Steel Products A/S

Islandsvej 25, DK-8700 Horsens

Annual Report for 1 July 2019 - 30 June 2020

CVR No 38 06 92 17

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30/11 2020

Mogens Hørdum Sørensen
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 Steel Products A/S for the financial year 1 July 2019 - 30 June 2020.

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 30 June 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019/20.

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

Horsens, 30 November 2020

Executive Board

Mogens Hørdum Sørensen

Board of Directors

Tine Valente Chairman	Mogens Hørdum Sørensen	Angela Hørdum Valente
Emilie Hørdum Valente		

Independent Auditor's Report

To the Shareholder of Steel Products 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 30 June 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Steel Products A/S for the financial year 1 July 2019 - 30 June 2020, 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.

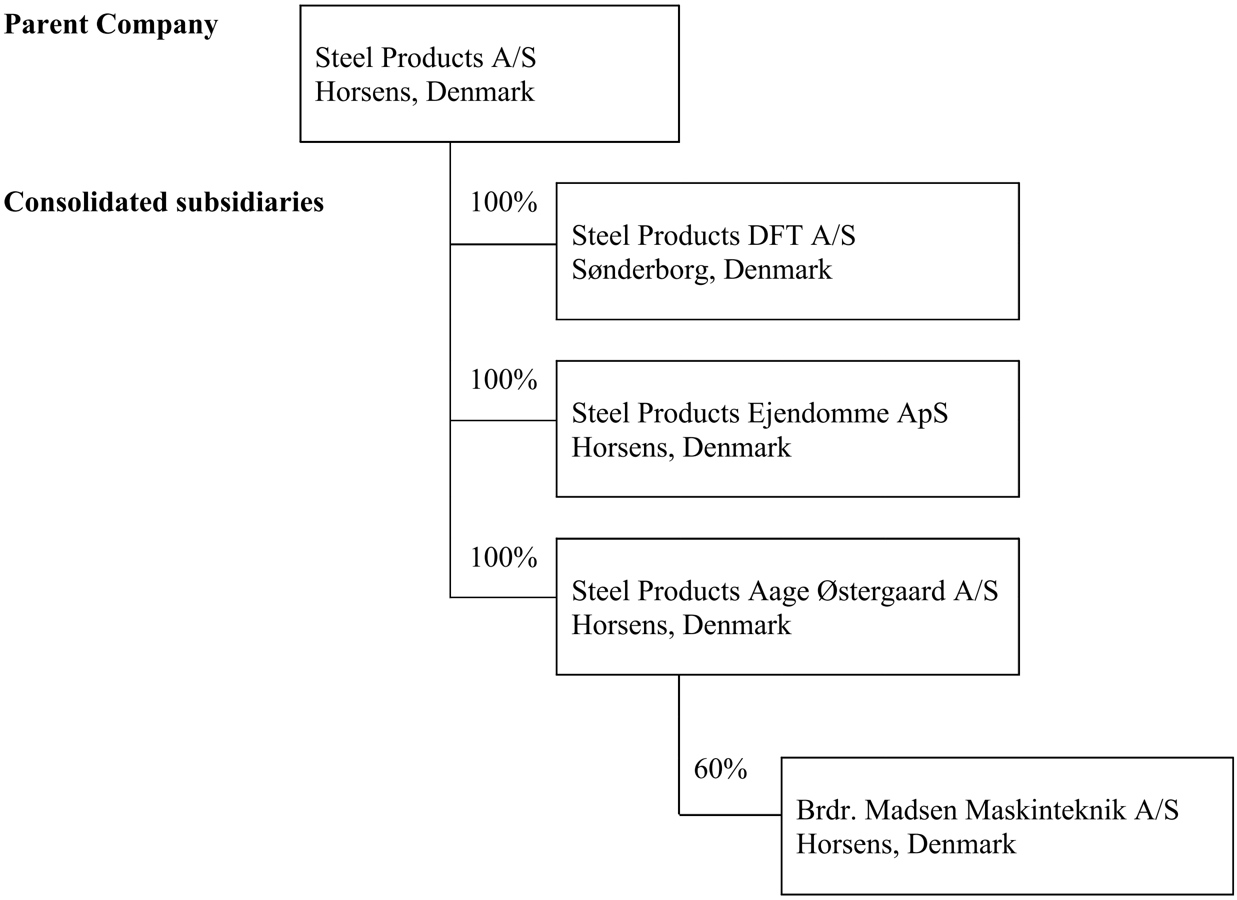
Aarhus, 30 November 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kragh State Authorised Public Accountant mne26783	Lars Greve Jensen State Authorised Public Accountant mne32199

