

Roth North Europe A/S

Centervej 5, 3600 Frederikssund

CVR no. 34 01 21 13

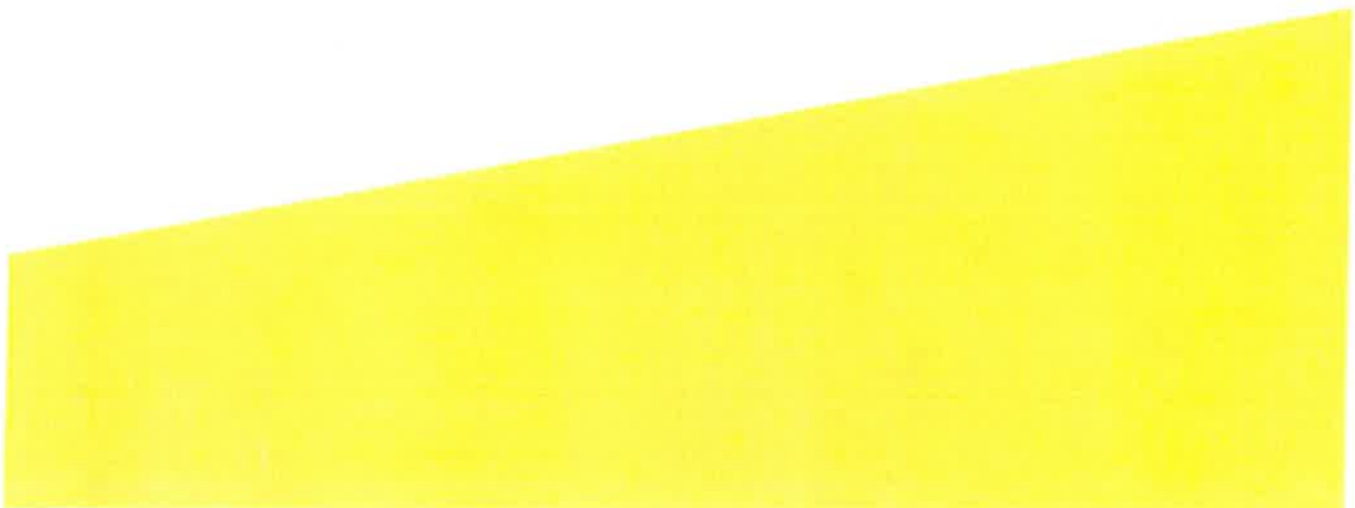
Annual report 2019

Approved at the Company's annual general meeting on 25 May 2020

Chairman:



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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 2019.

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 2019 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 2019.

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, 25 May 2020
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 2019, 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 2019 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 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 25 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in black ink, appearing to read 'Ole Hedemann'.

Ole Hedemann
State Authorised
Public Accountant
mne14949

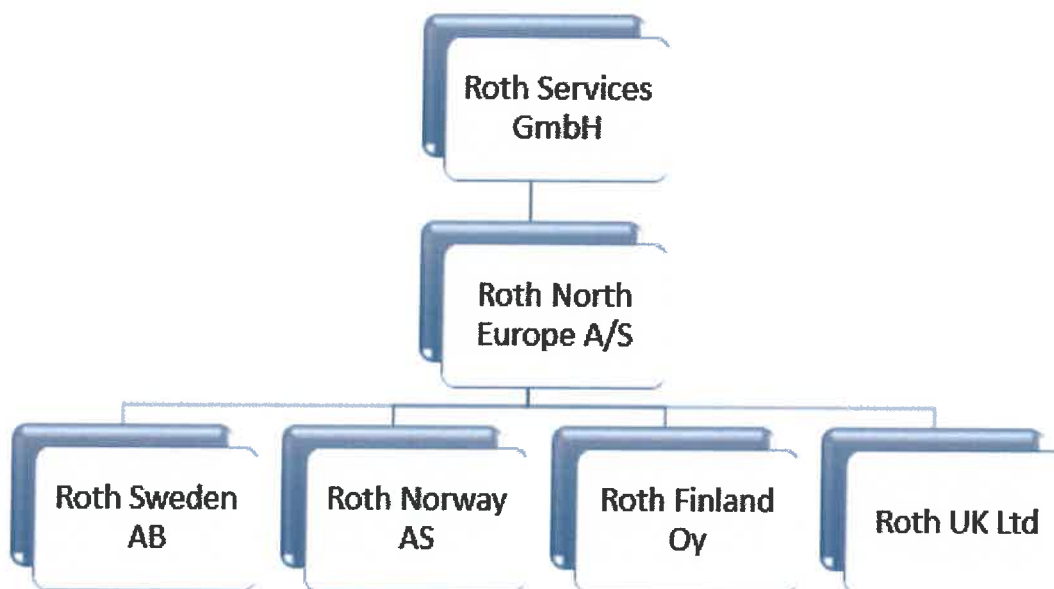
A handwritten signature in black ink, appearing to read 'Anders Flymer-Dindler'.

