

# Roth North Europe A/S

Centervej 5, 3600 Frederikssund

CVR no. 34 01 21 13

## Annual report 2020

Approved at the Company's annual general meeting on 19 May 2021

Chair of the meeting:

DocuSigned by:



.....F5B3A8EF5D114CC.....  
Jakob Kristensen





## Contents

Statement by Management	2
Independent auditor's report	3
Management's review	6
Company details	7
Consolidated financial statements and parent company financial statements 1 January - 31 December	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Cash flow statement	15
Notes	16

## 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 2020.

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 2020 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 2020.


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, 19 May 2021  
Executive Board:

  
\_\_\_\_\_  
Morten Nyvang Voss  
\_\_\_\_\_  
Per Storm Kronil

Board of Directors:

  
\_\_\_\_\_  
Christin Roth-Jäger  
Chairman  
\_\_\_\_\_  
Anne-Kathrin Roth  
\_\_\_\_\_  
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 2020, 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 2020 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 2020 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.

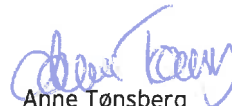
### Independent auditor's report

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, 19 May 2021  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Ole Hedemann  
State Authorised  
Public Accountant  
mne14949

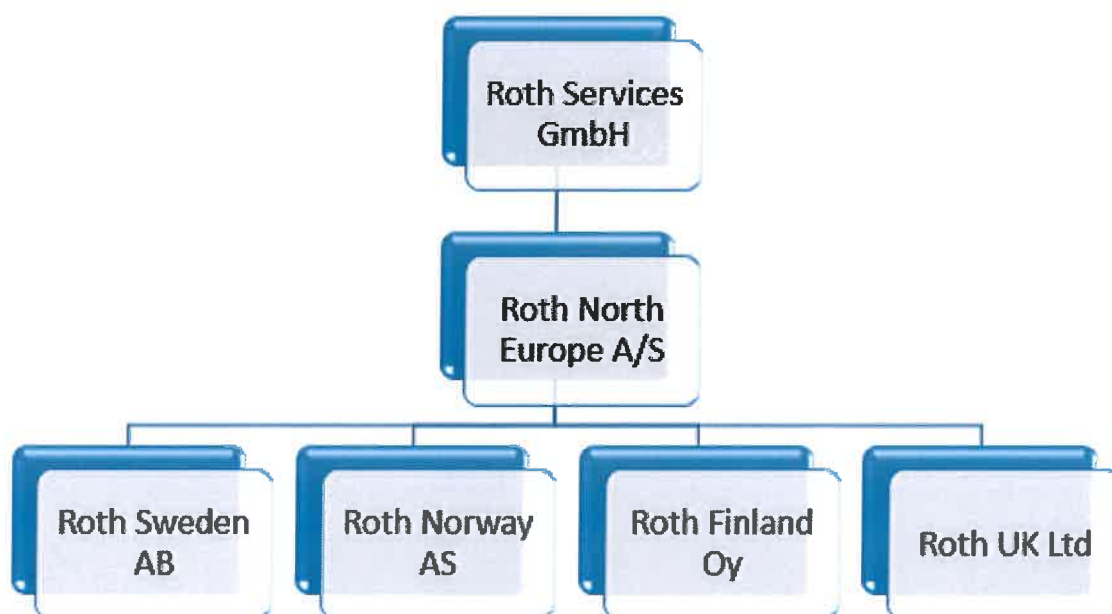


Anne Tønsberg  
State Authorised  
Public Accountant  
mne32121

## Management's review

### Group chart

Roth North Europe A/S is 100% owned by the German family-run company Roth Services GmbH. Roth North Europe A/S has wholly-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	2020	2019	2018	2017	2016
<b>Key figures</b>					
Gross profit	95.5	80.9	81.1	87.5	74.3
Profit from ordinary activities	26.1	11.4	15.4	27.4	22.5
Profit/loss from net financials	-0.1	0.3	-1.0	-1.3	-0.8
Profit for the year	20.3	7.5	9.5	19.6	17.0
<b>Balance sheet</b>					
Total assets	206.5	190.8	180.0	141.7	118.8
Amount relating to investments in property, plant and equipment	2.0	2.0	31.1	1.6	3.6
Equity	109.5	90.6	83.6	74.0	59.7
<b>Cash flows</b>					
Cash flows from operating activities	26.9	-7.4	-6.2	20.3	11.0
Cash flow from investing activities	-2.0	-1.9	-31.1	-1.6	-3.6
Cash flows from financing activities	-16.6	6.2	27.3	-1.9	-4.3
Total cash flows	8.3	-3.1	-10	16.8	3.1
<b>Financial ratios</b>					
Equity ratio	53.1%	47.5%	46.4%	52.2%	50.3%
Return on equity	20.3%	8.6%	12.0%	29.2%	33.5%
<b>Employees</b>					
Average number of full-time employees	106	102	96	85	71

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	Christin Roth-Jäger, Chairman Anne-Katrin Roth Matthias Donges Morten Nyvang Voss Per Storm Kronil
Executive Board	Morten Nyvang Voss Per Storm Kronil
Auditor	EY Godkendt Revisionspartnerselskab Dirch Passer Allé 36, 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 Nordic 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 2020 shows a profit of DKK 20,301 thousand against DKK 7,482 thousand in the previous year, and the Group's and the Parent Company's balance sheet at 31 December 2020 shows equity of DKK 109,564 thousand.

