060
Foreign exchange adjustment	-520	-1,790
Profit/loss for the year	2,265	10,697
Offset against receivables from group entities	8,451	0
Value adjustments at 31 December	32,048	21,852
Carrying amount at 31 December	57,553	47,357

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
Roth Sverige AB	100%	1,084	10,490
Roth Norge AS	100%	3,615	24,074
Roth Finland Oy	100%	3,531	22,989
Roth UK	100%	-5,965	-8,451

All subsidiaries are considered separate entities.



## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes

DKK'000	Group		Parent	
	2018	2017	2018	2017
<b>8 Prepayments</b>				
Insurance premiums	415	269	294	199
Prepaid rent	148	326	0	0
Other prepayments	537	841	358	502
	<u>1,100</u>	<u>1,436</u>	<u>652</u>	<u>701</u>

### 9 Share capital

The share capital comprises 720 class A shares of DKK 1,000 each.

DKK'000	Group		Parent	
	2018	2017	2018	2017
<b>10 Deferred tax</b>				
Deferred tax at 1 January	1,780	1,431	1,780	1,558
Adjustment of the deferred tax charge for the year	420	349	495	222
Deferred tax at 31 December	<u>2,200</u>	<u>1,780</u>	<u>2,275</u>	<u>1,780</u>

DKK'000	Group		Parent	
	2018	2017	2018	2017
<b>11 Debt to mortgage credit institutions and other credit institutions</b>				
Liabilities can be specified as follows:				
<b>Mortgage credit institutions</b>				
Long-term	11,505	12,271	11,505	12,271
Short-term	766	769	766	769
	<u>12,271</u>	<u>13,040</u>	<u>12,271</u>	<u>13,040</u>
<b>Financial lease</b>				
Long-term	86	290	86	290
Short-term	204	437	204	437
	<u>290</u>	<u>727</u>	<u>290</u>	<u>727</u>
<b>Total liabilities</b>	<u>12,561</u>	<u>13,767</u>	<u>12,561</u>	<u>13,767</u>

The liabilities are recognised in the balance sheet as follows:

Non-current liabilities	11,592	12,561	11,592	12,561
Current liabilities	969	1,206	969	1,206
	<u>12,561</u>	<u>13,767</u>	<u>12,561</u>	<u>13,767</u>
Non-current liabilities falling due more than five years after the financial year-end (carrying amount)	<u>8,441</u>	<u>9,200</u>	<u>8,441</u>	<u>9,200</u>

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### Notes

#### 12 Mortgages and collateral

##### Group

The property at Centervej 5, Frederikssund has been provided as security for mortgage debt of DKK 12,271 thousand (2017: DKK 13,040 thousand).

An amount representing DKK 10,000 thousand of the Company's operating equipment, inventories and trade receivables has been provided as security for engagements with Nordea Bank (2017: DKK 10,000 thousand).

An absolute guarantee of DKK 443 thousand has been provided (2017: DKK 403 thousand).

##### Parent

The property at Centervej 5, Frederikssund has been provided as security for mortgage debt of DKK 12,271 thousand (2017: DKK 13,040 thousand).

An amount representing DKK 10,000 thousand of the Company's operating equipment, inventories and trade receivables has been provided as security for engagements with Nordea Bank (2017: DKK 10,000 thousand).

An absolute guarantee of DKK 443 thousand has been provided (2017: DKK 403 thousand).

#### 13 Contractual obligations and contingencies, etc.

##### Operating lease liabilities

DKK'000	Group		Parent	
	2018	2017	2018	2017
Rent and lease obligations	12,947	8,745	2,818	2,256

#### 14 Related parties

Roth North Europe A/S' related parties comprise the following:

##### Party exercising control

Roth Industries GmbH & Co, 35232 Dautphetal, Germany holds the majority of the share capital in the entity.

##### Related party transactions

DKK'000	2018	2017
<b>Parent</b>		
Sale of goods to group entities	137,245	122,527
Purchase of goods from group entities	87,400	72,770
Sale of services to group entities	15,885	13,423
Purchase of services from group entities	7,743	5,539
Interest income from group entities	86	20
Interest expenses to group entities	468	402
Receivables from group entities	4,961	40
Payables to group entities	38,792	29,342

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**Notes**

		Group	
DKK'000		2018	2017
<b>15</b>	<b>Adjustments</b>		
	Amortisation, depreciation and impairment losses	2,060	1,991
	Financial income	-206	-430
	Financial expenses	1,223	1,692
	Tax for the year	4,905	6,595
		<u>7,982</u>	<u>9,848</u>
<b>16</b>	<b>Changes in working capital</b>		
	Change in inventories	-5,737	-3,300
	Change in receivables	-12,952	197
	Change in trade and other payables	2,615	1,136
		<u>-16,074</u>	<u>-1,967</u>
		Parent	
DKK'000		2018	2017
<b>17</b>	<b>Distribution of profit/loss</b>		
	Proposed distribution of profit/loss		
	Transferred to reserves under equity	9,480	19,522
		<u>9,480</u>	<u>19,522</u>