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 Services GmbH. Roth DK 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	2019	2018	2017	2016	2015
Key figures					
Gross profit	80.9	81.1	87.5	74.3	63.1
Profit from ordinary activities	11.4	15.4	27.4	22.5	15.2
Profit/loss from net financials	0.3	-1.0	-1.3	-0.8	-0.6
Profit for the year	7.5	9.5	19.6	17.0	11.1
Total assets	190.8	180.0	141.7	118.8	101.8
Amount relating to investments in property, plant and equipment	2	31.1	1.6	3.6	2.8
Equity	90.6	83.6	74.0	59.7	41.9
Cash flows from operating activities	-7.4	-6.2	20.3	11.0	13.6
Cash flow from investing activities	-1.9	-31.1	-1.6	-3.6	-2.8
Cash flows from financing activities	6.2	27.3	-1.9	-4.3	-13.6
Total cash flows	-3.1	-10	16.8	3.1	-2.8
Financial ratios					
Equity ratio	47.5%	46.4%	52.2%	50.3%	41.2%
Return on equity	8.6%	12.0%	29.2%	33.5%	30.4%
Average number of full-time employees	102	96	85	71	69

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	www.roth-northeurope.com
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 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 2019 shows a profit of DKK 7,482 thousand against DKK 9,480 thousand in the previous year, and the Group's and the Parent Company's balance sheet at 31 December 2019 shows equity of DKK 90,622 thousand.

To some extent, 2019 was a consolidation year where the Group focused on occupancy of new operating facilities following last 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 were thus positive consolidation measures that will all strengthen the platform further to ensure further growth in future.

In 2019, group revenue showed satisfactory growth, and the number of employees in the Group has been on the rise, with an increase of 6 employees on average, totalling 102 employees. However, results have not been in line with the results of 2018 and thus represent a decrease of 21%. The main reasons for the decrease are the consolidation measures described above, a loss in the English company and not least unfavourable exchange rates.

Results for 2019 are considered less satisfactory, but it is, however, satisfactory that all companies, except for the English company, still generate profits.

The Group expects increasing revenue in 2020, and despite plans for further consolidation and more employees in the Group, we still expect increasing results compared to 2019.

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 quite well compared to last year and more than met the expectations of the year. Sales in Denmark are still subject to fierce competition.

The company's income statement for 2019 shows a profit of DKK 9,480 thousand, including profits/losses from subsidiaries. The company's balance sheet at 31 December 2019 shows equity of DKK 90,622 thousand after retained earnings.

Despite increased sales, the company's results do, however, show a decline compared to 2018 - primarily due to consolidation in the Shared Service Centre. However, results for the year are generally considered satisfactory.

Roth Sverige AB

Due to increased sales to several of our largest customers, revenue exceeded expectations for the year. Previous structural changes in the market have, however, resulted in slightly lower revenue this year compared to last year.