Company Information

The Company	Steel Products A/S Islandsvej 25 DK-8700 Horsens CVR No: 38 06 92 17 Financial period: 1 July - 30 June Municipality of reg. office: Horsens
Board of Directors	Tine Valente, Chairman Mogens Hørdum Sørensen Angela Hørdum Valente Emilie Hørdum Valente
Executive Board	Mogens Hørdum Sørensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Group Chart


Parent Company
Steel Products A/S
Horsens, Denmark
Consolidated subsidiaries
100%
Steel Products DFT A/S
Sønderborg, Denmark
100%
Steel Products Ejendomme ApS
Horsens, Denmark
100%
Steel Products Aage Østergaard A/S
Horsens, Denmark
60%
Brdr. Madsen Maskinteknik A/S
Horsens, Denmark

Financial Highlights

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

	Group			
	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK
Key figures				
Profit/loss				
Revenue	447.447	545.226	559.466	455.119
Gross profit/loss	54.359	51.059	67.462	46.929
Operating profit/loss	23.461	21.897	36.324	21.265
Profit/loss before financial income and expenses	23.492	23.568	36.493	38.892
Net financials	-1.297	-1.527	-2.636	-4.564
Net profit/loss for the year	17.291	13.449	26.312	34.683
Balance sheet				
Balance sheet total	381.940	352.133	381.467	374.780
Equity	133.881	120.697	107.459	87.928
Cash flows				
Cash flows from:				
Investment in property, plant and equipment	-10.793	-13.552	-13.742	-9.329
Number of employees	331	364	357	375
Ratios				
Gross margin	12,1%	9,4%	12,1%	10,3%
Profit margin	5,3%	4,3%	6,5%	8,5%
Return on assets	6,2%	6,4%	9,7%	10,4%
Solvency ratio	35,1%	34,3%	28,2%	23,5%
Return on equity	13,6%	11,7%	26,9%	39,4%

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

The main activities of the company

The Steel Products Group serves a wide range of international as well as national customers with counseling and strong product solutions. The Group's competence is complete solutions within deep drawing, pressing, cold forming and spinning for production of very complicated parts. The Group supplies, among others, to the following industries:

•Process equipment - food, juice, beer and soft drinks, pharmaceutical and chemical industrial equipment – e.g. pump, valve and component housing and fittings.
•Automotive – e.g. exhaust parts, engine parts, brake parts and vibration damping.
•Agricultural machinery - components – e.g. pulleys and parts for mobile hydraulics.
•Machine Industry
•Marine & Offshore – e.g. tank measuring equipment, compressors.
•Energy – e.g. heat exchanger plates, components for wind turbines, components for solar energy systems, cooling and heat control, energy storage equipment.
•Electronics - components – e.g. parabolas, vacuum switches, frequency converter components.
•Consumer goods – e.g. thermostats, heat pumps, oil heaters, audio etc.

The Group continuously strives to be a technological leader in cold forming processes, and it is the Group's stated goal to manufacture products that ensure customers improved competitiveness.

Developments in activities and economic conditions

Overall, the results of the financial year were satisfactory. Realized net sales for the year amounted to DKK 447 million. Profit for the year was a profit of DKK 17,3 million. against a profit of DKK 13,4 million. DKK last year. Equity amounts to DKK 133,9 million. DKK per June 30, 2020.

Non-financial matters

Knowledge resources

We continuously develop the skills of our employees.

Special risks - operating risks and financial risks

Price risks

The company's activities and results are affected by fluctuations in commodity prices.

Market risks

Customer and market risks are assessed as limited due to the spread in different market segments.

Management's Review

Foreign exchange risks

Foreign trade means that earnings and cash flows are affected by exchange rate and interest rate trends for a few currencies. The company monitors developments in the foreign exchange market to assess whether special actions are required. At present, forward transactions are not used to hedge transactions in foreign currencies, as the Company's primary foreign currency is EUR. The company do not enter into any speculative currency positions.

Interest rate risks

The interest-bearing net debt represents a significant amount, which means that moderate changes in interest rates will have a direct effect on earnings. However, on most of the debt, there will be no significant impact until 2022 at the earliest.