Starting last year, the Company's consolidation process continued to some extent in 2020 with focus on occupancy of new operating facilities following previous year's large building extension, continued expansion of the Prefab activity and a number of internal projects for purposes of continued optimisation of business procedures, etc. These positive consolidation measures have thus strengthened the platform further to ensure further growth in future.

In 2020, group revenue showed satisfactory growth. The number of employees in the Group increased slightly by an average increase of 4 employees, totalling 106 employees. However, results for 2020 have far exceeded expectations and have improved considerably since 2019 with an impressive increase of 171%. The most significant reasons for this steep increase in results are the above-mentioned consolidation measures, increased revenue and not least considerable cost savings due to COVID-19 restrictions in 2020.

Results for 2020 are considered very satisfactory, and it is also satisfactory that all companies now generate profits.

Increasing revenue is expected in 2021 based on more or less the same number of employees in the Group. A slight decrease in results is expected in 2021 compared to the very impressive results in 2020.

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

With a sales organisation that is still strong and a slightly growing market, the Company's revenue has increased impressively compared to last year and more than met the expectations of the year. However, sales in Denmark are still subject to strong competition.

The Company's income statement for 2020 shows a profit of DKK 20,301 thousand, including profits/losses from subsidiaries. The Company's balance sheet at 31 December 2020 shows equity of DKK 109,564 thousand after retained earnings.

Due to increased revenue, increasing profitability and improved results in subsidiaries, the Company's results show considerable improvement compared to 2019. Overall, results for the year are considered very satisfactory.

### *Roth Sverige AB*

The majority of the company's sales take place through large wholesalers, and with sales slightly exceeding expectations, revenue in 2020 thus met the expectations for the 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 2020, which is expected to continue in 2021. However, a more stable SEK rate in 2020 implied that fluctuations were not as high as in previous years.

## Management's review

Due to expected changes to the customer mix, lower but more profitable sales are expected in 2021, and results are expected to be relatively higher in 2021 compared to this year.

For 2020, the company's income statement showed a minor profit, which is, however, somewhat higher than in the previous year. Overall, the results are, however, still not considered satisfactory.

### *Roth Norge AS*

Due to the company's strong sales organisation, revenue increased very markedly in 2020 compared to 2019 and far exceeded expectations of the year. In 2020, the company also won additional market shares.

A generally more stable NOK rate in 2020 has helped ease the previous pressure on earnings, and results for the year have exceeded expectations quite a bit.

Compared to 2019, results have also somewhat improved in 2020, and overall, this is considered very satisfactory.

