Hoyer Group A/S

Over Hadstenvej 42, DK-8370 Hadsten

Annual Report for 1 January - 31 December 2019

CVR No 37 62 98 47

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 14/4 2020

Henrik Petersen
Chairman of the General Meeting

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Hoyer Group A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Hadsten, 3 April 2020

Executive Board

Henrik Thomassen Ulrich Sørensen
CEO

Henrik Petersen
CFO

Board of Directors

Søren Østergaard Sørensen
Chairman

Denis Viet-Jacobsen
Deputy Chairman

Jan Vestergaard Olsen

Michael Pontoppidan Frost

Lars Radoor Sørensen

Independent Auditor's Report

To the Shareholders of Hoyer Group A/S

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Hoyer Group 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 a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish 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 Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

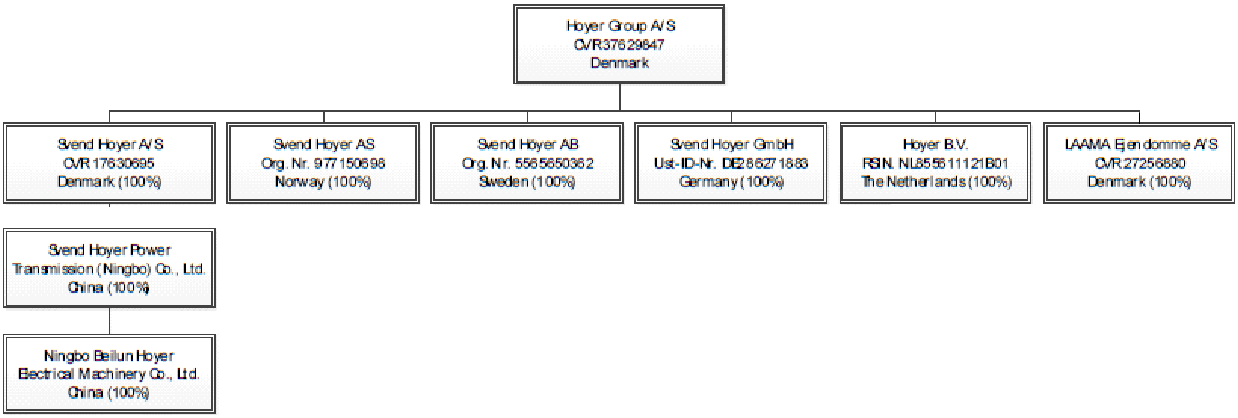
Aarhus, 3 April 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kragh	Claus Lyngsø Sørensen
State Authorised Public Accountant	State Authorised Public Accountant
mne26783	mne34539

Company Information

The Company	Hoyer Group A/S Over Hadstenvej 42 DK-8370 Hadsten CVR No: 37 62 98 47 Financial period: 1 January - 31 December Municipality of reg. office: Favrskov
Board of Directors	Søren Østergaard Sørensen, Chairman Denis Viet-Jacobsen Jan Vestergaard Olsen Michael Pontoppidan Frost Lars Radoor Sørensen
Executive Board	Henrik Thomassen Ulrich Sørensen Henrik Petersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Group Chart



Hoyer Group A/S
CVR37629847
Denmark
Svend Hoyer A/S
CVR 17630695
Denmark (100%)
Svend Hoyer AS
Org. Nr. 977150698
Norway (100%)
Svend Höyer AB
Org. Nr. 5565650362
Sweden (100%)
Svend Hoyer GmbH
Ust-ID-Nr. DE286271883
Germany (100%)
Hoyer B.V.
RSIN. NL855611121B01
The Netherlands (100%)
LAAMA Ejendomme A/S
CVR 27256880
Denmark (100%)
Svend Hoyer Power
Transmission (Ningbo) Co., Ltd.
China (100%)
Ningbo Beilun Hoyer
Electrical Machinery Co., Ltd.
China (100%)

Financial Highlights

Seen over a four-year period, the development of the Group is described by the following financial highlights:

	Group			
	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK (8 months)
Key figures				
Profit/loss				
Revenue	709,385	517,458	436,198	275,474
Operating profit/loss	66,724	28,102	7,175	-321
Profit/loss before financial income and expenses	69,801	29,814	7,670	-40
Net financials	-4,112	-3,552	-5,139	-6,969
Net profit/loss for the year	48,451	15,596	173	-6,798
Balance sheet				
Balance sheet total	556,943	531,575	502,971	515,187
Equity	287,444	239,167	223,094	218,362
Cash flows				
Cash flows from:				
- operating activities	44,180	-10,516	50,481	41,879
- investing activities	-3,265	-4,036	-400	-416,386
including investment in property, plant and equipment	-3,975	-4,978	-3,460	-1,341
- financing activities	-27,237	16,030	-47,673	273,330
Change in cash and cash equivalents for the year	13,678	1,478	2,408	-101,177
Number of employees	207	175	169	162
Ratios				
Solvency ratio	51.6%	45.0%	44.4%	42.4%
Return on equity	18.4%	6.7%	0.1%	-6.2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Consolidated and Parent Company Financial Statements of Hoyer Group A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Key activities

The Group is a leading supplier of customized electric motors (Hoyer Motors) and transmission products (Hoyer Transmissions) to the Marine and Industrial sectors, primarily in Europe and Asia. Hoyer sells own-branded as well as customer specific products and offers key value-added services to its customers, such as logistics, technical customization, quality assurance and technical documentation.

Development in the year

The income statement of the Group for 2019 shows a profit of TDKK 48,451, and at 31 December 2019 the balance sheet of the Group shows equity of TDKK 287,444.

Operating risks

The Group's main operating risks are related to the ability to be strongly positioned on the markets where the Group's products are sold and the ability to provide quick delivery.

Financial risks

As a result of its operations, investments and financing, the Group is exposed to changes in currency exchange rates and interest rates. The Group applies a finance policy that operates with a low risk profile, so that currency, interest and credit risks only materialize on the basis of commercial circumstances. The Group's use of derivative financial instruments has been regulated through internal procedures approved by the Board of Directors, which among others include maximum amounts and a specification of which derivative financial instruments may be used.

Foreign exchange risks

The Group is affected by changes in currency exchange rates, as goods purchased and the main part of the turnover is invoiced in a foreign currency, while the main part of the costs, including wages and salaries, are mainly paid in Danish Kroner.

Interest rate risks

The Group hedges the interest rate risk on the basis of the interest policy approved by the Board of Directors.

Management's Review

Credit risks

The Group's policy for assuming credit risks means that all customers and other business partners are credit rated on an ongoing basis.

Liquidity risks

The Group has credit facilities available exceeding the expected requirements of the Group.

Targets and expectations for the year ahead

The Group's outlook for the future will be positively affected by the disinvestment of the business unit Hoyer Transmissions in March 2020. The sale of Hoyer Transmissions will impact the Annual report for 2020 positively with a net impact in the level of DKK 70.0 - 80.0 million.

However, the Group's outlook for the future will be negatively affected 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 21.

Before the COVID-19 outbreak, Management expected a decline in revenue and profit at the level and run rate comparable to the divested Hoyer Transmissions' business performance in 2019 as shown on page 16 in this report. Just as, Management expected remaining business Hoyer Motors to continue on a positive trend, based on Management's assumption of growth potential in some Marine niches as well as growth in some European industrial niche prospects where the Group is selling its products. However, the COVID-19 outbreak hit both the Asian Marine markets as well as the European industrial market in general, and Management expects this to have a negative impact on both revenue and net profit for 2020. The scope of the impact is, however, unknown at this time as it is uncertain to what extent the Group will be able to recapture lost revenue later in the year. Despite the global COVID-19 outbreak the Group has been able to keep its operations open throughout the outbreak in both Asia and Europe.

Statement of corporate social responsibility

In accordance with the Danish Financial Statements Act, section 99 a and 99 b Hoyer Group A/S publishes its report on Corporate Social Responsibility on the company website. Please refer to our statutory report here: https://hoyermotors.com/wp-content/uploads/2020/04/2019-Hoyer-Group-CSR-Report.pdf

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

No extraordinary circumstances have taken place during the period, which have affected the profit for the period significantly.

