ApS Stake nr. 1851

Knøsgårdvej 115, 9440 Aabybro

Company reg. no. 35 21 05 71

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 18 June 2020.

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Jeffrey William Finch
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The executive board has today presented the annual report of ApS Stake nr. 1851 for the financial year 1 January to 31 December 2019.

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

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively at 31 December 2019, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2019.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Aabybro, 18 June 2020

Executive board

Jeffrey William Finch

John Joseph Calkins

Independent auditor's report

To the shareholder of ApS Stake nr. 1851

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of ApS Stake nr. 1851 for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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.

Aalborg, 18 June 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

Line Borregaard
State Authorised Public Accountant
mne34353

Company data

The company	ApS Stake nr. 1851 Knøsgårdvej 115 9440 Aabybro	
	Company reg. no.	35 21 05 71
	Financial year:	1 January - 31 December
Executive board	Jeffrey William Finch John Joseph Calkins	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A 9000 Aalborg	
Parent company	Evapco Inc., USA	
Subsidiaries	Evapco Air Solutions A/S, Denmark Evapco Europe S.R.L., Italy Evapco Europe NV, Belgium Evapco Australia, Australia Flex Coil Deutchland GmbH, Germany Evapco Brasil, Brasil FanTR Technology Resources Ltda., Brasil Evapco Middle East, Egypt	

Consolidated financial highlights

DKK in thousands.	2019	2018	2017	2016	2015
Profit and loss account:					
Net turnover	559.988	560.565	616.027	579.480	583.923
Gross profit	247.091	252.462	266.115	234.562	239.845
Results from operating activities	30.432	28.567	29.323	12.523	25.843
Net financials	-8.590	-13.838	15.210	-6.736	-13.420
Results for the year	11.891	4.286	26.907	-13.081	-1.431
Balance sheet:					
Balance sheet sum	526.244	564.760	569.595	569.015	556.286
Investments in tangible fixed assets represent	5.056	6.656	11.448	17.569	16.118
Equity	406.394	262.888	230.127	211.815	209.697
Cash flow:					
Operating activities	28.964	15.712	22.780	27.093	20.898
Investment activities	-2.202	-3.339	-7.443	-19.756	-22.296
Financing activities	-52.143	18.372	13.958	13.461	-15.423
Cash flow in total	-25.381	30.745	29.295	20.798	-16.821
Employees:					
Average number of full time employees	620	636	663	679	645
Key figures in %:					
Gross margin	44,1	45,0	43,2	40,5	41,1
Profit margin	5,4	5,1	4,8	2,2	4,4
Solvency ratio	76,3	45,7	39,5	36,6	37,1
Return on equity	3,5	1,7	12,6	-6,0	-0,6

The key figures appearing from the survey have been calculated as follows:

Gross margin
$$\frac{\text{Gross results x 100}}{\text{Net turnover}}$$

Profit margin (EBIT margin)
$$\frac{\text{Results from primary activities (EBIT) x 100}}{\text{Net turnover}}$$

Equity share
$$\frac{\text{Equity less minority interests, closing balance x 100}}{\text{Assets in total, closing balance}}$$

Consolidated financial highlights

Return on equity	$\frac{\text{*Results x 100}}{\text{Average equity exclusive of minority interests}}$
***Results**	Results for the year with deduction of minority interests' share of same

The principal activities of the group

The group produces and sells HVAC and industrial refrigeration products.

Uncertainties as to recognition or measurement

None.

Development in activities and financial matters

The group's financial year show a result of DKK ('000) 11.891 against DKK ('000) 4.286 last year. The management consider the results satisfactory. The positive trend is a result from diversifying our portfolio in various regions and growth in emerging markets around the world as well as the implementation of some cost reduction activities and using the group's strength in economies of scale.

The result correspond to the expectations described in the annual report for 2018.

Special risks

Price risk

The group is continuously developing work processes to ensure the capability to maintain its position in the market.

Exchange rate risks

It is the group policy to evaluate the need for hedging the commercial currency risks. The hedging is done primarily through forward exchange transactions. A subsidiary has in 2019 entered into a GBP hedge because of the Brexit process.