In 2021, a slight increase in revenue compared to 2020 is expected; however, profit is expected to be in line with 2020, but it all still depends on the development in the NOK rate.

### *Roth Finland Oy*

Due to changes to the customer mix, expectations of revenue in 2020 were not quiet met, and revenue for the year is also below the 2019 level.

Results for the year have improved compared to 2019, primarily due to lower costs and a generally increased focus on improved profitability. Compared with the expected results in 2020, results are, however, considerably lower than expected, primarily due to a decrease in revenue.

Despite a minor decline in results in recent years, the Finnish company has seen very positive developments over time, which are expected to continue in line with the company's continuously increasing market share. In 2021, minor increases in both revenue and earnings are expected.

### *Roth UK Limited*

For the first time, the English company, which was acquired in 2017, showed a minor profit in 2020, despite 2020 being a very difficult year due to Brexit and COVID-19. Compared to the results in recent years, the results in 2020 have thus improved considerably.

Since the acquisition, the company has experienced financial turmoil in recent years, but the restructuring made and plans for the company still give us reasonable hope that the losses in previous years will be turned into profits going forward.

Soaring revenue and continued slightly increasing earnings margins are expected in 2021.

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

## 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.

## Management's review

### 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.

The ongoing virus outbreak of Covid-19 could potentially have an impact on the Company's sales. The potential effect on the Company's profit and financial position will naturally depend on the duration and extent of the virus outbreak, which is unknown at the time of the financial reporting.

### Impact on the environment

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

### Outlook

The Group's and the Parent Company's activity level in the first months of 2021 has far exceeded the Company's expectations. Much higher revenue than expected combined with relatively lower controlled costs have thus entailed very impressive 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 and the Parent Company's budget targets and contribute to increase the Group's equity ratio. Profit before tax is expected to reach a level between DKK 20-25 million.

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

### Income statement

Note	DKK'000	Group		Parent	
		2020	2019	2020	2019
	<b>Gross profit</b>	95,475	80,872	51,751	41,215
2	Staff costs	-66,487	-66,593	-32,529	-30,028
6	Amortisation and depreciation	-2,885	-2,882	-2,534	-2,573
	<b>Operating profit</b>	26,103	11,397	16,688	8,614
	Share of net profit in subsidiaries	0	0	8,478	1,697
3	Financial income	1,215	1,611	231	697
4	Financial expenses	-1,303	-1,333	-1,641	-1,767
	<b>Profit before tax</b>	26,015	11,675	23,756	9,241
5	Tax for the year	-5,714	-4,193	-3,455	-1,759
	<b>Profit for the year</b>	20,301	7,482	20,301	7,482

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

Balance sheet

Note	DKK'000	Group		Parent	
		2020	2019	2020	2019
	<b>ASSETS</b>				
	<b>Fixed assets</b>				
6	<b>Property, plant and equipment</b>				
	Land and buildings	51,860	52,917	51,860	52,917
	Fixtures and fittings, tools and equipment	4,155	4,080	3,693	3,436
	Property, plant and equipment under construction	152	88	152	88
		<u>56,167</u>	<u>57,085</u>	<u>55,705</u>	<u>56,441</u>
	<b>Investments</b>				
7	Equity investments in subsidiaries	0	0	73,784	66,995
		<u>0</u>	<u>0</u>	<u>73,784</u>	<u>66,995</u>
	<b>Total fixed assets</b>	<u>56,167</u>	<u>57,085</u>	<u>129,489</u>	<u>123,436</u>
	<b>Non-fixed assets</b>				
	<b>Inventories</b>				
	Finished goods and goods for resale	45,652	45,530	45,652	45,530
		<u>45,652</u>	<u>45,530</u>	<u>45,652</u>	<u>45,530</u>
	<b>Receivables</b>				
	Trade receivables	88,376	78,034	40,333	32,247
	Receivables from group entities	4	0	4	170
	Other receivables	290	1,006	1,135	1,256
8	Prepayments	1,037	1,288	446	657
		<u>89,707</u>	<u>80,328</u>	<u>41,918</u>	<u>34,330</u>
	<b>Cash</b>	<u>14,959</u>	<u>7,863</u>	<u>6,306</u>	<u>1,132</u>
	<b>Total non-fixed assets</b>	<u>150,318</u>	<u>133,721</u>	<u>93,876</u>	<u>80,992</u>
	<b>TOTAL ASSETS</b>	<u>206,485</u>	<u>190,806</u>	<u>223,365</u>	<u>204,428</u>