Research and development activities

These costs include improvement of production processes and development of prototypes for customer projects. These costs are expensed as incurred.

Expected development

For the financial year 2020/21, management expects a slight increase / unchanged activity level and a positive result.

Covid-19

In March to May 2020, Covid-19 meant a sharp decrease in revenue for selected customers and a smaller decrease for other customers. The company has therefore chosen to reduce the organization in order to be geared to a more permanent lower turnover in 2020/21. It currently shows that this operation has been successful, and more customers have returned significantly faster than assumed immediately after the shutdown period in May 2020. However, the lack of visibility due to Covid-19 means that both this and the expectations for 2020/21 are associated with greater uncertainty than usual.

Statement of corporate social responsibility

Steel Products A/S has prepared this statutory report on corporate social responsibility in accordance with sections 99a and 99b of the Danish Financial Statements Act.

Steel Products has adopted CSR policies in the areas of environment and climate, social and employee relations, human rights and anti-corruption. These policies, together with our strategy and vision, form the basis for our work in Steel Products.

Management’s Review

Business model

Steel Products is an industrial group of subsidiaries, all of which work in metalworking, with exception of Steel Products Ejendomme, which deals exclusively with commercial property rental.

Steel Products consists of the following companies:
- Steel Products A/S
- Steel Products DFT A/S
- Steel Products Ejendomme ApS
- Steel Products Aage Østergaard A/S
- Brdr. Madsen Maskinteknik A/S

The Group continuously strives to be a technological leader in cold forming processes, and it is the Group's stated goal to manufacture products that ensure customers improved competitiveness.

The Steel Products Group serves a wide range of international as well as national customers with counseling and strong product solutions. The Group's competence is complete solutions within deep drawing, pressing, cold forming and spinning for production of very complicated parts.

The Group supplies, among others, to the following industries:

•Process equipment - food, juice, beer and soft drinks, pharmaceutical and chemical industrial equipment - eg pump, valve and component housing and fittings.
•Automotive - eg exhaust parts, engine parts, brake parts and vibration damping.
•Agricultural machinery - components - eg pulleys and parts for mobile hydraulics.
•Machine Industry
•Marine & Offshore - eg tank measuring equipment, compressors.
•Energy - eg heat exchanger plates, components for wind turbines, components for solar energy systems, cooling and heat control, energy storage equipment.
•Electronics - components - eg parabolas, vacuum switches, frequency converter components.
•Consumer goods - eg thermostats, heat pumps, oil heaters, audio etc.

Steel Products purchases raw materials and components and uses subcontractors. To a large extent, suppliers from Denmark or countries close to them are used.

Management’s Review

Our behavior is largely guided by our values:

•“Best fit” must be a basic principle. It creates value for everyone that we always make the right choices in terms of processes, flow and equipment so that they match the expectations of the customers.
•We know the importance of continuous innovative improvements and ensure this through employee involvement and close cooperation with customers.
•We invest in our employees and surroundings to ensure a modern and competent company.
•Our current and future competencies must ensure continuous development as well as make Steel Products an attractive workplace and business partner.
•We strive for an environment of innovative solutions, accountability and quality on time.

CSR areas

Steel Products respects and has joined the UN Global Compact in all 10 areas of human rights, labor rights, the environment and anti-corruption. This is included in our CSR policy. Examples of this are also shown in the following CSR areas: Environment, working environment, social and human resources, human rights, anti-corruption and bribery.
Steel Products also works to support the UN's global goals, specifically we focus on goals 4 and 12 on education and responsible production.

Environment

Steel Products works according to our environmental policy for sustainable production, where we continuously improve by reducing our impact on the environment, including consumption of resources.

At Steel Products, we have chosen to combine environmental conditions and climate impacts under the heading 'Environment', as our actions in energy, among other things, also influence the climate.

Our cold forming processes provide a minimum of waste compared to manufacturing similar products with other manufacturing methods. This results in less waste, less consumption of raw materials and often a reduction in processing time. In doing so, we support the UN's World Goal 12.

We are aware that our greatest risk in relation to the environment is an over-consumption of energy or water. We are therefore working to have an overview of our consumption, so that we can respond as quickly as possible if over-consumption occurs and optimize the use of energy. This supports the UN's World Goal 12.

At the beginning of 2019, Aage Østergaard transitioned from the original environmental approval to the Maskinværkstedsbekendtgørelsen.