The group had some exposure with intercompany loans outside of the DKK/EUR band and reduced significantly the exchange rate risk by either converting intercompany loans into equity or paying off the non US intercompany loans.

Interest risks

The group has no special interest risk.

Environmental issues

The group has no special environmental risks.

Know how resources

The group's ambition is to be on the leading edge on technological development. The group has a substantial base of knowledge.

Research and development activities

To ensure a broad product composition the group seeks to continuously invest in new initiatives such as fans and blades. In addition, R&D programs are set up in the domain of sustainability to save water, decrease energy consumption, sound reductions and diminish the CO2 footprint.

The expected development

A limited level of activity is expected on the markets.

Management expects positive results for the coming financial year.

Events subsequent to the financial year

The Covid-19 pandemic, starting early 2020 in China has resulted in a worldwide problematic situation with serious implications on human health and behavior. The impact of the disease and the actions taken by several governments have led to economic consequences on a global scale.

For ApS Stake Nr. 1851's outlook for the future will probably be impacted by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 1

Company Management has tried to estimate the effect of COVID-19 on the expected revenue and net profit of the Company. It is, however, too early yet to give an opinion as to the extent of the negative implications. Therefore, Management finds itself unable to disclose reliably its outlook for the future in accordance with section 12 of the Danish Financial Statements Act.

Statement of corporate social responsibility

Business model:

Our corporation is an industry leading manufacturing company with global resources and solutions for worldwide heat transfer applications. We are dedicated to designing and manufacturing the highest quality products for the evaporative cooling and industrial refrigeration markets.

Each year, each entity will define a set of success targets to be achieved during the year. These success targets can range from growth to cost savings but also deal on personnel management, health & safety and compliance.

Environmental policies:

Innovation and environmental sustainability go hand in hand at our companies. We are proud to manufacture a wide range of environmentally sustainable products that:

- Conserve water
- Eliminate the need for chemical use in water treatment
- Conserve energy
- Reduce noise pollution
- Reduce Carbon dioxide

Our industrial heat transfer equipment not only conserves natural resources and helps reduce noise pollution, but also features recycled steel content in construction. Our stainless steel units are constructed of panels that contain up to 75 percent of recycled content and our galvanized steel units contain more than 80 percent.

From sound reduction and water conservation to chemical elimination, we are continuously developing new technologies that deliver the ultimate operating advantage to our clients – while protecting the planet for every generation to come.

Given our pro-active approach to environmental aspects, we see no risks at this point, either financial or non-financial. We successfully released in 2019 a new range of products developed in our international laboratory at our US Headquarters. We are not at liberty to disclose the technical specifications but can report that these innovative products are also certified internationally and on European level by independent control institutions.

Human resources policies:

Working for one of our companies means being part of a global team dedicated to delivering localized solutions to global customers. Our focus on innovation and commitment to research, development and continuous improvement ensures we protect the planet for every generation to come.

At all our companies, the people make the difference. As a privately-held employee-owned company, each employee shares in the ownership of the business meaning; each employee has a stake in the company's success, and the company has a stake in each employee's success. Our Staff's engagement and commitment to the business, our customers and each other are recognized and rewarded.

Some key benefits our companies include to our personnel:

- Excellent healthcare benefits
- Training programs for all levels of staff
- Wide variety of supplementary benefits (may be different in each location)

Our values – people, customers, integrity, innovation and excellence - drive our business strategy and decision making. We are focused on:

- Safety for our members of staff in the production area, the warehouses, the office and in the field with our customers
- Always providing first class service to each other and our customers
- Building and coaching employees to drive personal and business growth
- Striving for efficiency, effectiveness and success through innovative thinking

We are committed to creating an environment of ongoing coaching and skill building. Our leadership system is focused on providing every member with the tools, resources and training to ensure we continually grow our talent across the business.

We provide an employee manual for our staff together. We have a strong relationship with our unions in our entities and have a very low turnover of staff.

