Baldo Acquisition ApS

Levysgade 14, st., DK-8700 Horsens

Annual Report for 1 January - 31 December 2019

CVR No 38 64 05 69

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30/1 2020

Henning Jørgensen
Chairman of the General Meeting

Contents

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Baldo Acquisition ApS 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.

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

Horsens, 30 January 2020

Executive Board

Hans Henrik Nielsen CEO	Henning Jørgensen	Lise Jørgensen

Supervisory Board

Peter Schulz	Wolfgang Ziegler

Independent Auditor's Report

To the Shareholders of Baldo Acquisition ApS

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 Baldo Acquisition ApS 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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

- 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 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.

Trekantområdet, 30 January 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild statsautoriseret revisor mne33262	Henrik Forthoft Lind statsautoriseret revisor mne34169

Company Information

The Company	Baldo Acquisition ApS Levysgade 14, st. DK-8700 Horsens CVR No: 38 64 05 69 Financial period: 1 January - 31 December Incorporated: 15 May 2017 Municipality of reg. office: Horsens
Supervisory Board	Peter Schulz Wolfgang Ziegler
Executive Board	Hans Henrik Nielsen Henning Jørgensen Lise Jørgensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle
Lawyers	Ladegaard, Rasmussen & Partnere Løvenørnsgade 17 8700 Horsens
Bankers	Nykredit Bank A/S Domkirkepladsen 1 8100 Århus C

Financial Highlights

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

	Group		
	2019	2018	2017 7 months
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Revenue	465.635	360.136	230.218
Operating profit/loss	13.024	398	15.432
Profit/loss before financial income and expenses	13.134	1.251	16.418
Net financials	-7.622	-7.976	-3.924
Net profit/loss for the year	-854	-10.551	7.152
Balance sheet			
Balance sheet total	381.162	400.922	403.433
Equity	131.957	129.262	139.345
Cash flows			
Cash flows from:			
- operating activities	37.008	13.390	-21.857
- investing activities	-4.992	-8.346	-294.796
including investment in property, plant and equipment	-3.550	-5.380	-13.621
- financing activities	-26.801	-6.128	172.674
Change in cash and cash equivalents for the year	5.215	-1.084	-143.979
Number of employees	80	77	58
Ratios			
Gross margin	17,1%	16,8%	21,8%
Profit margin	2,8%	0,3%	7,1%
Return on assets	3,4%	0,3%	4,1%
Solvency ratio	34,6%	32,2%	34,5%
Return on equity	-0,7%	-7,9%	10,3%

For definitions, see under accounting policies.

Management's Review

Key activities

Group's key activities are production and selling of bathroom pods.

Development in the year

The income statement of the Group for 1 January - 31 December 2019 shows a loss of TDKK 854, and at 31 December 2019 the balance sheet of the Group shows equity of TDKK 131,957.

For 2019 there was a significant increase in revenues and profit and the EBITDA improved to 9,4% from 8,4% of revenue.

Expectations for 2019 was an increase in revenue and profit in line with the realized profit for 2017. Revenues increase significantly supported by projects carry over from 2018. Profit increased due to higher volume.

Special risks

The groups's special risks relates to competing companies on the market.

The group is not exposed to changes of interest rates because of its operations, investments and financing. It is management's policy not to speculate in financial movements.

The group has substantial trading in Euro and mainly Polish Zloty that exposes to currency risks. The group hedges currency risks through forward exchange contracts covering the coming years.

Credit risks primarily relates to the customers' ability to pay. Advance payments from customers and payment plans are made to mitigate the risk.

Foreign operations

The group has acitivities in Poland, Bad Element Poland Z.o.o and in Norway, Badelement Norge AS.

External environment

The group's management is aware of environmental effects from production and it is a continuous focus to reduce environmental effects from production.

Intellectual capital resources

It is important to management of the company to maintain focus on delivering high quality products; hence, production resources involve automated processes and a well-educated work force to maintain a high level of competencies.