Management's Review

We have also reduced the waste from our production. The development over the past three years is shown here:

Waste from Production in % of Revenue	2017/2018	2018/2019	2019/2020
Steel Products Aage Østergaard A/S	1,3 %	1,1 %	1,2 %
Steel Products DFT A/S	1,0 %	0,9 %	0,9 %

In 2019/2020, we have had an extraordinarily large waste during the development of new products. We expect that in the future we can turn the development in a positive direction. Going forward, we will therefore continue to have a waste percentage target of a maximum of 1% of revenue.

In 2019/2020, we at Steel Products DFT A/S had focus on optimizing our waste fractions of precious metal so that the fractions become cleaner. It optimizes the quality of the recycled precious metal.

In 2020/2021 we will extend our current ISO 14001 certification from Steel Products DFT A/S to Steel Products Aage Østergaard A/S as well as Brdr. Madsen Maskinteknik A/S.

For 2019/2020, we have also reduced energy consumption and thereby minimized the climate impact and at the same time reduced our expenses. Among other things, we have replaced our compressors at Steel Products Aage Østergaard A/S with compressed air, so we get the same amount of air at a lower energy consumption. With awareness training at all 3 sites, we have also focused on general savings in production.

Working environment

Steel Products policy provides the framework for a good and safe work environment, a working environment that ensures the safety and health of employees, as well as complying with legislation and binding obligations that deal with work environment.

In 2019/2020 we have worked against fewer work accidents. Developments in recent years are:

Number of accidents with absence	2017/2018	2018/2019	2019/2020
Steel Products Aage Østergaard A/S	9	6	8
Steel Products DFT A/S	5	3	3

Our goal, of course, is to have 0 work accidents. In 2020/2021, we will continue to work towards this goal. We do this by analyzing our accidents and near misses and telling all employees about the root causes so that together we can help to avoid accidents.

With our whistleblower scheme, we would like to emphasize to our employees that they always have the opportunity, without risk of their employment, to present whatever they find challenging in our company.

Management's Review

Our risk analysis in relation to the working environment has indicated that we have many cut injuries. Therefore, in 2019/2020, we focused on the use of gloves in production. The result was that there were fewer average injuries in 2019. The focus in 2020/2021 is internal traffic and tidiness.

Social and personnel matters

Our hourly workers are employed according to Industriens overenkomst.

We contribute to young people's education by continuously offering apprenticeships.

We contribute to lifting corporate social responsibility by continually offering tests to unemployed people and people with reduced ability to work.

We have been focusing on our sick leave and through discussions with our staff have helped them to a lower absence. Developments in recent years have been:

Sick leave (excl. long term leave)	2017/2018	2018/2019	2019/2020
Steel Products Aage Østergaard A/S	3,6 %	2,8 %	2,6 %
Steel Products DFT A/S	3,4 %	2,9 %	4,1 %

In the last year, the development in Steel Products DFT A/S has unfortunately been in the wrong direction. Therefore, several initiatives are being launched to turn the corner again. This is done in cooperation with local authorities.

By continuing to focus on our employees and our working conditions, it is our goal again this year to have less than 3% sick leave.

In relation to our employees, our greatest risk is that we may end up not having enough skilled workforce as tasks change as we progress. That is why we have chosen to focus on upgrading the skills of our employees.

At Steel Products DFT A/S, we have in 2018/2019 focused on getting an agreement with IKUF on support to educate our employees. The plan was that in 2019/2020 we would initiate initiatives with our employees in education to reduce dyslexia, learn greater drawing comprehension and for some also work towards an increased level of education. This supports UN World Goal No. 4. Unfortunately, these initiatives were put on hold due to Covid-19 but will be taken up again whenever possible.

Management’s Review

At Steel Products Aage Østergaard A/S, we held SP Academy in 2019/2020, where we had 32 employees through a 3-week course, focusing on increased knowledge and understanding of our internal production processes and on creating interdisciplinary connections within the company. Subsequently, the employees have been given 3 days of individual professional competence boost within a specific topic in relation to their work tasks. The project has been supported by the Sporskiftefonden. In addition, we have held Danish courses as well as courses for reducing dyslexia for a larger group of employees.

Human rights, anti-corruption and bribery (Code of Conduct)

We have chosen to have a very detailed Code of Conduct to show our employees that we do not accept bribes and do not provide this.

