

BU Power Systems Denmark ApS

Bygmestervej 7B, 5750 Ringe

Company reg. no. 38 11 80 99

Annual report

2020

The annual report was submitted and approved by the general meeting on the 2 February 2021.

Franz Klemens Focks
Chairman of the meeting

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Notes:

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

Management's report

Today, the executive board has presented the annual report of BU Power Systems Denmark ApS for the financial year 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Ringe, 2 February 2021

Executive board

Franz Klemens Focks

Henning Dalhoff Larsen

Independent auditor's report

To the shareholder of BU Power Systems Denmark ApS

Opinion

We have audited the financial statements of BU Power Systems Denmark ApS for the financial year 1 January - 31 December 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Emphasis of matter

The company has not complied with the Danish legislation and requirements to prepare transfer pricing documentation (Master File and Local File), and the management may therefore incur liability.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on 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 audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and contents of the financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

Independent auditor's report

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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Glostrup, 2 February 2021

PKF Munkebo Vindelev

State Authorised Public Accountants
Company reg. no. 14 11 92 99

Kasper Vindelev
State Authorised Public Accountant
mne29389

Company information

The company	BU Power Systems Denmark ApS Bygmestervej 7B 5750 Ringe
	Company reg. no. 38 11 80 99 Established: 13 October 2016 Domicile: Faaborg-Midtfyn Municipality Financial year: 1 January - 31 December 4th financial year
Executive board	Franz Klemens Focks Henning Dalhoff Larsen
Auditors	PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab Hovedvejen 56 2600 Glostrup
Bankers	Sydbank A/S, Sdr. Boulevard 39-41, 5000 Odense C
Parent company	BU Power Group GmbH

Financial highlights

DKK in thousands.	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income statement:				
Gross profit	2.629	2.646	3.241	1.859
Profit from ordinary operating activities	155	47	413	-1.510
Net financials	5	-36	-21	-113
Net profit or loss for the year	124	6	303	-1.268
Statement of financial position:				
Balance sheet total	3.198	2.703	2.591	3.661
Investments in property, plant and equip-ment	33	0	266	1.903
Equity	705	581	574	271
Employees:				
Average number of full-time employees	5	5	6	6

The financial highlights for 2017 comprise the period 13 October 2016 - 31 December 2017

Management commentary

The principal activities of the company

Like previous years, the principal activities are sales of engines, spare parts and supply of tech and support services.

Uncertainties about recognition or measurement

The management considers the valuation of the deferred tax asset as reliable but acknowledges that there is risk connected to the valuation. The valuation depends on the company's future earnings.

Development in activities and financial matters

The gross profit for the year totals DKK 2.629.000 against DKK 2.646.000 last year. Income or loss from ordinary activities after tax totals DKK 124.000 against DKK 6.000 last year. Management considers the net profit or loss for the year satisfactory.

Events occurring after the end of the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies

The annual report for BU Power Systems Denmark ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, other operating income, and other external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of manufactured and trade goods less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for sales, vehicles, administration and premises.

Staff costs

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

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Accounting policies

Statement of financial position

Intangible assets

Development projects, patents, and licences

Software licenses are measured at cost less accrued amortisation. Software licenses are amortised over 5 years.

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 10 years.

Plant, machinery and equipment

Plant, machinery and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

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

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

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

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	2-7 years

Minor assets with a cost price of less than DKK 14.100 are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Accounting policies

Inventories

Inventories of spare parts are measured at cost on the basis of weighted measured average prices. In cases when the net realisable value is lower than the cost, the latter is written down for impairment to this lower value.

Inventories of engines are measured at cost by using separate valuation specified by serial numbers. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

Costs of manufactured and trade goods comprise acquisition costs plus delivery costs.

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

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Accounting policies

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

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

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Gross profit	2.628.692	2.645.813
2 Staff costs	-2.157.155	-2.290.625
Depreciation, amortisation, and impairment	-316.858	-308.156
Operating profit	154.679	47.032
Other financial income	19.236	743
3 Other financial costs	-14.128	-37.239
Pre-tax net profit or loss	159.787	10.536
4 Tax on net profit or loss for the year	-35.664	-4.159
Net profit or loss for the year	124.123	6.377
Proposed appropriation of net profit:		
Transferred to retained earnings	124.123	6.377
Total allocations and transfers	124.123	6.377

Statement of financial position at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2020</u>	<u>2019</u>
Non-current assets		
5 Concessions, patents, licenses, trademarks, and similar rights acquired	208.521	266.733
6 Goodwill	20.992	24.496
Total intangible assets	<u>229.513</u>	<u>291.229</u>
7 Plant and machinery	14.058	28.254
8 Other fixtures and fittings, tools and equipment	423.050	631.317
Total property, plant, and equipment	<u>437.108</u>	<u>659.571</u>
Total non-current assets	<u>666.621</u>	<u>950.800</u>
Current assets		
Manufactured goods and goods for resale	296.233	230.170
Total inventories	<u>296.233</u>	<u>230.170</u>
Trade receivables	958.944	928.617
9 Deferred tax assets	225.810	261.474
Other receivables	19.735	43.202
Prepayments and accrued income	15.258	28.675
Total receivables	<u>1.219.747</u>	<u>1.261.968</u>
Cash on hand and demand deposits	1.015.119	260.321
Total current assets	<u>2.531.099</u>	<u>1.752.459</u>
Total assets	<u>3.197.720</u>	<u>2.703.259</u>