Management's Review

Statement of corporate social responsibility

The group produces pre-fabricated showers for installation into primarily new buildings. Production takes place mainly in Poland using sub-components from a number of sub-suppliers. Other functions such as sales, design, procurement, deliveries to construction sites and service are performed in Denmark. The Company employs 80 people, and its primary market for pre-fabricated showers is the Danish building sector. The German private-equity fund Findos has owned 80% of the Company since 2017.

The Company operates in highly regulated markets where comparatively clear CSR guidelines are laid down by legislation and voluntary agreements. Thus, collective agreements between employees and employers regulate many aspects regarding labour. Environmental matters are moreover often regulated through municipal environmental approvals, and health and safety are protected under occupational health and safety legislation. Furthermore, national anti-discrimination rules exist to protect against discrimination. Finally, corruption is addressed by the Danish Criminal Code. The Company complies with these rules. In the Company's opinion, the risk of having a significant negative impact on the environment and climate, human rights, social matters and labour as well as being exposed to corruption and bribery is therefore very limited.

Based on its business model and the fact that the most important market to the Company is Denmark, the Company has not considered the risk of negatively affecting human rights prevalent to such an extent that policies are required. The Company is not of the opinion either that its potential exposure to corruption and bribery is prevalent to such an extent that a policy is required. Based on the extensive local and national environmental and climate regulations and the voluntary agreements in the labour market, the Company has assessed that laying down policies on environmental, climate, social matters and labour will not create any additional value, neither to the Company nor to society.

Statement on gender composition

The Group's governing body consists of two persons and an equal split is achieved, hence no target nor explanation. Equal split is achieved managerial posts as well.

Expectations

Expectations for 2020 is an increase in revenues of 3-5%. Expectation on profit is an increase compared to 2019 to get back to the level of 2017.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**465.635**	**360.136**	**10.670**	**7.600**
Other operating income		110	960	0	0
Expenses for raw materials and consumables		-371.750	-285.392	0	0
Other external expenses		-14.403	-15.103	-1.837	-1.457
Gross profit/loss		**79.592**	**60.601**	**8.833**	**6.143**
Staff expenses	2	-35.400	-28.991	-7.859	-5.473
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-31.058	-30.252	-30	-23
Other operating expenses		0	-107	0	0
Profit/loss before financial income and expenses		**13.134**	**1.251**	**944**	**647**
Income from investments in subsidiaries		0	0	20.500	18.000
Financial income		117	14	0	0
Financial expenses		-7.739	-7.990	-4.526	-4.957
Profit/loss before tax		**5.512**	**-6.725**	**16.918**	**13.690**
Tax on profit/loss for the year		-6.366	-3.826	789	948
Net profit/loss for the year		**-854**	**-10.551**	**17.707**	**14.638**

Balance Sheet 31 December

Assets

	Note	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
		TDKK	TDKK	TDKK	TDKK
Goodwill		175.788	199.490	0	0
Development projects in progress		6.192	3.682	0	0
Intangible assets	3	**181.980**	**203.172**	**0**	**0**
Land and buildings		14.329	13.763	0	0
Plant and machinery		16.138	20.269	0	0
Other fixtures and fittings, tools and equipment		4.111	5.110	97	127
Prepayments for property, plant and equipment		438	302	0	0
Property, plant and equipment	4	**35.016**	**39.444**	**97**	**127**
Investments in subsidiaries	5	0	0	295.831	295.831
Receivables from group enterprises		0	0	0	3.500
Deposits		305	290	0	0
Fixed asset investments		**305**	**290**	**295.831**	**299.331**
Fixed assets		**217.301**	**242.906**	**295.928**	**299.458**
Inventories	6	**28.048**	**25.811**	**0**	**0**
Trade receivables		75.125	77.035	0	0
Contract work in progress	7	36.588	42.069	0	0
Receivables from group enterprises		0	0	6.776	2.125
Other receivables		13.769	10.294	0	0
Deferred tax asset	10	2.868	0	0	0
Corporation tax		0	0	1.605	951
Prepayments	8	357	916	65	718
Receivables		**128.707**	**130.314**	**8.446**	**3.794**
Cash at bank and in hand		**7.106**	**1.891**	**71**	**692**
Currents assets		**163.861**	**158.016**	**8.517**	**4.486**
Assets		**381.162**	**400.922**	**304.445**	**303.944**