Management's Review

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**709,385**	**517,458**	**0**	**0**
Change in inventories of finished goods, work in progress and goods for resale		-8,712	24,477	0	0
Other operating income		3,164	1,865	4,130	3,852
Expenses for raw materials and consumables		-480,092	-388,267	0	0
Other external expenses		-49,738	-37,000	-3,234	-432
Gross profit/loss		**174,007**	**118,533**	**896**	**3,420**
Staff expenses	2	-90,239	-74,829	-5,300	-3,924
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-13,880	-13,737	0	0
Other operating expenses		-87	-153	0	0
Profit/loss before financial income and expenses		**69,801**	**29,814**	**-4,404**	**-504**
Income from investments in subsidiaries		0	0	53,035	16,502
Financial income		1,005	594	183	164
Financial expenses	4	-5,117	-4,146	-796	-821
Profit/loss before tax		**65,689**	**26,262**	**48,018**	**15,341**
Tax on profit/loss for the year	5	-17,238	-10,666	433	255
Net profit/loss for the year		**48,451**	**15,596**	**48,451**	**15,596**

Balance Sheet 31 December

Assets

		Group		Parent	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Acquired licenses		49	0	0	0
Goodwill		130,658	141,982	0	0
Intangible assets	6	**130,707**	**141,982**	**0**	**0**
Land and buildings		86,091	87,916	0	0
Other fixtures and fittings, tools and equipment		8,589	9,035	0	0
Property, plant and equipment	7	**94,680**	**96,951**	**0**	**0**
Investments in subsidiaries	8	0	0	314,091	264,278
Deposits	9	309	347	0	0
Fixed asset investments		**309**	**347**	**314,091**	**264,278**
Fixed assets		**225,696**	**239,280**	**314,091**	**264,278**
Inventories		**180,488**	**189,197**	**0**	**0**
Trade receivables		114,816	89,470	0	0
Receivables from group enterprises		0	0	879	0
Other receivables		5,558	2,990	3,200	0
Corporation tax		6,343	683	0	2,223
Corporation tax receivable from group enterprises		0	0	5,292	0
Prepayments	10	1,602	719	0	0
Receivables		**128,319**	**93,862**	**9,371**	**2,223**
Cash at bank and in hand		**22,440**	**9,236**	**45**	**0**
Currents assets		**331,247**	**292,295**	**9,416**	**2,223**
Assets		**556,943**	**531,575**	**323,507**	**266,501**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Share capital		23,259	23,259	23,259	23,259
Retained earnings		264,185	215,908	264,185	215,908
Equity		**287,444**	**239,167**	**287,444**	**239,167**
Provision for deferred tax	12	12,237	12,065	0	0
Other provisions	13	1,800	1,751	0	0
Provisions		**14,037**	**13,816**	**0**	**0**
Mortgage loans		34,584	36,670	0	0
Credit institutions		1,158	1,548	0	0
Deposits		606	746	0	0
Other payables		1,515	0	0	0
Long-term debt	14	**37,863**	**38,964**	**0**	**0**
Mortgage loans	14	2,087	2,085	0	0
Credit institutions	14	88,593	113,217	0	366
Trade payables		77,478	79,863	0	0
Payables to group enterprises		0	0	12,466	8,126
Corporation tax		11,441	7,719	4,859	0
Other payables	14,15	38,000	36,744	18,738	18,842
Short-term debt		**217,599**	**239,628**	**36,063**	**27,334**
Debt		**255,462**	**278,592**	**36,063**	**27,334**
Liabilities and equity		**556,943**	**531,575**	**323,507**	**266,501**

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Statement of Changes in Equity

Group

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	23,259	215,908	239,167
Exchange adjustments	0	-351	-351
Fair value adjustment of hedging instruments for the year	0	226	226
Tax on adjustment of hedging instruments for the year	0	-49	-49
Net profit/loss for the year	0	48,451	48,451
Equity at 31 December	**23,259**	**264,185**	**287,444**

Parent

	Share capital	Retained earnings	Total
Equity at 1 January	23,259	215,908	239,167
Exchange adjustments	0	-351	-351
Other equity movements	0	177	177
Net profit/loss for the year	0	48,451	48,451
Equity at 31 December	**23,259**	**264,185**	**287,444**