Steel Products gives priority to our products being manufactured without conflict minerals. That is, we ensure that our products contain only minerals and metals from responsible and conflict-free sources.

The above is not something we can measure, so the goal here is to maintain focus in these areas. The risk is that we cannot maintain this focus in a busy day, so we are working towards implementing procedures that can help ensure this focus. It is our assessment that none of our partners work in violation of our Code of Conduct.

Statement on gender composition

At Steel Products A/S, we strive to always have at least 1 of each gender seated on the board, to ensure diversity within the group.

The shareholders will be aware of the gender diversity in connection with the forthcoming constituencies of the board and will take this into account if the recruitment basis supports this. However, the main goal of election to the board of directors and management will always be to have the most suitable persons in the individual positions.

The Board of Directors of Steel Products currently consists of 4 people, 25% are men and 75% women, and are therefore considered to be equally distributed

To the extent that there are employee representatives on the boards of the companies under Steel Products, we do not want to influence the employees' ability to choose precisely the representatives of the board that they find best, regardless of gender.

As a general hiring policy, Steel Products will aim to have candidates of both genders included in the candidate field. Therefore, we have a target of achieving 15% of underrepresented gender in management positions by 2025. However, it can very often be difficult to attract qualified candidates of both genders to leadership positions in our industry. That is why we currently only have one woman in a leadership role in the companies.

Income Statement 1 July - 30 June

	Note	Group		Parent company	
		2019/20	2018/19	2019/20	2018/19
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**447.447**	**545.226**	**0**	**0**
Production expenses	2	-393.088	-494.167	0	0
Gross profit/loss		**54.359**	**51.059**	**0**	**0**
Distribution expenses	2	-3.985	-6.055	0	0
Administrative expenses	2	-26.913	-23.107	-10	-82
Operating profit/loss		**23.461**	**21.897**	**-10**	**-82**
Other operating income		31	1.671	0	0
Profit/loss before financial income and expenses		**23.492**	**23.568**	**-10**	**-82**
Income from investments in subsidiaries	3	0	0	17.269	13.655
Financial income	4	864	1.459	0	0
Financial expenses	5	-2.161	-2.986	0	-322
Profit/loss before tax		**22.195**	**22.041**	**17.259**	**13.251**
Tax on profit/loss for the year	6	-4.904	-8.592	2	89
Net profit/loss for the year		**17.291**	**13.449**	**17.261**	**13.340**

Balance Sheet 30 June

Assets

	Note	Group 2020 TDKK	Group 2019 TDKK	Parent company 2020 TDKK	Parent company 2019 TDKK
Land and buildings		102.616	83.664	0	0
Plant and machinery		49.665	56.890	0	0
Other fixtures and fittings, tools and equipment		640	923	0	0
Property, plant and equipment	7	**152.921**	**141.477**	**0**	**0**
Investments in subsidiaries	8	0	0	150.488	137.326
Fixed asset investments		**0**	**0**	**150.488**	**137.326**
Fixed assets		**152.921**	**141.477**	**150.488**	**137.326**
Raw materials and consumables		27.002	36.610	0	0
Work in progress		65.302	60.586	0	0
Finished goods and goods for resale		31.367	23.657	0	0
Inventories		**123.671**	**120.853**	**0**	**0**
Trade receivables		61.198	72.239	0	0
Receivables from group enterprises		9.198	2.884	17.000	0
Other receivables		5.998	4.622	0	0
Corporation tax		0	0	2	0
Corporation tax receivable from group enterprises		0	0	0	215
Prepayments	9	1.313	1.714	0	0
Receivables		**77.707**	**81.459**	**17.002**	**215**
Securities		**2**	**2**	**0**	**0**
Cash at bank and in hand		**27.639**	**8.342**	**0**	**0**
Currents assets		**229.019**	**210.656**	**17.002**	**215**
Assets		**381.940**	**352.133**	**167.490**	**137.541**