Balance Sheet 31 December

Liabilities and equity

		Consolidated		Parent	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Share capital		64	64	63	64
Share premium account		132.114	132.114	132.114	132.114
Reserve for development costs		4.830	0	0	0
Retained earnings		-5.051	-2.916	50.203	32.495
Equity		**131.957**	**129.262**	**182.380**	**164.673**
Provision for deferred tax	10	6.566	3.740	3	3
Other provisions	11	11.984	3.867	0	0
Provisions		**18.550**	**7.607**	**3**	**3**
Mortgage loans		156	1.309	0	0
Credit institutions		103.792	127.020	101.834	119.515
Lease obligations		106	286	0	0
Other payables		784	0	142	0
Long-term debt	12	**104.838**	**128.615**	**101.976**	**119.515**

Balance Sheet 31 December

Liabilities and equity

		Consolidated		Parent	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Mortgage loans	12	992	2.080	0	0
Credit institutions	12	43.649	45.162	18.000	18.000
Lease obligations	12	392	392	0	0
Prepayments received from customers		577	0	0	0
Trade payables		44.529	38.303	31	377
Contract work in progress, liabilities	7	17.921	31.493	0	0
Payables to group enterprises		0	0	9	0
Corporation tax		10.834	5.782	0	0
Other payables	12	6.923	12.226	2.046	1.376
Short-term debt		**125.817**	**135.438**	**20.086**	**19.753**
Debt		**230.655**	**264.053**	**122.062**	**139.268**
Liabilities and equity		**381.162**	**400.922**	**304.445**	**303.944**

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Statement of Changes in Equity

Consolidated

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	64	132.114	2.872	-5.788	129.262
Exchange adjustments relating to foreign entities	0	0	0	297	297
Fair value adjustment of hedging instruments, end of year	0	0	0	4.168	4.168
Tax on adjustment of hedging instruments for the year	0	0	0	-916	-916
Development costs for the year	0	0	2.436	-1.958	478
Depreciation, amortisation and impairment for the year	0	0	-478	0	-478
Net profit/loss for the year	0	0	0	-854	-854
Equity at 31 December	**64**	**132.114**	**4.830**	**-5.051**	**131.957**

Parent

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	63	132.114	0	32.496	164.673
Net profit/loss for the year	0	0	0	17.707	17.707
Equity at 31 December	**63**	**132.114**	**0**	**50.203**	**182.380**

Cash Flow Statement 1 January - 31 December

	Note	Consolidated 2019 TDKK	2018 TDKK
Net profit/loss for the year		-854	-10.551
Adjustments	14	44.600	42.005
Change in working capital	15	1.633	-15.040
Cash flows from operating activities before financial income and expenses		**45.379**	**16.414**
Financial income		117	14
Financial expenses		-7.455	-7.990
Cash flows from ordinary activities		**38.041**	**8.438**
Corporation tax paid		-1.033	4.952
Cash flows from operating activities		**37.008**	**13.390**
Purchase of intangible assets		-3.123	-3.683
Purchase of property, plant and equipment		-3.550	-5.380
Fixed asset investments made etc		446	-1.240
Sale of property, plant and equipment		0	717
Sale of fixed asset investments etc		1.235	1.240
Cash flows from investing activities		**-4.992**	**-8.346**
Repayment of mortgage loans		-2.241	-904
Raising loans from credit institutions		0	10.922
Repayment of loans from credit institutions		-24.741	-18.000
Repayment of lease obligations		-180	-300
Cash capital increase		0	1.567
Other adjustments		361	587
Cash flows from financing activities		**-26.801**	**-6.128**
Change in cash and cash equivalents		**5.215**	**-1.084**
Cash and cash equivalents at 1 January		1.891	2.975
Cash and cash equivalents at 31 December		**7.106**	**1.891**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		7.106	1.891
Cash and cash equivalents at 31 December		**7.106**	**1.891**