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

**Balance sheet**

Note	DKK'000	Group		Parent	
		2020	2019	2020	2019
		<b>EQUITY AND LIABILITIES</b>			
		<b>Equity</b>			
9	Share capital	720	720	720	720
	Hedging reserve	-2,149	-2,478	-2,149	-2,478
	Net revaluation reserve according to the equity method	0	0	31,623	24,834
	Retained earnings	110,993	92,380	79,370	67,546
	<b>Total equity</b>	<b>109,564</b>	<b>90,622</b>	<b>109,564</b>	<b>90,622</b>
	<b>Provisions</b>				
10	Deferred tax	2,930	2,662	3,006	2,747
	<b>Total provisions</b>	<b>2,930</b>	<b>2,662</b>	<b>3,006</b>	<b>2,747</b>
	<b>Liabilities other than provisions</b>				
11	<b>Non-current liabilities other than provisions</b>				
	Debt to mortgage credit institutions	9,939	10,709	9,939	10,709
	Lease commitments	0	0	0	0
	Other payables	0	827	0	827
		<b>9,939</b>	<b>11,536</b>	<b>9,939</b>	<b>11,536</b>
	<b>Current liabilities other than provisions</b>				
11	Current portion of non-current liabilities other than provisions	776	871	776	871
	Credit institutions	19,939	35,634	19,939	35,634
	Trade payables	26,770	22,647	14,129	13,310
	Payables to group entities	10,156	7,563	51,785	41,705
	Corporation tax	2,925	760	2,207	111
12	Other payables	23,486	18,510	12,020	7,892
		<b>84,052</b>	<b>85,985</b>	<b>100,856</b>	<b>99,523</b>
	<b>Total liabilities other than provisions</b>	<b>93,991</b>	<b>97,521</b>	<b>110,795</b>	<b>111,059</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>206,485</b>	<b>190,806</b>	<b>223,365</b>	<b>204,428</b>

- 1 Accounting policies
- 13 Mortgages and collateral
- 14 Contractual obligations and contingencies
- 15 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	Hedging reserve	Total
		720	92,380	-2,478	90,622
18	Equity at 1 January 2020	0	20,301	0	20,301
	Transfer, see "Distribution of profit/loss"	0	-1,688	0	-1,688
	Foreign exchange adjustment, foreign subsidiary	0	0	421	421
	Value adjustment of hedging instruments, 31 December	0	0	-92	-92
	Tax on equity transactions				
	Equity at 31 December 2020	720	110,993	-2,149	109,564

Note	DKK'000	Parent					
		Share capital	Net revaluation reserve acc. to the equity method	Retained earnings	Dividend proposed for the year	Hedging reserve	Total
		720	24,834	67,546	0	-2,478	90,622
18	Equity at 1 January 2020	0	8,478	11,824	0	0	20,301
	Transfer, see "Distribution of profit/loss"	0	-1,689	0	0	0	-1,688
	Foreign exchange adjustments, foreign subsidiary	0	0	0	0	421	421
	Value adjustments of hedging instruments at 31 December	0	0	0	0	-92	-92
	Tax on equity transactions						
	Equity at 31 December 2020	720	31,623	79,370	0	-2,149	109,564