Balance Sheet 30 June

Liabilities and equity

	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
		TDKK	TDKK	TDKK	TDKK
Share capital		7.400	7.400	7.400	7.400
Revaluation reserve		24.489	12.531	0	0
Reserve for net revaluation under the equity method		0	0	71.809	72.546
Retained earnings		99.577	98.381	52.257	38.366
Equity attributable to shareholders of the Parent Company		**131.466**	**118.312**	**131.466**	**118.312**
Minority interests		2.415	2.385	0	0
Equity		**133.881**	**120.697**	**131.466**	**118.312**
Provision for deferred tax	11	17.111	10.138	0	0
Other provisions	12	5.343	5.343	0	0
Provisions		**22.454**	**15.481**	**0**	**0**
Subordinate loan capital		10.800	10.800	0	0
Mortgage loans		78.584	81.762	0	0
Lease obligations		236	459	0	0
Payables to group enterprises		10.500	10.500	0	0
Payables to group enterprises relating to corporation tax		0	3.069	0	0
Other payables		11.828	0	0	0
Long-term debt	13	**111.948**	**106.590**	**0**	**0**

Balance Sheet 30 June *(continued)*

Liabilities and equity

	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
		TDKK	TDKK	TDKK	TDKK
Mortgage loans	13	3.178	3.881	0	0
Lease obligations	13	139	408	0	0
Prepayments received from customers		2.857	4.735	0	0
Trade payables		35.721	44.951	0	57
Payables to group enterprises	13	42.194	25.542	35.995	19.172
Corporation tax		1.569	0	0	0
Payables to group enterprises relating to corporation tax	13	0	147	0	0
Deposits	13	29	29	0	0
Other payables	13	27.960	29.672	29	0
Deferred income	14	10	0	0	0
Short-term debt		**113.657**	**109.365**	**36.024**	**19.229**
Debt		**225.605**	**215.955**	**36.024**	**19.229**
Liabilities and equity		**381.940**	**352.133**	**167.490**	**137.541**

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Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net revalua-tion under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	7.400	12.531	0	98.381	118.312	2.385	120.697
Extraordinary dividend paid	0	0	0	-17.000	-17.000	0	-17.000
Revaluation for the year	0	12.893	0	0	12.893	0	12.893
Transfers	0	-935	0	935	0	0	0
Net profit/loss for the year	0	0	0	17.261	17.261	30	17.291
Equity at 30 June	**7.400**	**24.489**	**0**	**99.577**	**131.466**	**2.415**	**133.881**

Parent company

	Share capital	Revaluation reserve	Reserve for net revalua-tion under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
Equity at 1 July	7.400	0	58.647	52.265	118.312	0	118.312
Extraordinary dividend paid	0	0	0	-17.000	-17.000	0	-17.000
Other equity movements	0	0	0	12.893	12.893	0	12.893
Net profit/loss for the year	0	0	13.162	4.099	17.261	0	17.261
Equity at 30 June	**7.400**	**0**	**71.809**	**52.257**	**131.466**	**0**	**131.466**

Cash Flow Statement 1 July - 30 June

	Note	Group 2019/20 TDKK	Group 2018/19 TDKK
Net profit/loss for the year		17.291	13.449
Adjustments	15	21.811	42.703
Change in working capital	16	6.267	-4.227
Cash flows from operating activities before financial income and expenses		**45.369**	**51.925**
Financial income		864	1.459
Financial expenses		-2.162	-2.986
Cash flows from ordinary activities		**44.071**	**50.398**
Corporation tax paid		-3.216	-3.065
Cash flows from operating activities		**40.855**	**47.333**
Purchase of property, plant and equipment		-10.793	-13.552
Sale of property, plant and equipment		270	2.437
Sale of fixed asset investments etc		0	100
Cash flows from investing activities		**-10.523**	**-11.015**
Repayment of mortgage loans		-3.881	-270
Reduction of lease obligations		-492	-306
Proceeds of payables to group enterprises		10.338	0
Repayment of other long-term debt		0	-34.200
Dividend paid		-17.000	-212
Cash flows from financing activities		**-11.035**	**-34.988**
Change in cash and cash equivalents		**19.297**	**1.330**
Cash and cash equivalents at 1 July		8.344	7.014
Cash and cash equivalents at 30 June		**27.641**	**8.344**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		27.639	8.342
Current asset investments		2	2
Cash and cash equivalents at 30 June		**27.641**	**8.344**