Notes to the Financial Statements

		Consolidated		Parent	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Revenue, Denmark	460.755	360.136	10.670	7.600
	Revenue, exports	4.880	0	0	0
		465.635	**360.136**	**10.670**	**7.600**
2	**Staff expenses**				
	Wages and salaries	30.420	25.994	6.249	4.206
	Pensions	3.717	3.244	1.568	1.237
	Other social security expenses	600	536	42	30
	Other staff expenses	663	707	0	0
		35.400	**30.481**	**7.859**	**5.473**
	Transfer to production wages	0	-1.490	0	0
		35.400	**28.991**	**7.859**	**5.473**
	Including remuneration to the Executive Board	**4.067**	**3.471**	**4.067**	**3.471**
	Average number of employees	**80**	**77**	**5**	**5**

Notes to the Financial Statements

3 Intangible assets

Consolidated

	Goodwill	Development projects in progress
	TDKK	TDKK
Cost at 1 January	237.018	3.682
Additions for the year	0	3.123
Cost at 31 December	237.018	6.805
Impairment losses and amortisation at 1 January	37.528	0
Amortisation for the year	23.702	613
Impairment losses and amortisation at 31 December	61.230	613
Carrying amount at 31 December	**175.788**	**6.192**

Development projects relate to the development and implementation of a new ERP system. The project is progressing according to plan through the use of the ressources allocated by management to the development.

Notes to the Financial Statements

4 Property, plant and equipment

Consolidated

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	14.414	27.246	5.564	302
Additions for the year	1.188	775	13	1.574
Disposals for the year	-118	-583	-430	-1.438
Cost at 31 December	15.484	27.438	5.147	438
Impairment losses and depreciation at 1 January	651	6.977	454	0
Depreciation for the year	504	4.787	1.006	0
Impairment and depreciation of sold assets for the year	0	-464	-424	0
Impairment losses and depreciation at 31 December	1.155	11.300	1.036	0
Carrying amount at 31 December	**14.329**	**16.138**	**4.111**	**438**
Including assets under finance leases amounting to	0	399	0	0

Notes to the Financial Statements

	Parent 2019	Parent 2018
	TDKK	TDKK
5 Investments in subsidiaries		
Cost at 1 January	295.831	295.831
Cost at 31 December	295.831	295.831
Carrying amount at 31 December	**295.831**	**295.831**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Badelement A/S	Denmark	400	100%	69.621	25.620

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
	TDKK	TDKK	TDKK	TDKK
6 Inventories				
Raw materials and consumables	28.048	24.400	0	0
Prepayments for goods	0	1.411	0	0
	28.048	**25.811**	**0**	**0**

Notes to the Financial Statements

	Consolidated		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
7 Contract work in progress				
Selling price of work in progress	136.409	159.493	0	0
Payments received on account	-117.742	-148.917	0	0
	18.667	**10.576**	**0**	**0**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	36.588	42.069	0	0
Prepayments received recognised in debt	-17.921	-31.493	0	0
	18.667	**10.576**	**0**	**0**

8 Prepayments

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

	Parent	
	2019	2018
	TDKK	TDKK
9 Distribution of profit		
Retained earnings	17.707	14.638
	17.707	**14.638**

Notes to the Financial Statements

10 Provision for deferred tax

	Consolidated 2019 TDKK	Consolidated 2018 TDKK	Parent 2019 TDKK	Parent 2018 TDKK
Intangible assets	750	553	0	0
Property, plant and equipment	-2.586	38	3	3
Contract work in progress	4.407	2.959	0	0
Tax regarding hedges	1.063	146	0	0
Prepayments	64	44	0	0
Transferred to deferred tax asset	2.868	0	0	0
	6.566	**3.740**	**3**	**3**
Deferred tax asset				
Calculated tax asset	2.868	0	0	0
Carrying amount	**2.868**	**0**	**0**	**0**

11 Other provisions

The Company provides warranty of 5 years on finished and delivered bathroom pods. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims. Other provisions mainly consists of warranty claims.

