Baldo Acquisition ApS

Levysgade 14, st., DK-8700 Horsens

Annual Report for 1 January - 31 December 2020

CVR No 38 64 05 69

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30/1 2021

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 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 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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

Horsens, 30 January 2021

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 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 January - 31 December 2020 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 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.

Trekantområdet, 30 January 2021
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		
	2020	2019	2018
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Revenue	440.889	465.635	360.136
Operating profit/loss	11.349	13.024	398
Profit/loss before financial income and expenses	10.869	13.134	1.251
Net financials	-10.802	-7.622	-7.976
Net profit/loss for the year	-5.000	-854	-10.551
Balance sheet			
Balance sheet total	366.468	381.162	400.922
Equity	120.269	131.956	129.262
Cash flows			
Cash flows from:			
- operating activities	23.548	37.008	13.390
- investing activities	-5.764	-4.992	-8.346
including investment in property, plant and equipment	-5.086	-3.550	-5.380
- financing activities	-20.179	-26.801	-6.128
Change in cash and cash equivalents for the year	-2.395	5.215	-1.084
Number of employees	102	80	77
Ratios			
Gross margin	17,0%	17,1%	16,8%
Profit margin	2,5%	2,8%	0,3%
Return on assets	3,0%	3,4%	0,3%
Solvency ratio	32,8%	34,6%	32,2%
Return on equity	-4,0%	-0,7%	-7,9%

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 2020 shows a loss of TDKK 5,000, and at 31 December 2020 the balance sheet of the Group shows equity of TDKK 120,269.

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.

The group has managed to keep production stable despite the Covid -19 challenges.

2020 revenues and margins has decreased due to change in product mix and competition.
Current levels are expected in the coming year.
Expectations for 2020 was an increase in revenue of 3-5 %, and an expectation of profit to be on level with 2017.

Revenue and profit did not meet the expectations due to organisational changes and covid-19.

Special risks

The group’s special risks relates to competing companies on the market.

The group is not exposed to changes in 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 EUR, NOK 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 one subsidiary in Poland, Badelement Poland Sp. Z.o.o., and one 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.

Management's Review

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.

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 102 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 Board of Directors consists of a total of two members. It is the Company's target to have at least one woman on the Board of Directors by 2023.

Expectations

Expectations for 2021 is an increase in revenues of 3-5%. Expectation on profit is an increase compared to 2020, and earnings on the same level of 2020.

Management's Review

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 2020	Consolidated 2019	Parent 2020	Parent 2019
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**440.889**	**465.635**	**8.479**	**10.670**
Other operating income		0	110	0	0
Expenses for raw materials and consumables		-346.664	-371.750	0	0
Other external expenses		-19.254	-14.403	-1.285	-1.837
Gross profit/loss		**74.971**	**79.592**	**7.194**	**8.833**
Staff expenses	2	-34.116	-35.400	-6.275	-7.859
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-29.506	-31.058	-30	-30
Other operating expenses		-480	0	0	0
Profit/loss before financial income and expenses		**10.869**	**13.134**	**889**	**944**
Income from investments in subsidiaries		0	0	20.500	20.500
Financial income		844	117	0	0
Financial expenses		-11.646	-7.739	-4.033	-4.526
Profit/loss before tax		**67**	**5.512**	**17.356**	**16.918**
Tax on profit/loss for the year		-5.067	-6.366	611	789
Net profit/loss for the year		**-5.000**	**-854**	**17.967**	**17.707**