The company's market share is at the same level as in recent years. With increasing project sales, heavy price pressure and a declining SEK rate, earnings were also subject to increased pressure in 2019, which is expected to continue in 2020.

Increasing revenue is expected in 2020, and results are expected to improve in 2020 compared to 2019.

Management's review

For 2019, the company's income statement shows a minor profit, which is in line with 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 markedly in 2019 compared with last year and exceeded expectations of the year. In 2019, the company also won additional market shares.

However, earnings were subject to increased pressure in 2019, particularly due to a continued weak NOK rate, and profit for the year is well below expectations.

Compared to 2018, the profit is also lower in 2019 but is, however, considered satisfactory, not least in light of the continued relatively weak NOK rate.

In 2020, a slight increase in revenue compared to 2019 is expected; however, profit is expected to be in line with 2019, but it all depends on the development in the NOK rate.

Roth Finland Oy

Revenue did not fully meet expectations in 2019, and revenue for the year is a bit below the level of 2018.

Moreover, profit for the year is lower than in 2018, primarily due to pressure on earnings and rising costs, and well below expectations of 2019, primarily due to continued price pressure.

Despite a minor decline in 2019, the Finnish company has seen very positive developments in recent years, which are expected to continue in line with the company's continuously increasing market share. In 2020, minor increases in both revenue and earnings are thus expected.

Roth UK Limited

The English company, which was acquired in 2017, shows a considerable loss for 2019, which is according to plan and in line with the budget. Compared to the results in 2018, the results in 2019 are, however, far better.

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 recent years will be turned into profits in the next couple of years.

Soaring revenue and continued increasing earnings margins are expected in 2020. The company's equity was restored at the end of 2019.

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

After the balance sheet date 31 December 2019, the COVID-19 virus impacted Scandinavia and the UK. Management considers the outbreak a non-adjusting event and as a result, Management has not adjusted any figures in the financial statements 2019.

No other 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 2020 exceeded the Company's expectations. Marginally higher revenue than expected combined with relatively low controlled costs have thus implied 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 and the Parent Company's budget targets at 25% increase and contribute to increase the Group's equity ratio. However, in mid-March 2020, Management noted an adverse effect of the Covid-19 virus outbreak. As it is uncertain how this develops, it is not possible to estimate expectations for the future more accurately.

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

Income statement

Note	DKK'000	Group		Parent	
		2019	2018	2019	2018
	Gross profit	80,872	81,062	41,215	40,020
2	Staff costs	-66,593	-63,600	-30,028	-27,736
	Amortisation and depreciation	-2,882	-2,060	-2,573	-1,742
	Operating profit	11,397	15,402	8,614	10,542
	Share of net profit in subsidiaries	0	0	1,697	2,265
3	Financial income	1,611	206	697	241
4	Financial expenses	-1,333	-1,223	-1,767	-1,394
	Profit before tax	11,675	14,385	9,241	11,654
5	Tax for the year	-4,193	-4,905	-1,759	-2,174
	Profit for the year	7,482	9,480	7,482	9,480

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

Balance sheet

Note	DKK'000	Group		Parent	
		2019	2018	2019	2018
	ASSETS				
	Fixed assets				
6	Property, plant and equipment				
	Land and buildings	52,917	53,107	52,917	53,107
	Fixtures and fittings, tools and equipment	4,080	4,836	3,436	3,960
	Property, plant and equipment under construction	88	100	88	100
		<u>57,085</u>	<u>58,043</u>	<u>56,441</u>	<u>57,167</u>
	Investments				
7	Equity investments in subsidiaries	0	0	66,995	57,553
		<u>0</u>	<u>0</u>	<u>66,995</u>	<u>57,553</u>
	Total fixed assets	<u>57,085</u>	<u>58,043</u>	<u>123,436</u>	<u>114,720</u>
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	45,530	34,405	45,530	33,609
		<u>45,530</u>	<u>34,405</u>	<u>45,530</u>	<u>33,609</u>
	Receivables				
	Trade receivables	78,034	72,259	32,247	26,968
	Receivables from group entities	0	0	170	4,961
	Other receivables	1,006	2,736	1,256	4,759
8	Prepayments	1,288	1,100	657	652
		<u>80,328</u>	<u>76,095</u>	<u>34,330</u>	<u>37,340</u>
	Cash	<u>7,863</u>	<u>11,417</u>	<u>1,132</u>	<u>6,216</u>
	Total non-fixed assets	<u>133,721</u>	<u>121,917</u>	<u>80,992</u>	<u>77,165</u>
	TOTAL ASSETS	<u>190,806</u>	<u>179,960</u>	<u>204,428</u>	<u>191,885</u>