	Consolidated 2019 TDKK	Consolidated 2018 TDKK	Parent 2019 TDKK	Parent 2018 TDKK
Other provisions	11.984	3.867	0	0
	11.984	**3.867**	**0**	**0**

Notes to the Financial Statements

12 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:

	Consolidated		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
Between 1 and 5 years	156	1.309	0	0
Long-term part	156	1.309	0	0
Within 1 year	992	2.080	0	0
	1.148	**3.389**	**0**	**0**
Credit institutions				
Between 1 and 5 years	103.792	127.020	101.834	119.515
Long-term part	103.792	127.020	101.834	119.515
Within 1 year	18.000	18.000	18.000	18.000
Other short-term debt to credit institutions	25.649	27.162	0	0
Short-term part	43.649	45.162	18.000	18.000
	147.441	**172.182**	**119.834**	**137.515**
Lease obligations				
Between 1 and 5 years	106	286	0	0
Long-term part	106	286	0	0
Within 1 year	392	392	0	0
	498	**678**	**0**	**0**
Other payables				
Between 1 and 5 years	784	0	142	0
Long-term part	784	0	142	0
Other short-term payables	6.928	12.226	2.049	1.376
	7.712	**12.226**	**2.191**	**1.376**

Notes to the Financial Statements

13 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded to hedge future purchase of goods in PLN. At the balance sheet date, the fair value of derivative financial instruments amounts to TDKK 4.168.

	Consolidated	
	2019	2018
	TDKK	TDKK
14 Cash flow statement - adjustments		
Financial income	-117	-14
Financial expenses	7.739	7.990
Depreciation, amortisation and impairment losses, including losses and gains on sales	30.612	30.203
Tax on profit/loss for the year	6.366	3.826
	44.600	**42.005**

15 Cash flow statement - change in working capital

	2019	2018
Change in inventories and contract work	-10.589	-8.765
Change in receivables	-1.565	-7.922
Change in other provisions	8.118	948
Change in trade payables, etc	1.501	1.765
Fair value adjustments of hedging instruments	4.168	-1.066
	1.633	**-15.040**

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The group have signed a rental contract of rooms on the company adress, Levysgade 14 st., 8700 Horsens. The rental contract contains following conditions:
The lease have a notice of 6 months. The rent represents in total TDKK 420 per year.

Following assets provide security for banks:
Group:
- Company charge of nominally TDKK 5.000 provide security in property, plant and equipment, inventories and trade recievables with a carrying value of TDKK 140.339.
- Land and buildings, and inventory with a carrying value of TDKK 44.527.

Parent: Shares in subsidiaries with a carrying value of TDKK 295.831.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the Danish 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.

17 Related parties

	Basis
Controlling interest	
Baldo Zehn Holding GmbH, Germany	Capital owner (majority)

Notes to the Financial Statements

	Consolidated		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK

18 Fee to auditors appointed at the general meeting

	Consolidated 2019 TDKK	Consolidated 2018 TDKK	Parent 2019 TDKK	Parent 2018 TDKK
PricewaterhouseCoopers				
Audit fee	402	360	8	5
Other assurance engagements	30	48	30	18
Tax advisory services	117	54	5	5
Other services	97	267	5	5
	646	**729**	**48**	**33**

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Baldo Acquisition ApS 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.

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, Baldo Acquisition ApS, 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

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in “Amortisation, depreciation and impairment losses”.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

Income Statement

Revenue

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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 for the year.

Other external expenses

Other external expenses comprise indirect production costs and 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

19 Accounting Policies (continued)

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

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 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 10 years.

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.

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:

Production buildings	30	years
Other buildings	10	years
Plant and machinery	10	years
Other fixtures and fittings, tools and equipment	5	years
Leasehold improvements	10	years

Notes to the Financial Statements

19 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

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 measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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 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.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Notes to the Financial Statements

19 Accounting Policies (continued)

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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 of . 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.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$