Given our stable Human Resource environment, we see no risks at this point, either financial or non-financial. In 2019 our HR manager for Belgium who was promoted into a European role started to consolidate best practices related to employee evaluations and ongoing coaching and she has become a focal point to be contacted in relation with employment matters.

Respect of human rights:
In our Company, we are all equally entitled to our human rights without discrimination. These rights are all interrelated. The principles are: Universal and inalienable, Interdependent and indivisible, Equal and non-discriminatory, and Both Rights and Obligations.

Our company is strongly against child labour, forced labour, discrimination and an unhealthy working environment.

Given that we operate in countries where human rights are a fully integrated part of local legislation, we see no risks at this point, either financial or non-financial. We have an active GDPR policy; informing our staff about their rights and protection of their private data. In 2018 we went live with our GDPR policy and for 2019 we have received no complaints in respect of GDPR. We also take pride in making our company a safe place to work in and are constantly taken new measures to make our staff aware on safety matters. As working hours regulation is also important for our group, we successfully continue to keep the overtime to an absolute minimum and we succesfully reduced the overtime again in 2019.

Anti-corruption and bribery:
Our Companies have specific purchasing and supply departments that manage relationships with suppliers. The department enforces our supply policies, which includes a policy prohibiting relationships with companies that used forced or slave labour, or engage in human trafficking. If the department becomes aware that a supplier is or may be violating this policy, the issue with the supplier will be addressed immediately and swift corrective action will be required or the supply relationship will be terminated. When a new employee is added to the purchasing and supply department, they receive training to educate them on the dangers of relationships with non-compliant suppliers, the risk factors that can provide tips to identifying non-compliant suppliers, and information on what to do if they become aware of a non-compliance.

Our Companies follow strictly the policies that are written and kept updated at our Headquarters. Each finance department within our companies has the responsibility to guard these policies and act on them as being part of the financial controllership which not only reports on profitability but also on accuracy and applying the corporate policies and observing segregations of duty.

Given that we not yet experienced any corruption or bribery in our entities, we see no risks at this point, either financial or non-financial. In 2019 we held an internal control conference with the participation of all the European financial responsibles and the CFO from Headquarters. Processes were analysed from each of the different entities and also tested to some degree of detail and no discrepancies were reported.

Policies for the under-represented gender

The group realized that women are under-represented on the executive board. The executive board has decided that the number of women serving on the executive board must account for at least 33 % by 2029. The group strives to find suitable female candidates when recruiting. Unfortunately, we have not reached this and had in 2019 no job opening in the board of directors but do expect to be compliant over a period on 10 years.

The Group's gender diversity policy for the management team emphasizes diversity in the broadest sense and lays out the principle to always hire the most qualified person, regardless of gender, age, nationality, sexual orientation or religious beliefs. When an opening presents itself on the management team, the following recruitment procedures are applied in order to find suitable candidates:

- Candidates of both genders should be on the shortlist for recruitment
- Respect of the GDPR guidelines as we do not want to inquire in personal aspects of a candidate’s life
- Head-hunters are obliged to present candidates of both genders

In 2019 we had some vacancies filled by candidates of both gender close to equality. We always post each vacancy internally before it is made public.

Profit and loss account 1 January - 31 December

DKK in thousands.

Note		Group 2019	Group 2018	Parent company 2019	Parent company 2018
2	Net turnover	559.988	560.565	0	0
	Raw materials and consumables used	-207.084	-203.593	0	0
	Other external costs	-105.813	-104.510	-708	-527
	Gross results	**247.091**	**252.462**	**-708**	**-527**
3	Staff costs	-199.843	-205.367	0	0
	Depreciation and writedown relating to tangible and intangible fixed assets	-16.816	-18.528	0	0
	Operating profit	**30.432**	**28.567**	**-708**	**-527**
	Income from equity investments in group enterprises	0	0	20.845	16.245
4	Other financial income	5.969	5.208	4.462	826
5	Other financial costs	-14.559	-19.046	-12.949	-12.364
	Results before tax	**21.842**	**14.729**	**11.650**	**4.180**
6	Tax on ordinary results	-9.951	-10.443	0	-78
	Results for the year	**11.891**	**4.286**	**11.650**	**4.102**
	The group results are presented as follows:				
	Shareholders in ApS Stake nr. 1851	11.650	4.102		
	Minority interests	241	184		
		11.891	**4.286**		

Balance sheet 31 December

DKK in thousands.