Notes to the Financial Statements

		Group		Parent company	
		2019/20	2018/19	2019/20	2018/19
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Revenue, Denmark	132.913	153.557	0	0
	Revenue, exports	314.534	391.669	0	0
		447.447	**545.226**	**0**	**0**
2	**Staff**				
	Wages and Salaries	128.285	143.118	0	0
	Pensions	10.264	11.385	0	0
	Other social security expenses	2.543	2.333	0	0
	Other staff expenses	3.466	6.774	0	0
		144.558	**163.610**	**0**	**0**
	Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:				
	Production expenses	129.867	146.032	0	0
	Distribution expenses	2.795	2.751	0	0
	Administrative expenses	11.896	14.827	0	0
		144.558	**163.610**	**0**	**0**
	Including remuneration to the Executive and Supervisory Boards	**2.180**	**2.020**	**0**	**0**
	Average number of employees	**331**	**364**	**0**	**0**
3	**Income from investments in subsidiaries**				
	Share of profits of subsidiaries			17.269	14.146
	Change in intercompany profit on inventories purchased within the Group			0	-491
				17.269	**13.655**

Notes to the Financial Statements

	Group		Parent company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK
4 Financial income				
Other financial income	864	1.459	0	0
	864	**1.459**	**0**	**0**
5 Financial expenses				
Interest paid to group enterprises	236	629	0	322
Other financial expenses	1.925	2.357	0	0
	2.161	**2.986**	**0**	**322**
6 Tax on profit/loss for the year				
Current tax for the year	1.569	3.097	-2	-89
Deferred tax for the year	3.335	5.495	0	0
	4.904	**8.592**	**-2**	**-89**

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK	TDKK
Cost at 1 July	147.341	433.008	2.640
Additions for the year	745	9.780	269
Disposals for the year	0	-1.544	0
Cost at 30 June	148.086	441.244	2.909
Revaluations at 1 July	15.049	25.000	0
Correction	0	-25.000	0
Revaluations for the year	23.529	0	0
Revaluations at 30 June	38.578	0	0
Impairment losses and depreciation at 1 July	78.726	401.118	1.717
Correction	0	-18.000	0
Depreciation for the year	5.322	9.735	552
Reversal of impairment and depreciation of sold assets	0	-1.274	0
Impairment losses and depreciation at 30 June	84.048	391.579	2.269
Carrying amount at 30 June	**102.616**	**49.665**	**640**
Including assets under finance leases amounting to	0	752	124

Notes to the Financial Statements

	Parent company	
	2020	2019
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 July	78.679	78.179
Additions for the year	0	500
Cost at 30 June	78.679	78.679
Value adjustments at 1 July	58.647	44.992
Net profit/loss for the year	17.269	14.146
Dividend to the Parent Company	-17.000	0
Other equity movements, net	12.893	0
Change in intercompany profit on inventories	0	-491
Value adjustments at 30 June	71.809	58.647
Carrying amount at 30 June	**150.488**	**137.326**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Aage Østergaard Horsens A/S	Horsens	100%
DFT-Presswork A/S	Sønderborg	100%
Steel Products Ejendomme ApS	Horsens	100%
Brdr. Madsen Maskinteknik A/S	Horsens	60%

9 Prepayments

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

Notes to the Financial Statements

	Group		Parent company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK

10 Distribution of profit

Extraordinary dividend paid	17.000	0	17.000	0
Reserve for net revaluation under the equity method	0	0	13.162	13.899
Minority interests' share of net profit/loss of subsidiaries	30	109	0	0
Retained earnings	261	13.340	-12.901	-559
	17.291	**13.449**	**17.261**	**13.340**

11 Provision for deferred tax

Provision for deferred tax at 1 July	10.138	4.643	0	0
Amounts recognised in the income statement for the year	3.335	5.495	0	0
Amounts recognised in equity for the year	3.638	0	0	0
Provision for deferred tax at 30 June	**17.111**	**10.138**	**0**	**0**

12 Other provisions

Other provisions	5.343	5.343	0	0
	5.343	**5.343**	**0**	**0**

Other provisions relate to warranty costs on goods sold. Provisions are assessed annually and based on historical data.

Notes to the Financial Statements

13 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		Parent company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Subordinate loan capital				
Between 1 and 5 years	10.800	10.800	0	0
Long-term part	10.800	10.800	0	0
Within 1 year	0	0	0	0
	10.800	**10.800**	**0**	**0**
Mortgage loans				
After 5 years	59.705	64.595	0	0
Between 1 and 5 years	18.879	17.167	0	0
Long-term part	78.584	81.762	0	0
Within 1 year	3.178	3.881	0	0
	81.762	**85.643**	**0**	**0**
Lease obligations				
Between 1 and 5 years	236	459	0	0
Long-term part	236	459	0	0
Within 1 year	139	408	0	0
	375	**867**	**0**	**0**
Payables to group enterprises				
Between 1 and 5 years	10.500	10.500	0	0
Long-term part	10.500	10.500	0	0
Other short-term debt to group enterprises	42.194	25.542	35.995	19.172
	52.694	**36.042**	**35.995**	**19.172**
Payables to group enterprises relating to corporation tax				
Between 1 and 5 years	0	3.069	0	0
Long-term part	0	3.069	0	0
Within 1 year	0	147	0	0
	0	**3.216**	**0**	**0**