Cash Flow Statement 1 January - 31 December

	Note	Group 2019	Group 2018
		TDKK	TDKK
Net profit/loss for the year		48,451	15,596
Adjustments	16	35,035	28,117
Change in working capital	17	-16,609	-44,762
Cash flows from operating activities before financial income and expenses		**66,877**	**-1,049**
Financial income		619	231
Financial expenses		-4,264	-4,055
Cash flows from ordinary activities		**63,232**	**-4,873**
Corporation tax paid		-19,052	-5,643
Cash flows from operating activities		**44,180**	**-10,516**
Purchase of intangible assets		-59	0
Purchase of property, plant and equipment		-3,975	-4,978
Sale of property, plant and equipment		732	418
Sale of fixed asset investments etc		37	524
Cash flows from investing activities		**-3,265**	**-4,036**
Repayment of mortgage loans		-2,085	-2,083
Repayment of loans from credit institutions		-25,012	0
Repayment of other long-term debt		-140	0
Raising of loans from credit institutions		0	17,357
Raising of other long-term debt		0	6
Sale of treasury shares		0	750
Cash flows from financing activities		**-27,237**	**16,030**
Change in cash and cash equivalents		**13,678**	**1,478**
Cash and cash equivalents at 1 January		9,236	7,494
Effect of exchange (losses)/gains		-474	264
Cash and cash equivalents at 31 December		**22,440**	**9,236**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		22,440	9,236
Cash and cash equivalents at 31 December		**22,440**	**9,236**

Notes to the Financial Statements

		Group		Parent	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Europe	438,261	382,016	0	0
	Asia	251,237	118,049	0	0
	Other	19,887	17,393	0	0
		709,385	**517,458**	**0**	**0**
	Business segments				
	Motors	617,465	425,872	0	0
	Transmissions	91,920	91,586	0	0
		709,385	**517,458**	**0**	**0**
2	**Staff expenses**				
	Wages and salaries	81,630	67,514	4,909	3,525
	Pensions	5,383	4,460	373	384
	Other social security expenses	3,226	2,855	18	15
		90,239	**74,829**	**5,300**	**3,924**
	Including remuneration to the Executive Board and Board of Directors of:				
	Executive Board	4,400	3,024	2,200	1,512
	Board of Directors	900	900	563	563
		5,300	**3,924**	**2,763**	**2,075**
	Average number of employees	**207**	**175**	**2**	**2**

Notes to the Financial Statements

		Group		Parent	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	8,287	8,278	0	0
	Depreciation of property, plant and equipment	5,593	5,459	0	0
		13,880	**13,737**	**0**	**0**
4	**Financial expenses**				
	Interest paid to group enterprises	1	-1	767	500
	Other financial expenses	4,259	4,048	29	321
	Exchange loss	857	99	0	0
		5,117	**4,146**	**796**	**821**
5	**Tax on profit/loss for the year**				
	Current tax for the year	16,318	7,743	-433	-357
	Deferred tax for the year	506	475	0	102
	Adjustment of tax concerning previous years	797	2,500	0	0
	Adjustment of deferred tax concerning previous years	-334	0	0	0
		17,287	**10,718**	**-433**	**-255**
	which breaks down as follows:				
	Tax on profit/loss for the year	17,238	10,666	-433	-255
	Tax on changes in equity	49	52	0	0
		17,287	**10,718**	**-433**	**-255**

Notes to the Financial Statements

6 Intangible assets

Group

	Acquired licenses	Goodwill
	TDKK	TDKK
Cost at 1 January	0	164,057
Additions for the year	58	0
Adjustment of purchase price	0	-3,046
Cost at 31 December	58	161,011
Impairment losses and amortisation at 1 January	0	22,075
Amortisation for the year	9	8,278
Impairment losses and amortisation at 31 December	9	30,353
Carrying amount at 31 December	**49**	**130,658**

7 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	113,602	31,005
Additions for the year	392	3,583
Disposals for the year	0	-3,208
Cost at 31 December	113,994	31,380
Impairment losses and depreciation at 1 January	25,686	21,968
Exchange adjustment	0	345
Depreciation for the year	2,217	3,376
Reversal of impairment and depreciation of sold assets	0	-2,898
Impairment losses and depreciation at 31 December	27,903	22,791
Carrying amount at 31 December	**86,091**	**8,589**