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

Balance sheet

Note	DKK'000	Group		Parent	
		2019	2018	2019	2018
		EQUITY AND LIABILITIES			
		Equity			
9	Share capital	720	720	720	720
	Net revaluation reserve according to the equity method	0	0	24,834	23,597
	Retained earnings	89,902	82,833	65,068	59,236
	Total equity	90,622	83,553	90,622	83,553
	Provisions				
10	Deferred tax	2,662	2,200	2,747	2,275
	Total provisions	2,662	2,200	2,747	2,275
	Liabilities other than provisions				
	Non-current liabilities other than provisions				
11	Debt to mortgage credit institutions	10,709	11,506	10,709	11,506
	Lease commitments	0	86	0	86
	Other payables	827	0	827	
		11,536	11,592	11,536	11,592
	Current liabilities other than provisions				
11	Current portion of non-current liabilities other than provisions	871	969	871	969
	Credit institutions	35,634	28,457	35,634	28,457
	Trade payables	15,711	17,551	11,997	14,930
	Payables to group entities	7,563	7,142	41,705	38,792
	Corporation tax	760	1,973	111	968
	Other payables	25,447	26,523	9,205	10,349
		85,986	82,615	99,523	94,465
	Total liabilities other than provisions	97,522	94,207	111,059	106,057
	TOTAL EQUITY AND LIABILITIES	190,806	179,960	204,428	191,885

- 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	82,833	83,553
17	Equity at 1 January 2019	0	7,482	7,482
	Transfer, see "Distribution of profit/loss"	0	-460	-460
	Foreign exchange adjustments, foreign subsidiary	0	60	60
	Value adjustment of hedging instruments, 31 December	0	-13	-13
	Tax on equity transactions			
	Equity at 31 December 2019	720	89,902	90,622

Note	DKK'000	Parent				
		Share capital	Net revaluation reserve acc. to the equity method	Retained earnings	Dividend proposed for the year	Total
		720	23,597	59,236	0	83,553
17	Equity at 1 January 2019	0	1,697	5,785	0	7,482
	Transfer, see "Distribution of profit/loss"	0	-460	0	0	-460
	Foreign exchange adjustments, foreign subsidiary	0	0	60	0	60
	Value adjustments of hedging instruments at 31 December	0	0	-13	0	-13
	Tax on equity transactions					
	Equity at 31 December 2019	720	24,834	65,068	0	90,622

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

Cash flow statement

Note	DKK'000	Group	
		2019	2018
	Profit/loss for the year	7,482	9,480
15	Adjustments	6,805	7,982
	Cash generated from operations before changes in working capital	14,287	17,462
16	Changes in working capital	-17,026	-16,074
	Cash generated from operations	-2,739	1,388
	Interest received	1,639	52
	Interest paid	-1,333	-1,170
	Corporation tax paid	-4,957	-6,483
	Cash flows from operating activities	-7,390	-6,213
	Acquisition of property, plant and equipment	-1,986	-31,094
	Disposal of property, plant and equipment	86	0
	Cash flows from investing activities	-1,900	-31,094
	Loan financing:		
	Mortgage debt	-895	-769
	Debt to credit institutions	7,177	28,457
	Finance leases	-86	-437
	Cash flows from financing activities	6,196	27,251
	Net cash flows	-3,094	-10,056
	Cash and cash equivalents, beginning of year	11,417	21,993
	Foreign exchange adjustments of investments in subsidiaries	-460	-520
	Cash and cash equivalents, year end	7,863	11,417

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 2019 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	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.