Notes to the Financial Statements

13 Long-term debt (continued)

	Group		Parent company	
	2020	2019	2019/20	2019
	TDKK	TDKK	TDKK	TDKK
Other payables				
Between 1 and 5 years	11.828	0	0	0
Long-term part	11.828	0	0	0
Other short-term payables	27.958	29.672	29	0
	39.786	**29.672**	**29**	**0**

14 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

15 Cash flow statement - adjustments

Financial income	-864	-1.459
Financial expenses	2.161	2.986
Depreciation, amortisation and impairment losses, including losses and gains on sales	15.610	32.584
Tax on profit/loss for the year	4.904	8.592
	21.811	**42.703**

16 Cash flow statement - change in working capital

Change in inventories	-2.817	-2.982
Change in receivables	9.665	12.078
Change in trade payables, etc	-581	-13.323
	6.267	**-4.227**

Notes to the Financial Statements

	Group		Parent company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

17 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings at a carrying amount of	102.618	83.664	0	0

Plant and machinery of tDKK 49.664 (2018/19: tDKK 56.890) and other fixtures and fittings, tools and equipment of tDKK 640 (2018/19: tDKK 923) may with the exception of cars include the mortgage on property in compliance with the rules on security for fittings.

The group has issued owner's mortgage of tDKK 12.900 (2018/19: tDKK 25.775) which leads to a mortgage on specific plant and machinery. The owner's mortgage is in the possession of the company.

As security for commitment with Sydbank, company charge of tDKK 57.500 (2018/19: tDKK 57.500) extensive operating fixtures and equipment, stocks and receivables from sales.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:				
Within 1 year	174	220	0	0
Between 1 and 5 years	63	188	0	0
	237	**408**	**0**	**0**
Rental obligation, interminable for 30 months	8.228	10.962	0	0

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Kirkehøjgaard ApS, which is the management company of the joint taxation purposes. 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

18 Related parties

	Basis
Controlling interest	
Kirkehøjgaard ApS, Horsens	Parent company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The company is enclosed in the group accounts for the parent company:

Name	Place of registered office
Kirkehøjgaard ApS, CVR no. 25372808	Horsens, Denmark

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Steel Products A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2019/20 are presented in TDKK.

Pursuant to section 96, subsection 3 of the Danish Financial Statements Act, the company has decided to not prepare a note to auditors' remuneration.

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, Steel Products 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

19 Accounting Policies (continued)

Business combinations

Business acquisitions

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Uniting of interests

Intragroup business combinations are accounted for under the uniting-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The uniting-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Notes to the Financial Statements

19 Accounting Policies (continued)

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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.

Revenue

Information is provided on geographical markets. The segment information is provided in consideration of the group's accounting policies, risks and management control. The company only operates within one business segment.

Segment assets comprise assets that are used directly in the segment's revenue-producing activities.

Segment liabilities comprise liabilities resulting from the segment's operations, including trade payables and other payables.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

Production expenses

Production expenses comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

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.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

On acquisition land and buildings are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed land and buildings comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and supsuppliers up until the time when the asset is ready for use.

After the initial recognition land and buildings are measured at fair value with revaluation through equity. The total revaluation of land and buildings is transferred to a "revaluation reserve" under equity after tax. The reserve is reduced with annual depreciations after tax and adjusted with effect of revaluation after tax.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates. The estimates applied are based on historical information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material.

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

19 Accounting Policies (continued)

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

Production buildings	15-50	years
Plant and machinery	3-15	years
Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 14,100 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.

Notes to the Financial Statements

19 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

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

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.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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.

Current asset investments (Securities)

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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 comprise warranty commitments which include expenses for remedial action within the warranty period of 1-5 years. Provisions for warranty commitments are measured and recognised based on experience gained from guarantee work. Provisions with an expected maturity of more than one year from the balance sheet date are discounted using a rate that reflects the risk and maturity of the liability.

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.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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.

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

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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