Assets

Note		Group 2019	Group 2018	Parent company 2019	Parent company 2018
	Fixed assets				
8	Completed development projects	2.848	3.856	0	0
9	Trademarks, knowhow etc.	9.542	11.393	0	0
10	Goodwill	9.138	11.142	0	0
	Intangible fixed assets in total	21.528	26.391	0	0
11	Land and property	79.607	82.915	0	0
12	Production plant and machinery	31.376	35.769	0	0
13	Other plants, operating assets, and fixtures and furniture	3.572	3.513	0	0
	Tangible fixed assets in total	114.555	122.197	0	0
15	Equity investments in group enterprises	0	0	404.188	420.351
	Financial fixed assets in total	0	0	404.188	420.351
	Fixed assets in total	**136.083**	**148.588**	**404.188**	**420.351**

Balance sheet 31 December

DKK in thousands.

Assets

Note		Group 2019	Group 2018	Parent company 2019	Parent company 2018
	Current assets				
16	Manufactured goods and trade goods	113.877	116.758	0	0
	Inventories in total	113.877	116.758	0	0
	Trade debtors	124.683	144.652	0	0
	Amounts owed by group enterprises	0	0	0	1.300
17	Deferred tax assets	3.028	737	0	0
	Other debtors	381	0	0	0
18	Deferred expenses	29.474	9.926	0	0
	Debtors in total	157.566	155.315	0	1.300
	Available funds	118.718	144.099	1.532	19.800
	Current assets in total	**390.161**	**416.172**	**1.532**	**21.100**
	Assets in total	**526.244**	**564.760**	**405.720**	**441.451**

Balance sheet 31 December

DKK in thousands.

Equity and liabilities

Note		Group 2019	Group 2018	Parent company 2019	Parent company 2018
	Equity				
19	Contributed capital	1.000	80	1.000	80
	Share premium account	132.360	0	132.360	0
	Other reserves	1.331	1.375	0	0
	Results brought forward	266.949	256.841	268.280	258.216
	Equity before non-controlling interest.	401.640	258.296	401.640	258.296
	Minority interests	4.754	4.592	0	0
	Equity in total	**406.394**	**262.888**	**401.640**	**258.296**
	Provisions				
20	Provisions for deferred tax	2.457	2.457	0	0
	Provisions in total	**2.457**	**2.457**	**0**	**0**
	Liabilities				
21	Debt to group enterprises	0	191.249	0	183.006
22	Other debts	10.899	5.073	0	0
	Long-term liabilities in total	10.899	196.322	0	183.006

Balance sheet 31 December

DKK in thousands.

Note	Equity and liabilities	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	Trade creditors	73.105	75.944	189	149
	Debt to group enterprises	0	0	3.891	0
	Corporate tax	3.162	796	0	0
	Other debts	30.227	26.353	0	0
	Short-term liabilities in total	106.494	103.093	4.080	149
	Liabilities in total	**117.393**	**299.415**	**4.080**	**183.155**
	Equity and liabilities in total	**526.244**	**564.760**	**405.720**	**441.451**

1 Subsequent events

23 Fee, auditor

24 Mortgage and securities

25 Contingencies

26 Related parties

Consolidated statement of changes in equity

DKK in thousands.

	Contributed capital	Share premium account	Revaluation reserve	Results brought forward	Minority interests
Equity 1 January 2018	80	0	1.419	223.708	4.920
Capital conversion	0	0	0	38.726	0
Provisions of the results for the year	0	0	0	4.102	-184
Depreciation and impairment for the year	0	0	-44	44	0
Exchange rate adjustment	0	0	0	-9.739	-144
Equity 1 January 2019	80	0	1.375	256.841	4.592
Capital conversion	920	132.360	0	0	0
Provisions of the results for the year	0	0	0	11.650	241
Depreciation and impairment for the year	0	0	-44	44	0
Exchange rate adjustment	0	0	0	-1.586	-79
	1.000	**132.360**	**1.331**	**266.949**	**4.754**

Statement of changes in equity of the parent company

DKK in thousands.