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.

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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.

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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.



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Notes

1 Accounting policies (continued)

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

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DKK'000	Group		Parent	
	2019	2018	2019	2018
2 Staff costs				
Wages and salaries	54,157	51,610	26,069	23,981
Pensions	3,515	3,237	2,142	1,973
Other social security costs	6,402	6,216	412	350
Other staff costs	2,519	2,537	1,405	1,432
	<u>66,593</u>	<u>63,600</u>	<u>30,028</u>	<u>27,736</u>
Average number of employees during the year	<u>102</u>	<u>96</u>	<u>45</u>	<u>41</u>
Remuneration of the Executive Board and the Board of Directors	<u>4,112</u>	<u>4,803</u>	<u>4,112</u>	<u>4,803</u>
3 Financial income				
Interest income from group entities	0	0	295	86
Other financial income	1,611	206	402	155
	<u>1,611</u>	<u>206</u>	<u>697</u>	<u>241</u>
4 Financial expenses				
Interest expenses, group entities	0	0	525	468
Other financial expenses	1,333	1,223	1,242	926
	<u>1,333</u>	<u>1,223</u>	<u>1,767</u>	<u>1,394</u>
5 Tax for the year				
Current tax charge for the year	3,744	4,669	1,300	1,860
Adjustment of the deferred tax charge for the year	462	420	472	495
Adjustment regarding previous years	0	-1	0	2
Tax on changes in equity	-13	-183	-13	-183
	<u>4,193</u>	<u>4,905</u>	<u>1,759</u>	<u>2,174</u>

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

Notes

6 Property, plant and equipment

	Group			Total
	Land and buildings	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	
DKK'000				
Cost at 1 January 2019	58,864	13,304	100	72,268
Exchange rate adjustment	0	52	0	52
Additions	976	922	88	1,986
Transferred	0	100	-100	0
Disposals	0	-727	0	-727
Cost at 31 December 2019	59,840	13,651	88	73,579
Depreciation and impairment losses at 1 January 2019	5,757	8,468	0	14,225
Exchange rate adjustment	0	36	0	36
Depreciation	1,166	1,716	0	2,882
Disposals	0	-649	0	-649
Depreciation and impairment losses at 31 December 2019	6,923	9,571	0	16,494
Carrying amount at 31 December 2019	52,917	4,080	88	57,085
Property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	84	0	84
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 2019	58,864	11,532	100	70,496
Additions	976	783	88	1,847
Transferred	0	100	-100	0
Disposals	0	-207	0	-207
Cost at 31 December 2019	59,840	12,208	88	72,136
Depreciation and impairment losses at 1 January 2019	5,757	7,572	0	13,329
Depreciation	1,166	1,407	0	2,573
Disposals	0	-207	0	-207
Depreciation and impairment losses at 31 December 2019	6,923	8,772	0	15,695
Carrying amount at 31 December 2019	52,917	3,436	88	56,441
Items of property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	84	0	84
Depreciated over	10-50 years	3-15 years	0 years	

DKK'000	Parent	
	2019	2018
7 Equity investments in subsidiaries		
Cost at 1 January	25,505	25,505
Additions	16,656	0
Cost at 31 December	42,161	25,505
Value adjustments at 1 January	32,048	21,852
Foreign exchange adjustment	-460	-520
Profit/loss for the year	1,697	2,265
Offset against receivables from group entities	-8,451	8,451
Value adjustments at 31 December	24,834	32,048
Carrying amount at 31 December	66,995	57,553

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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%	1,047	11,392
Roth Norge AS	100%	2,370	26,767
Roth Finland Oy	100%	3,079	26,078
Roth UK	100%	-4,799	2,758

All subsidiaries are considered separate entities.