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

### Cash flow statement

Note	DKK'000	Group	
		2020	2019
	Profit/loss for the year	20,301	7,482
16	Adjustments	8,687	6,805
	Cash generated from operations before changes in working capital	28,988	14,287
17	Changes in working capital	1,360	-17,026
	Cash generated from operations	30,348	-2,739
	Interest received	1,215	1,639
	Interest paid	-1,303	-1,333
	Corporation tax paid	-3,340	-4,957
	<b>Cash flows from operating activities</b>	<b>26,920</b>	<b>-7,390</b>
	Acquisition of property, plant and equipment	-1,991	-1,986
	Disposal of property, plant and equipment	0	86
	<b>Cash flows from investing activities</b>	<b>-1,991</b>	<b>-1,900</b>
	Loan financing:		
	Mortgage debt	-865	-895
	Debt to credit institutions	-15,695	7,177
	Finance leases	0	-86
	<b>Cash flows from financing activities</b>	<b>-16,560</b>	<b>6,196</b>
	<b>Net cash flows</b>	<b>8,369</b>	<b>-3,094</b>
	Cash and cash equivalents, beginning of year	7,863	11,417
	Foreign exchange adjustments	-1,273	-460
	<b>Cash and cash equivalents, year end</b>	<b>14,959</b>	<b>7,863</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 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The Company has made a restatement of the comparative figures for other payables and trade payables. The change in presentation has no effect on the income statement, the equity or the balance sheet.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. The accounting policies used in the preparation of the financial statements are consistent with those of 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.

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

### Notes

#### 1 Accounting policies (continued)

##### 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.

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.

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

### Notes

#### 1 Accounting policies (continued)

##### Income statement

###### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

The Company's revenue is generated from the production and sale of complete heating and sanitation systems as well as related services.

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.

###### 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	10-50 years
Fixtures and fittings, tools and equipment	3-15 years
Property, plant and equipment under construction	0 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 are determined at the date of acquisition and are re-assessed annually. If the residual value exceeds the carrying amount of the asset, the asset is no longer depreciated.

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

### Notes

#### 1 Accounting policies (continued)

##### 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.

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.

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

### Notes

#### 1 Accounting policies (continued)

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domiciles and credit ratings of the debtors in accordance with the credit risk management policy of the Parent Company and the Group. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.

#### 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.

#### 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.

##### *Hedging reserve*

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

##### *Dividend*

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

#### 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

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

### Notes

#### 1 Accounting policies (continued)

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.

#### 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	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

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

### Notes

DKK'000	Group		Parent	
	2020	2019	2020	2019
<b>2 Staff costs</b>				
Wages and salaries	55,341	54,157	28,659	26,069
Pensions	3,668	3,515	2,361	2,142
Other social security costs	5,688	6,402	382	412
Other staff costs	1,790	2,519	1,127	1,405
	<u>66,487</u>	<u>66,593</u>	<u>32,529</u>	<u>30,028</u>
Average number of employees during the year	<u>106</u>	<u>102</u>	<u>49</u>	<u>45</u>
Remuneration of the Executive Board and the Board of Directors	<u>3,865</u>	<u>4,112</u>	<u>3,865</u>	<u>4,112</u>
<b>3 Financial income</b>				
Interest income from group entities	0	0	32	295
Other financial income	1,215	1,611	199	402
	<u>1,215</u>	<u>1,611</u>	<u>231</u>	<u>697</u>
<b>4 Financial expenses</b>				
Interest expenses, group entities	0	0	498	525
Other financial expenses	1,303	1,333	1,143	1,242
	<u>1,303</u>	<u>1,333</u>	<u>1,641</u>	<u>1,767</u>
<b>5 Tax for the year</b>				
Current tax charge for the year	5,538	3,744	3,288	1,300
Adjustment of the deferred tax charge for the year	268	462	259	472
Adjustment regarding previous years	0	0	0	0
Tax on changes in equity	-92	-13	-92	-13
	<u>5,714</u>	<u>4,193</u>	<u>3,455</u>	<u>1,759</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 2020	59,840	13,651	88	73,579
Exchange rate adjustment	0	-60	0	-60
Additions	143	1,696	152	1,991
Transferred	0	88	-88	0
Disposals	0	-423	0	-423
Cost at 31 December 2020	59,983	14,952	152	75,087
Depreciation and impairment losses at 1 January 2020	6,922	9,571	0	16,493
Exchange rate adjustment	0	-35	0	-35
Depreciation	1,201	1,684	0	2,885
Disposals	0	-423	0	-423
Depreciation and impairment losses at 31 December 2020	8,123	10,797	0	18,920
Carrying amount at 31 December 2020	51,860	4,155	152	56,167
Property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	0	0	0
Depreciated over	10-50 years	3-15 years	0 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 2020	59,840	12,208	88	72,136
Additions	143	1,503	152	1,798
Transferred	0	88	-88	0
Disposals	0	-279	0	-279
Cost at 31 December 2020	59,983	13,520	152	73,655
Depreciation and impairment losses at 1 January 2020	6,922	8,773	0	15,695
Depreciation	1,201	1,333	0	2,534
Disposals	0	-279	0	-279
Depreciation and impairment losses at 31 December 2020	8,123	9,827	0	17,950
Carrying amount at 31 December 2020	51,860	3,693	152	55,705
Items of property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	0	0	0
Depreciated over	10-50 years	3-15 years	0 years	