	Contributed capital	Share premium account	Results brought forward
Equity 1 January 2018	80	0	225.127
Profit or loss for the year brought forward	0	0	4.102
Exchange rate adjustment	0	0	-9.739
Capital conversion	0	0	38.726
Equity 1 January 2019	80	0	258.216
Capital conversion	920	132.360	0
Profit or loss for the year brought forward	0	0	11.650
Exchange rate adjustment	0	0	-1.586
	1.000	**132.360**	**268.280**

Cash flow statement 1 January - 31 December

DKK in thousands.

Note		Group 2019	2018
	Results for the year	11.891	4.286
27	Adjustments	35.357	42.809
28	Change in working capital	2.497	-7.631
	Cash flow from operating activities before net financials	49.745	39.464
	Interest received and similar amounts	5.969	5.208
	Interest paid and similar amounts	-14.559	-19.046
	Cash flow from ordinary activities	41.155	25.626
	Corporate tax paid	-12.191	-9.914
	Cash flow from operating activities	**28.964**	**15.712**
	Purchase of tangible fixed assets	-5.056	-6.656
	Sale of tangible fixed assets	2.854	3.317
	Cash flow from investment activities	**-2.202**	**-3.339**
	Change in other long term debt	-185.423	26.489
	Change in debt to credit institutions	0	-8.117
	Cash capital increase	133.280	0
	Cash flow from financing activities	**-52.143**	**18.372**
	Changes in available funds	**-25.381**	**30.745**
	Available funds 1 January 2019	144.099	113.354
	Available funds 31 December 2019	**118.718**	**144.099**
	Available funds		
	Available funds	118.718	144.099
	Available funds 31 December 2019	**118.718**	**144.099**

Notes

DKK in thousands.

1. Subsequent events

Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Most governments made far-reaching decisions related to social distancing and workplace conditions to combat the spread of COVID-19. Given that our products are also used in hospitals, laboratories, the food sector, etc., the company has decided to prioritize our offer for these essential sectors, taking into account the necessary safety guidelines. The implantation of our facilities around the world allows us to guarantee safe production for our employees. In those places where there might be a problem with social distancing, protective equipment is worn. The company disinfects common parts daily and communicates safety regulations on a regular basis. Our employees have been spared by the virus and where possible work from home. We do not currently see any problems with the supply of raw materials, and we have not yet identified any liquidity restrictions with our customers. Given our strong cash position and filled order book, we expect COVID-19 to have a negligible impact on the continuity of the company.

Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020.

	Group	
	2019	2018
2. Net turnover		
Europe	374.397	397.608
South America	134.076	121.377
Oceania	51.515	41.580
	559.988	**560.565**

The company's activities are limited to one activity and are marketed globally.

DKK in thousands.

		Group 2019	Group 2018
3.	**Staff costs**		
	Salaries and wages	156.787	162.216
	Pension costs	4.813	5.075
	Other costs for social security	38.243	38.076
		199.843	**205.367**
	Average number of employees	620	636

The Executive Board has not received separate remuneration in their capacity as directors of ApS Stake nr. 1851.

		Group		Parent company	
		2019	2018	2019	2018
4.	**Other financial income**				
	Interest, banks	0	0	2	0
	Interest income from affiliated enterprises	0	0	0	244
	Other interest income	1.316	2.418	0	8
	Exchange differences	4.653	2.790	4.460	574
		5.969	**5.208**	**4.462**	**826**

Notes

DKK in thousands.