DKK'000	Group		Parent	
	2019	2018	2019	2018
8 Prepayments				
Insurance premiums	633	415	420	294
Prepaid rent	171	148	0	0
Other prepayments	484	537	237	358
	1,288	1,100	657	652

9 Share capital

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

DKK'000	Group		Parent	
	2019	2018	2019	2018
10 Deferred tax				
Deferred tax at 1 January	2,200	1,780	2,275	1,780
Adjustment of the deferred tax charge for the year	462	420	472	495
Deferred tax at 31 December	2,662	2,200	2,747	2,275

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DKK'000	Group		Parent	
	2019	2018	2019	2018
11 Debt to mortgage credit institutions and other credit institutions				
Liabilities can be specified as follows:				
Mortgage credit institutions				
Long-term	10,709	11,506	10,709	11,505
Short-term	785	765	785	766
	<u>11,494</u>	<u>12,271</u>	<u>11,494</u>	<u>12,271</u>
Financial lease				
Long-term	0	86	0	86
Short-term	86	204	86	204
	<u>86</u>	<u>290</u>	<u>86</u>	<u>290</u>
Other payables				
Long-term	827	0	827	0
Short-term	0	0	0	0
	<u>827</u>	<u>0</u>	<u>827</u>	<u>0</u>
Total liabilities	<u>12,407</u>	<u>12,561</u>	<u>12,407</u>	<u>12,561</u>
The liabilities are recognised in the balance sheet as follows:				
Non-current liabilities	11,536	11,592	11,536	11,592
Current liabilities	871	969	871	969
	<u>12,407</u>	<u>12,561</u>	<u>12,407</u>	<u>12,561</u>
Non-current liabilities falling due more than five years after the financial year-end (carrying amount)	<u>7,596</u>	<u>8,441</u>	<u>7,596</u>	<u>8,441</u>

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

12 Mortgages and collateral

Group

The property at Centervej 5, Frederikssund has been provided as security for mortgage debt of DKK 11,494 thousand (2018: DKK 12,271 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 (2018: 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 453 thousand has been provided (2018: DKK 443 thousand).

Parent

The property at Centervej 5, Frederikssund has been provided as security for mortgage debt of DKK 11,494 thousand (2018: DKK 12,271 thousand).



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Notes

12 Mortgages and collateral (continued)

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 (2018: 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 453 thousand has been provided (2018: DKK 443 thousand).

13 Contractual obligations and contingencies, etc.

Operating lease liabilities

DKK'000	Group		Parent	
	2019	2018	2019	2018
Rent obligations and lease liabilities	10,925	12,947	1,905	2,818

14 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	2019	2018
Parent		
Sale of goods to group entities	138,290	137,245
Purchase of goods from group entities	90,601	87,400
Sale of services to group entities	17,956	15,885
Purchase of services from group entities	8,585	7,743
Interest income from group entities	295	86
Interest expenses to group entities	525	468
Receivables from group entities	170	4,961
Payables to group entities	41,705	38,792

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	
	2019	2018
15 Adjustments		
Amortisation, depreciation and impairment losses	2,882	2,060
Financial income	-1,611	-206
Financial expenses	1,333	1,223
Tax for the year	4,193	4,905
Profit and loss from disposal assets	8	
	<u>6,805</u>	<u>7,982</u>
16 Changes in working capital		
Change in inventories	-11,125	-5,737
Change in receivables	-4,233	-12,952
Change in trade and other payables	-1,668	2,615
	<u>-17,026</u>	<u>-16,074</u>



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		Parent	
DKK'000		2019	2018
17	Distribution of profit/loss		
	Proposed distribution of profit/loss		
	Transferred results	5,785	7,215
	Reserve for net revaluation according to the equity method	1,697	2,265
		<u>7,482</u>	<u>9,480</u>
		Group	
DKK'000		2019	2018
	Proposed distribution of profit/loss		
	Transferred results	7,482	9,480
		<u>7,482</u>	<u>9,480</u>