Notes to the Financial Statements

	Parent	
	2019	2018
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	381,228	381,229
Adjustment of purchase price	-3,046	0
Cost at 31 December	378,182	381,229
Value adjustments at 1 January	-116,952	-100,180
Exchange adjustment	-351	-457
Net profit/loss for the year	62,421	25,889
Dividend to the Parent Company	0	-33,000
Other equity movements, net	177	183
Other adjustments	-9,386	-9,386
Value adjustments at 31 December	-64,091	-116,951
Carrying amount at 31 December	**314,091**	**264,278**
Positive differences arising on initial measurement of subsidiaries at net asset value	163,242	175,675

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Svend Hoyer A/S	Favrskov, Denmark	100%
Svend Hoyer Power Transmission (Ningbo) Co., Ltd.	Ningbo, China	100%
Ningbo Beilun Hoyer Electrical Machinery Co., Ltd.	Ningbo, China	100%
LAAMA Ejendomme A/S	Favrskov, Denmark	100%
Svend Hoyer AS	Larvik, Norway	100%
Svend Hoyer AB	Värnamo, Sweden	100%
Svend Hoyer GmbH	Munich, Germany	100%
Hoyer B.V.	Rotterdam, Holland	100%

Notes to the Financial Statements

9 Other fixed asset investments

	Group
	Deposits
	TDKK
Cost at 1 January	345
Exchange adjustment	-1
Additions for the year	209
Disposals for the year	-244
Cost at 31 December	309
Carrying amount at 31 December	**309**

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

	Group		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
11 Distribution of profit				
Retained earnings	48,451	15,596	48,451	15,596
	48,451	**15,596**	**48,451**	**15,596**

12 Provision for deferred tax

	Group 2019	Group 2018	Parent 2019	Parent 2018
Provision for deferred tax at 1 January	12,065	11,590	0	-102
Amounts recognised in the income statement for the year	172	475	0	102
Provision for deferred tax at 31 December	**12,237**	**12,065**	**0**	**0**
Property, plant and equipment	12,575	12,404	0	0
Amortised loan cost	-338	-339	0	0
	12,237	**12,065**	**0**	**0**

	Group		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK

13 Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory in the warranty period. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

	Group 2019 TDKK	Group 2018 TDKK	Parent 2019 TDKK	Parent 2018 TDKK
Other provisions	1,800	1,751	0	0
	1,800	**1,751**	**0**	**0**

14 Long-term debt

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

The debt falls due for payment as specified below:

	Group 2019 TDKK	Group 2018 TDKK	Parent 2019 TDKK	Parent 2018 TDKK
Mortgage loans				
After 5 years	26,456	28,493	0	0
Between 1 and 5 years	8,128	8,177	0	0
Long-term part	34,584	36,670	0	0
Within 1 year	2,087	2,085	0	0
	36,671	**38,755**	**0**	**0**
Credit institutions				
Between 1 and 5 years	1,158	1,548	0	0
Long-term part	1,158	1,548	0	0
Within 1 year	390	390	0	0
Other short-term debt to credit institutions	88,203	112,827	0	366
Short-term part	88,593	113,217	0	366
	89,751	**114,765**	**0**	**366**
Deposits				
After 5 years	606	746	0	0
Long-term part	606	746	0	0
Within 1 year	0	0	0	0
	606	**746**	**0**	**0**

Notes to the Financial Statements

14 Long-term debt (continued)

	Group		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Other payables				
Between 1 and 5 years	1,515	0	0	0
Long-term part	1,515	0	0	0
Other short-term payables	38,000	36,744	18,738	18,842
	39,515	**36,744**	**18,738**	**18,842**

15 Derivative financial instruments

Derivative financial instruments contracts in the form of interest caps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Liabilities	311	537	0	0

Interest cap contracts have been concluded to hedge future interest payments on floating rate loans. One of the contracts have a term of 0.5 years. Under the contracts, floating interest rates cannot exceed a fixed rate of interest of 3.25 % on loans with a principal amount of DKK 66 million. The interest cap contracts have been concluded for the entire remaining maturity period. At the balance sheet date, the fair value of the interest cap contracts amounts to DKK -64,671.

Interest rate swap contracts have been concluded to hedge future interest payments on floating rate loans. The other contracts have a term of 7 years. Under the contracts, an interest rate of 0.0400 % is exchanged for a fixed interest rate of 4.98 % on loans with a principal amount of DKK 1,9 million. The interest rate swap contracts have been concluded for the entire remaining maturity period of the loan of 4 years. At the balance sheet date, the fair value of the interest rate swap contracts amounts to DKK -246,409.