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
5. Other financial costs				
Other interest expenses	2.168	5.067	2.112	2.411
Exchange differences	12.391	13.979	10.837	9.953
	14.559	**19.046**	**12.949**	**12.364**

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
6. Tax on ordinary results				
Tax of the results for the year	9.527	11.387	0	0
Adjustment for the year of deferred tax	-166	-1.022	0	0
Adjustment of tax for previous years	590	0	0	0
Other taxes	0	78	0	78
	9.951	**10.443**	**0**	**78**

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
7. Proposed distribution of the results				
Allocated to results brought forward	11.650	4.102	11.650	4.102
Minority interests	241	184	0	0
Distribution in total	**11.891**	**4.286**	**11.650**	**4.102**

Notes

DKK in thousands.

		Group	
		31/12 2019	31/12 2018
8.	**Completed development projects**		
	Cost 1 January 2019	7.711	8.597
	Exchange rate regulation	-117	-886
	Cost 31 December 2019	**7.594**	**7.711**
	Amortisation and writedown 1 January 2019	-3.855	-3.224
	Exchange rate regulation 31 December 2019	94	364
	Amortisation for the year	-985	-995
	Amortisation and writedown 31 December 2019	**-4.746**	**-3.855**
	Book value 31 December 2019	**2.848**	**3.856**

The development projects are recognised in FanTR Technology Resources Ltda. and Evapco Brazil and relate to development of fans, blades, hubs and other product development.

The group's development projects are continuously reviewed for indications of impairment. If this is the case, write-downs are made to lower recoverable value. The ongoing measurement of the recoverable amount of the group's development projects is inherently discretionary.

		Group	
		31/12 2019	31/12 2018
9.	**Trademarks, knowhow etc.**		
	Cost 1 January 2019	22.922	25.069
	Exchange rate regulation 31 December 2019	-285	-2.147
	Cost 31 December 2019	**22.637**	**22.922**
	Amortisation and writedown 1 January 2019	-11.529	-10.397
	Exchange rate regulation 31 December 2019	173	693
	Amortisation for the year	-1.739	-1.825
	Amortisation and writedown 31 December 2019	**-13.095**	**-11.529**
	Book value 31 December 2019	**9.542**	**11.393**

DKK in thousands.

		Group 31/12 2019	Group 31/12 2018
10.	**Goodwill**		
	Cost 1 January 2019	26.073	27.246
	Exchange rate regulation 31 December 2019	-156	-1.173
	Cost 31 December 2019	**25.917**	**26.073**
	Amortisation and writedown 1 January 2019	-14.931	-12.705
	Exchange rate regulation 31 December 2019	162	747
	Amortisation for the year	-2.010	-2.973
	Amortisation and writedown 31 December 2019	**-16.779**	**-14.931**
	Book value 31 December 2019	**9.138**	**11.142**

		Group 31/12 2019	Group 31/12 2018
11.	**Land and property**		
	Cost 1 January 2019	130.785	130.701
	Additions during the year	673	1.670
	Exchange rate regulation	-27	-1.586
	Cost 31 December 2019	**131.431**	**130.785**
	Revaluation 1 January 2019	2.400	2.400
	Revaluation 31 December 2019	**2.400**	**2.400**
	Depreciation and writedown 1 January 2019	-50.270	-46.343
	Exchange rate regulation 31 December 2019	31	182
	Depreciation for the year	-3.985	-4.109
	Depreciation and writedown 31 December 2019	**-54.224**	**-50.270**
	Book value 31 December 2019	**79.607**	**82.915**
	Revaluation less amortisation, depreciation and impairment losses	1.717	1.775

DKK in thousands.

		Group	
		31/12 2019	31/12 2018
12.	**Production plant and machinery**		
	Cost 1 January 2019	120.053	122.155
	Additions during the year	2.793	3.798
	Disposals during the year	-784	-3.854
	Exchange rate regulation	-146	-2.046
	Cost 31 December 2019	**121.916**	**120.053**
	Depreciation and writedown 1 January 2019	-84.284	-81.066
	Exchange rate regulation 31 December 2019	64	657
	Depreciation for the year	-6.641	-7.154
	Depreciation, amortisation and writedown for the year, assets disposed of	321	3.279
	Depreciation and writedown 31 December 2019	**-90.540**	**-84.284**
	Book value 31 December 2019	**31.376**	**35.769**