Balance Sheet 31 December

Assets

		Consolidated		Parent	
	Note	2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Goodwill		152.087	175.788	0	0
Development projects in progress		5.435	6.192	0	0
Intangible assets	3	**157.522**	**181.980**	**0**	**0**
Land and buildings		12.456	14.329	0	0
Plant and machinery		16.415	16.138	0	0
Other fixtures and fittings, tools and equipment		1.446	4.111	67	97
Prepayments for property, plant and equipment		260	438	0	0
Property, plant and equipment	4	**30.577**	**35.016**	**67**	**97**
Investments in subsidiaries	5	0	0	295.831	295.831
Deposits		511	305	0	0
Fixed asset investments		**511**	**305**	**295.831**	**295.831**
Fixed assets		**188.610**	**217.301**	**295.898**	**295.928**
Inventories	6	**30.422**	**28.048**	**0**	**0**
Trade receivables		77.454	75.125	0	0
Contract work in progress	7	53.604	36.588	0	0
Receivables from group enterprises		0	0	8.687	6.776
Other receivables		6.595	13.769	0	0
Deferred tax asset	10	3.840	2.868	0	0
Corporation tax		867	0	867	1.605
Prepayments	8	365	357	57	65
Receivables		**142.725**	**128.707**	**9.611**	**8.446**
Cash at bank and in hand		**4.711**	**7.106**	**78**	**71**
Currents assets		**177.858**	**163.861**	**9.689**	**8.517**
Assets		**366.468**	**381.162**	**305.587**	**304.445**

Balance Sheet 31 December

Liabilities and equity

	Note	Consolidated		Parent	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Share capital		63	63	63	63
Share premium account		132.114	132.114	132.114	132.114
Reserve for development costs		4.239	4.830	0	0
Reserve for fair value adjustments		-6.687	0	0	0
Retained earnings		-9.460	-5.051	68.167	50.203
Equity		**120.269**	**131.956**	**200.344**	**182.380**
Provision for deferred tax	10	6.558	6.566	0	3
Other provisions	11	11.144	11.984	0	0
Provisions		**17.702**	**18.550**	**0**	**3**
Mortgage loans		0	156	0	0
Credit institutions		84.154	103.792	84.154	101.834
Lease obligations		358	106	0	0
Other payables		12.694	784	264	142
Long-term debt	12	**97.206**	**104.838**	**84.418**	**101.976**

Balance Sheet 31 December

Liabilities and equity

		Consolidated		Parent	
	Note	2020 TDKK	2019 TDKK	2020 TDKK	2019 TDKK
Mortgage loans	12	217	992	0	0
Credit institutions	12	41.016	43.649	18.000	18.000
Lease obligations	12	1.802	392	0	0
Prepayments received from customers		0	577	0	0
Trade payables		48.107	44.529	19	31
Contract work in progress, liabilities	7	21.179	17.921	0	0
Corporation tax		6.482	10.834	0	0
Other payables	12	12.488	6.924	2.806	2.055
Short-term debt		**131.291**	**125.818**	**20.825**	**20.086**
Debt		**228.497**	**230.656**	**105.243**	**122.062**
Liabilities and equity		**366.468**	**381.162**	**305.587**	**304.445**

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Statement of Changes in Equity

Consolidated

	Share capital	Share premium account	Reserve for development costs	Reserve for fair value adjustments	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	63	132.114	4.830	0	-5.051	131.956
Exchange adjustments	0	0	0	-2.335	0	-2.335
Fair value adjustment of hedging instruments, end of year	0	0	0	-5.580	0	-5.580
Tax on adjustment of hedging instruments for the year	0	0	0	1.228	0	1.228
Development costs for the year	0	0	339	0	591	930
Depreciation, amortisation and impairment for the year	0	0	-930	0	0	-930
Net profit/loss for the year	0	0	0	0	-5.000	-5.000
Equity at 31 December	**63**	**132.114**	**4.239**	**-6.687**	**-9.460**	**120.269**

Parent

	Share capital	Share premium account	Reserve for development costs	Reserve for fair value adjustments	Retained earnings	Total
Equity at 1 January	63	132.114	0	0	50.200	182.377
Net profit/loss for the year	0	0	0	0	17.967	17.967
Equity at 31 December	**63**	**132.114**	**0**	**0**	**68.167**	**200.344**