DKK'000	Parent	
	2020	2019
<b>7 Equity investments in subsidiaries</b>		
Cost at 1 January	42,161	25,505
Additions	0	16,656
Cost at 31 December	42,161	42,161
Value adjustments at 1 January	24,834	32,048
Foreign exchange adjustment	-1,689	-460
Profit/loss for the year	8,478	1,697
Offset against receivables from group entities	0	-8,451
Value adjustments at 31 December	31,623	24,834
Carrying amount at 31 December	73,784	66,995

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

### Notes

#### 7 Equity investments in subsidiaries (continued)

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
Roth Sverige AB	100%	1,457	13,293
Roth Norge AS	100%	2,791	27,711
Roth Finland Oy	100%	3,962	29,925
Roth UK	100%	268	2,854

All subsidiaries are considered separate entities.

DKK'000	Group		Parent	
	2020	2019	2020	2019
<b>8 Prepayments</b>				
Insurance premiums	289	633	117	420
Prepaid rent	168	171	0	0
Prepaid marketing costs	445	0	245	0
Other prepayments	135	484	84	237
	<u>1,037</u>	<u>1,288</u>	<u>446</u>	<u>657</u>

#### 9 Share capital

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

DKK'000	Group		Parent	
	2020	2019	2020	2019
<b>10 Deferred tax</b>				
Deferred tax at 1 January	2,662	2,200	2,747	2,275
Adjustment of the deferred tax charge for the year	268	462	259	472
Deferred tax at 31 December	<u>2,930</u>	<u>2,662</u>	<u>3,006</u>	<u>2,747</u>

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

### Notes

#### 11 Debt to mortgage credit institutions and other credit institutions

Liabilities can be specified as follows:

DKK'000	Group		Parent	
	2020	2019	2020	2019
<b>Mortgage credit institutions</b>				
Long-term	9,939	10,709	9,939	10,709
Short-term	776	785	776	785
	<u>10,715</u>	<u>11,494</u>	<u>10,715</u>	<u>11,494</u>
<b>Financial lease</b>				
Long-term	0	0	0	0
Short-term	0	86	0	86
	<u>0</u>	<u>86</u>	<u>0</u>	<u>86</u>
<b>Other payables</b>				
Long-term	0	827	0	827
Short-term	2,618	0	2,618	0
	<u>2,618</u>	<u>827</u>	<u>2,618</u>	<u>827</u>
<b>Total liabilities</b>	<u>13,333</u>	<u>12,407</u>	<u>13,333</u>	<u>12,407</u>
The liabilities are recognised in the balance sheet as follows:				
Non-current liabilities	9,939	11,536	9,939	11,536
Current liabilities	3,394	871	3,394	871
	<u>13,333</u>	<u>12,407</u>	<u>13,333</u>	<u>12,407</u>
Non-current liabilities falling due more than five years after the financial year-end (carrying amount)	<u>7,049</u>	<u>7,596</u>	<u>7,049</u>	<u>7,596</u>

Other payables consist of holiday earned in the period from 1 September 2019 to 31 August 2020.