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2020</u>	<u>2019</u>
Equity		
Contributed capital	50.000	50.000
Retained earnings	654.972	530.849
Total equity	704.972	580.849
Liabilities other than provisions		
Payables to group enterprises	0	0
Other payables	201.898	77.971
10 Total long term liabilities other than provisions	201.898	77.971
Trade payables	766.603	753.384
Payables to group enterprises	209.942	461.548
Other payables	1.314.305	829.507
Total short term liabilities other than provisions	2.290.850	2.044.439
Total liabilities other than provisions	2.492.748	2.122.410
Total equity and liabilities	3.197.720	2.703.259

1 Uncertainties concerning recognition and measurement

11 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2019	50.000	524.472	574.472
Profit or loss for the year brought forward	0	6.377	6.377
Equity 1 January 2020	50.000	530.849	580.849
Profit or loss for the year brought forward	0	124.123	124.123
	50.000	654.972	704.972

Notes

All amounts in DKK.

1. Uncertainties concerning recognition and measurement

When calculating the book value of certain assets, an assessment of how future events will influence the value is necessary.

The used assessments are based on assumptions, that the management regards as properly, but, in the cause of nature, are uncertain and unpredictable. The assumptions may have been incomplete or inaccurate, and unexpected events may occur.

The valuations of the deferred tax asset depend on the company's future earnings. Consequently, there is a risk connected to the valuation of this asset, as future earnings might fail to live up to the management's expectations.

	<u>2020</u>	<u>2019</u>
2. Staff costs		
Salaries and wages	1.798.362	1.853.819
Pension costs	321.967	390.522
Other costs for social security	17.041	18.650
Other staff costs	19.785	27.634
	<u>2.157.155</u>	<u>2.290.625</u>
Average number of employees	<u>5</u>	<u>5</u>
3. Other financial costs		
Financial costs, group enterprises	12.593	16.414
Other financial costs	1.535	20.825
	<u>14.128</u>	<u>37.239</u>
4. Tax on net profit or loss for the year		
Adjustment for the year of deferred tax	<u>35.664</u>	<u>4.159</u>
	<u>35.664</u>	<u>4.159</u>

Notes

All amounts in DKK.

	31/12 2020	31/12 2019
5. Concessions, patents, licenses, trademarks, and similar rights acquired		
Cost 1 January 2020	291.077	0
Additions during the year	0	291.077
Cost 31 December 2020	291.077	291.077
Amortisation and writedown 1 January 2020	-24.344	0
Amortisation for the year	-58.212	-24.344
Amortisation and writedown 31 December 2020	-82.556	-24.344
Carrying amount, 31 December 2020	208.521	266.733
6. Goodwill		
Cost 1 January 2020	35.000	35.000
Cost 31 December 2020	35.000	35.000
Amortisation and writedown 1 January 2020	-10.504	-7.000
Amortisation for the year	-3.504	-3.504
Amortisation and writedown 31 December 2020	-14.008	-10.504
Carrying amount, 31 December 2020	20.992	24.496
7. Plant and machinery		
Cost 1 January 2020	71.000	80.000
Disposals during the year	0	-9.000
Cost 31 December 2020	71.000	71.000
Depreciation and writedown 1 January 2020	-42.746	-32.000
Depreciation for the year	-14.196	-15.396
Reversal of depreciation, amortisation and writedown, assets disposed of	0	4.650
Depreciation and writedown 31 December 2020	-56.942	-42.746
Carrying amount, 31 December 2020	14.058	28.254

Notes

All amounts in DKK.

	31/12 2020	31/12 2019		
8. Other fixtures and fittings, tools and equipment				
Cost 1 January 2020	1.458.612	1.458.612		
Additions during the year	32.679	0		
Cost 31 December 2020	1.491.291	1.458.612		
Depreciation and writedown 1 January 2020	-827.295	-562.383		
Depreciation for the year	-240.946	-264.912		
Depreciation and writedown 31 December 2020	-1.068.241	-827.295		
Carrying amount, 31 December 2020	423.050	631.317		
9. Deferred tax assets				
Deferred tax assets 1 January 2020	261.474	265.633		
Deferred tax of the results for the year	-35.664	-4.159		
	225.810	261.474		
The following items are subject to deferred tax:				
Intangible assets	-47.193	-59.670		
Property, plant, and equipment	11.663	-222		
Current assets	3.587	0		
Losses carried forward from previous years	257.753	321.366		
	225.810	261.474		
10. Liabilities other than provision				
	Total payables 31 Dec 2020	Current portion of long term payables	Long term payables 31 Dec 2020	Outstanding payables after 5 years
Other payables	201.898	0	201.898	0
	201.898	0	201.898	0

Notes

All amounts in DKK.

11. Contingencies

Contingent liabilities

Rental liabilities

The company has entered into one separate tenancy agreement. The rental commitment is t.DKK 208 as of 31 December 2020.