Notes to the Financial Statements

	Group	
	2019	2018
	TDKK	TDKK
16 Cash flow statement - adjustments		
Financial income	-1,005	-594
Financial expenses	5,117	4,146
Depreciation, amortisation and impairment losses, including losses and gains on sales	13,459	13,718
Tax on profit/loss for the year	17,238	10,666
Other adjustments	226	181
	35,035	**28,117**

17 Cash flow statement - change in working capital

Change in inventories	8,712	-24,477
Change in receivables	-25,751	-12,536
Change in other provisions	49	-1,704
Change in trade payables, etc	381	-6,045
	-16,609	**-44,762**

Notes to the Financial Statements

18 Contingent assets, liabilities and other financial obligations

	Group		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a book value of	86,091	87,916	0	0
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	5,561	4,354	0	0
Between 1 and 5 years	11,725	6,460	0	0
After 5 years	54	0	0	0
	17,340	**10,814**	**0**	**0**

Other contingent liabilities

The Company has provided guarantee for Sydbank's credit facilities with Svend Hoyer A/S and Svend Hoyer GmbH. The credit facilities is maximized to DKK 100 million of which DKK 87.2 million is drawn at 31 December 2019. Further, the company has provided guarantee for Sydbank's credit facilities with LAAMA Ejendomme A/S, Svend Hoyer AS, Svend Höyer AB and Hoyer B.V., of which DKK 1.0 million is drawn at 31 December 2019.

Sydbank has pledged security in the shares of Svend Hoyer A/S for loans and credit facilities with Hoyer Group A/S, Svend Hoyer A/S and Svend Hoyer GmbH. The credit facilities are maximized to DKK 100 million of which DKK 87.2 million is drawn at 31 December 2019.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Xilos Co-Investment No. 1 Separate Limited Partnership Jersey United Kingdom	Ultimate parent company

Transactions

During the year, the Company had the following transactions with its subsidiaries:

	Parent	
	2019	2018
	TDKK	TDKK
Management fee, income	4,130	3,852
Financial expenses	-767	-500

20 Fee to auditors appointed at the general meeting

	Group	
	2019	2018
	TDKK	TDKK
PricewaterhouseCoopers		
Audit fee	422	376
Tax advisory services	56	15
Other services	1,239	201
	1,717	**592**
Other auditors		
Audit fee	114	113
	114	**113**
	1,831	**705**

Notes to the Financial Statements

21 Subsequent events

The group has sold the business unit Hoyer Transmissions in March 2020 to support the strategy with full focus on the business unit Hoyer Motors. The sale of Hoyer Transmissions will impact the Annual Report for 2020 positively with a net impact in the level of DKK 70 - 80 million.

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. 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.

To date, the Company has been limited negatively impacted by the effects of COVID-19 as the Company has been able to keep the operations going, throughout the outbreak in Asia and Europe, just as only few customers have posted the delivery on a number of existing and new projects. Moreover, the Company has been negatively impacted by the shut down of Chinese companies and travel ban as enforced by the Chinese Government and administrative employees having to work from home as urged by several European governments.

However, many of the Company’s customers have indicated that they will continue projects in progress, but there is still a risk that COVID-19 will have negative impacts on the Company’s revenue and earnings in 2020. 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. Naturally, Management will make an effort to recapture any lost revenue later in the year.

At this time, it is not possible to calculate the size of the negative COVID-19 impact.

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of Hoyer Group A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Consolidated and Parent Company Financial Statements for 2019 are presented in TDKK.

There are current year made a few immaterial reclassifications in the comparative numbers .....

Changes in accounting policies

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Hoyer Group A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

22 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Notes to the Financial Statements

22 Accounting Policies (continued)

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue recognised.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

22 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years.

The estimated useful life has been determined by taking into consideration the business platform acquired, including a strong brand and reputation as well as very loyal customers.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

22 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	30	years
Other fixtures and fittings	3-10	years

Depreciation period and residual value are reassessed annually.

The residual value is assessed to DKK 16,000,000.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Notes to the Financial Statements

22 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Notes to the Financial Statements

22 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Notes to the Financial Statements

22 Accounting Policies (continued)

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$