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

### Notes

#### 12 Derivative financial instruments and disclosure of fair values

The Group uses hedging instruments such as forward exchange contracts and interest swaps to hedge recognised and non-recognised transactions.

##### Forecast transactions

The Group uses forward exchange contracts to hedge expected currency risks relating to sale in the coming year.

DKK'000	Period	Fair value	Gains and losses recognised in equity
		2020	2020
Forward exchange contracts	0-6 months	206	145

##### Interest rate risks

The Group uses interest rate swaps to hedge interest rate risks, whereby floating interest payments are rescheduled into fixed interest payments.

DKK'000	2020			
	Notional principal	Value adjustment recognised in equity	Fair value	Time to maturity months
Interest rate swaps	11,217	276	-3,115	96

The hedged cash flows are expected to be realised and will affect results of operations over the term to maturity of the interest rate swap.

##### Fair value disclosures

The Group has the following liabilities measured at fair value:

DKK'000	Derivative financial instruments
<b>Group</b>	
Fair value at year end	-2,909
Value adjustments recognised in equity (before tax)	421
Fair value level	2

#### 13 Mortgages and collateral

##### Group

The property at Centervej 5, Frederikssund has been provided as security for mortgage debt of DKK 10,715 thousand (2019: DKK 11,494 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 (2019: DKK 10,000 thousand).

A mortgage deed of DKK 10,000 thousand has been provided as collateral for debt to bank regarding the engagement with Nordea.

An absolute guarantee of DKK 430 thousand has been provided (2019: DKK 453 thousand).

**Parent**

The property at Centervej 5, Frederikssund has been provided as security for mortgage debt of DKK 10,715 thousand (2019: DKK 11,494 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 (2019: DKK 10,000 thousand).

A mortgage deed of DKK 10,000 thousand has been provided as collateral regarding debt to bank regarding the engagement with Nordea.

An absolute guarantee of DKK 430 thousand has been provided (2019: DKK 453 thousand).

**14 Contractual obligations and contingencies, etc.**

**Operating lease liabilities**

DKK'000	Group		Parent	
	2020	2019	2020	2019
Rent obligations and lease liabilities	11,691	10,925	1,803	1,905

**15 Related parties**

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

**Party exercising control**

Roth Services GmbH, 35232 Dautphetal, Germany holds 100 % of the share capital in the entity.

**Related party transactions**

DKK'000	2020	2019
<b>Parent</b>		
Sale of goods to group entities	138,922	138,290
Purchase of goods from group entities	82,815	90,601
Sale of services to group entities	17,091	17,956
Purchase of services from group entities	10,606	8,585
Interest income from group entities	33	295
Interest expenses to group entities	498	525
Receivables from group entities	4	170
Payables to group entities	51,785	41,705

The Company is included in the consolidated financial statements of Roth Industries GmbH & Co.KG. The consolidated financial statements may be obtained at the following address 35232 Dautphetal, Germany.

DKK'000	Group	
	2020	2019
<b>16 Adjustments</b>		
Amortisation, depreciation and impairment losses	2,885	2,882
Financial income	-1,215	-1,611
Financial expenses	1,303	1,333
Tax for the year	5,714	4,193
Profit and loss from disposal assets	0	8
	<b>8,687</b>	<b>6,805</b>
<b>17 Changes in working capital</b>		
Change in inventories	-122	-11,125
Change in receivables	-9,383	-4,233
Change in trade and other payables	10,865	-1,668
	<b>1,360</b>	<b>-17,026</b>

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

**Notes**

**18 Distribution of profit/loss**

DKK'000	Parent	
	2020	2019
<b>Proposed distribution of profit/loss</b>		
Transferred results	11,823	5,785
Reserve for net revaluation according to the equity method	8,478	1,697
	<u>20,301</u>	<u>7,482</u>

DKK'000	Group	
	2020	2019
<b>Proposed distribution of profit/loss</b>		
Transferred results	20,301	7,482
	<u>20,301</u>	<u>7,482</u>