		Group	
		31/12 2019	31/12 2018
13.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2019	26.050	25.520
	Additions during the year	1.590	1.188
	Disposals during the year	-819	-715
	Exchange rate regulation	7	57
	Cost 31 December 2019	**26.828**	**26.050**
	Amortisation and writedown 1 January 2019	-22.537	-21.646
	Exchange rate regulation 31 December 2019	-6	-47
	Depreciation for the year	-1.457	-1.472
	Depreciation, amortisation and writedown for the year, assets disposed of	744	628
	Amortisation and writedown 31 December 2019	**-23.256**	**-22.537**
	Book value 31 December 2019	**3.572**	**3.513**

DKK in thousands.

		Group	
		31/12 2019	31/12 2018
14.	**Tangible assets under construction and prepayments for tangible assets**		
	Cost 1 January 2019	0	45
	Exchange rate regulation 31 December 2019	0	-3
	Disposals during the year	0	-42
	Cost 31 December 2019	**0**	**0**
	Book value 31 December 2019	**0**	**0**

DKK in thousands.

		Parent company 31/12 2019	Parent company 31/12 2018
15.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2019	438.356	419.580
	Additions during the year	6.562	18.776
	Cost 31 December 2019	**444.918**	**438.356**
	Revaluations, opening balance 1 January 2019	-15.413	-22.783
	Exchange rate regulation	-1.586	-9.739
	Results for the year before goodwill amortisation	21.709	17.109
	Dividend	-41.984	0
	Revaluation 31 December 2019	**-37.274**	**-15.413**
	Amortisation of goodwill, opening balance 1 January 2019	-2.592	-1.728
	Amortisation of goodwill for the year	-864	-864
	Depreciation on goodwill 31 December 2019	**-3.456**	**-2.592**
	Book value 31 December 2019	**404.188**	**420.351**
	Booked value includes goodwill with an amount of	8.032	8.896

The financial highlights for the enterprises according to the latest approved annual reports

DKK in thousands	**Share of ownership**	**Equity**	**Results for the year**
Evapco Air Solutions A/S, Denmark	100 %	68.620	-3.984
Evapco Europe S.R.L., Italy	100 %	85.441	6.007
Evapco Europe NV, Belgium	99,99 %	122.448	9.560
Evapco Australia, Australia	100 %	27.795	266
Flex Coil Deutchland GmbH, Germany	100 %	0	0
Evapco Brasil, Brasil	100 %	49.210	7.691
FanTR Technology Resources Ltda., Brasil	89,95 %	47.305	2.397
Evapco Middle East, Egypt	100 %	91	14
		400.910	**21.951**

DKK in thousands.

	Group 31/12 2019	Group 31/12 2018
16. Manufactured goods and trade goods		
Raw materials and consumable materials	84.849	89.006
Work in progress	18.533	16.416
Finished goods	10.495	11.336
	113.877	**116.758**

	Group 31/12 2019	Group 31/12 2018
17. Deferred tax assets		
Deferred tax assets 1 January 2019	737	1.154
Deferred tax of the results for the year	2.291	-417
	3.028	**737**

Deferred tax assets relates to tangible assets.

18. Deferred expenses

Prepayments comprises prepaid expenses.

	Group		Parent company	
	31/12 2019	31/12 2018	31/12 2019	31/12 2018
19. Contributed capital				
Contributed capital 1 January 2019	80	80	80	80
Capital conversion	920	0	920	0
	1.000	**80**	**1.000**	**80**

DKK in thousands.

		Group	
		31/12 2019	31/12 2018
20.	**Provisions for deferred tax**		
	Provisions for deferred tax 1 January 2019	2.457	2.085
	Deferred tax of the results for the year	0	372
		2.457	**2.457**

Provision for deferred tax consits of temporary differences related to property plant and equipment.

		Group		Parent company	
		31/12 2019	31/12 2018	31/12 2019	31/12 2018
21.	**Debt to group enterprises**				
	Debt to group enterprises in total	**0**	**191.249**	**0**	**183.006**
	Share of liabilities due after 5 years	0	191.249	0	183.006

		Group	
		31/12 2019	31/12 2018
22.	**Other debts**		
	Other debts in total	41.126	31.426
	Share of amount due within 1 year	-30.227	-26.353
	Other debts in total	**10.899**	**5.073**
	Share of liabilities due after 5 years	0	0

DKK in thousands.

		Group		Parent company	
		2019	2018	2019	2018
23.	**Fee, auditor**				
	Total fee for PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab	1.523	1.515	152	133
	Fee concerning compulsory audit	1.326	1.308	80	70
	Tax consultancy	122	154	16	23
	Assurance engagements	15	20	0	7
	Other services	60	33	56	33
		1.523	**1.515**	**152**	**133**

24. Mortgage and securities

Land and buildings with a carrying amount of DKK ('000) 24.533 (2018 DKK ('000) 25.273) have been placed as security for payables.

The group has issued bank guarantees and performance bonds amounting to DKK ('000) 6.520.

25. Contingencies

Contingent assets

The group has a total loss of DKK ('000) 16.091, which is not recognized as a tax asset in the annual report. Due to significant uncertainty as to whether the amount can be expected to be used within a shorter number of years, the deferred tax asset is not recognized in the balance sheet.

The company has a total loss of DKK ('000) 10.147, which is not recognized as a tax asset in the annual report. Due to significant uncertainty as to whether the amount can be expected to be used within a shorter number of years, the deferred tax asset is not recognized in the balance sheet.

Contingent liabilities

The group has entered into a operating lease contract with a commitment of DKK ('000) 5.875.

DKK in thousands.

25. Contingencies (continued)

Contingent liabilities (continued)

The parent company has no contingent liabilities.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

26. Related parties

Controlling interest

Evapco Inc. 5151 Allendale Lane Taneytown, MD 21787 USA	Majority shareholder

Transactions

According to the Danish Financial Statement Act section 98 c transactions with related parties are not disclosed as all transactions have been affected at arm's length.

	Group	
	2019	2018
27. Adjustments		
Depreciation and amortisation	16.816	18.528
Other financial income	-5.969	-5.208
Other financial costs	14.559	19.046
Tax on ordinary results	9.951	10.443
	35.357	**42.809**

DKK in thousands.

		Group 2019	2018
28.	**Change in working capital**		
	Change in inventories	2.881	-5.142
	Change in debtors	40	22.541
	Change in trade creditors and other liabilities	1.035	-17.354
	Exchange rate adjustments	-1.459	-7.676
		2.497	**-7.631**

Accounting policies used

The annual report for ApS Stake no. 1851 is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (large enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company ApS Stake nr. 1851 and those group enterprises of which ApS Stake nr. 1851 directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

Minority interests

The items of the group enterprises are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the group enterprises are adjusted annually, and they are recognised as a separate item below the profit and loss account and as a separate item in the balance sheet respectively.

The profit and loss account

Net turnover

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Raw materials and consumables used

Raw materials and consumables used includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The parent company and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Completed development projects, trademarks and knowhow

Development costs comprise e.g. salaries, wages, and amortisation which directly and indirectly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 5 years.

Trademarks, knowhow etc. are measured at cost with deduction of accrued amortisation. Trademarks and knowhow are amortised on a straight-line basis over the remaining contract period.

Gain and loss from the sale of completed development projects, trademarks and knowhow are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. The amortisation period is between 10-20 years and is based on management experience with relevant business area.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Buildings	25-40 years
Production plan and machinery	5-8 years
Other plants, operating assets, and fixtures and furniture	3-10 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Leasing contracts

Leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The group's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Share premium

Share premium comprises amounts paid as premium in connection with the issue of shares. Costs in connection with a carried through issue are deducted in the premium. The premium reserve may be utilised as dividend, issue of bonus shares, and for payment of losses.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

ApS Stake nr. 1851 is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, ApS Stake nr. 1851 is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or “Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds with deduction of short-term bank debt and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.