Cash Flow Statement 1 January - 31 December

	Note	Consolidated 2020	Consolidated 2019
		TDKK	TDKK
Net profit/loss for the year		-5.000	-854
Adjustments	14	48.098	44.600
Change in working capital	15	2.756	1.633
Cash flows from operating activities before financial income and expenses		**45.854**	**45.379**
Financial income		844	117
Financial expenses		-11.645	-7.455
Cash flows from ordinary activities		**35.053**	**38.041**
Corporation tax paid		-11.505	-1.033
Cash flows from operating activities		**23.548**	**37.008**
Purchase of intangible assets		-472	-3.123
Purchase of property, plant and equipment		-5.086	-3.550
Fixed asset investments made etc		-238	446
Sale of fixed asset investments etc		32	1.235
Cash flows from investing activities		**-5.764**	**-4.992**
Repayment of mortgage loans		931	-2.241
Raising lease obligations		1.661	0
Repayment of loans from credit institutions		-22.771	-24.741
Repayment of lease obligations		0	-180
Other adjustments		0	361
Cash flows from financing activities		**-20.179**	**-26.801**
Change in cash and cash equivalents		**-2.395**	**5.215**
Cash and cash equivalents at 1 January		7.106	1.891
Cash and cash equivalents at 31 December		**4.711**	**7.106**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4.711	7.106
Cash and cash equivalents at 31 December		**4.711**	**7.106**

Notes to the Financial Statements

		Consolidated		Parent	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Revenue, Denmark	415.533	460.755	8.479	10.670
	Revenue, exports	25.356	4.880	0	0
		440.889	**465.635**	**8.479**	**10.670**
2	**Staff expenses**				
	Wages and salaries	28.569	30.420	5.207	6.249
	Pensions	3.470	3.717	1.031	1.568
	Other social security expenses	1.634	600	37	42
	Other staff expenses	443	663	0	0
		34.116	**35.400**	**6.275**	**7.859**
	Including remuneration to the Executive Board	**2.980**	**4.067**	**2.980**	**4.067**
	Average number of employees	**102**	**80**	**5**	**5**

Notes to the Financial Statements

3 Intangible assets

Consolidated

	Goodwill	Development projects in progress
	TDKK	TDKK
Cost at 1 January	237.018	6.507
Additions for the year	0	472
Cost at 31 December	237.018	6.979
Impairment losses and amortisation at 1 January	61.230	614
Amortisation for the year	23.701	930
Impairment losses and amortisation at 31 December	84.931	1.544
Carrying amount at 31 December	**152.087**	**5.435**

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	16.632	34.787	5.829	435
Additions for the year	158	2.461	116	2.351
Disposals for the year	0	-329	-14	-2.500
Cost at 31 December	16.790	36.919	5.931	286
Impairment losses and depreciation at 1 January	2.349	16.964	3.760	0
Exchange adjustment	842	1.052	123	26
Depreciation for the year	1.143	2.488	602	0
Impairment losses and depreciation at 31 December	4.334	20.504	4.485	26
Carrying amount at 31 December	**12.456**	**16.415**	**1.446**	**260**
Including assets under finance leases amounting to	0	253	0	0

Notes to the Financial Statements

		Parent 2020	Parent 2019
		TDKK	TDKK
5	**Investments in subsidiaries**		
	Cost at 1 January	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	500	100%	63.248	21.030

		Consolidated 2020	Consolidated 2019	Parent 2020	Parent 2019
		TDKK	TDKK	TDKK	TDKK
6	**Inventories**				
	Raw materials and consumables	30.422	28.048	0	0
		30.422	**28.048**	**0**	**0**

Notes to the Financial Statements

		Consolidated		Parent	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
7	**Contract work in progress**				
	Selling price of work in progress	228.681	136.409	0	0
	Payments received on account	-196.256	-117.742	0	0
		32.425	**18.667**	**0**	**0**
	Recognised in the balance sheet as follows:				
	Contract work in progress recognised in assets	53.604	36.588	0	0
	Prepayments received recognised in debt	-21.179	-17.921	0	0
		32.425	**18.667**	**0**	**0**

8 Prepayments

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

		Parent	
		2020	2019
		TDKK	TDKK
9	**Distribution of profit**		
	Retained earnings	17.967	17.707
		17.967	**17.707**

Notes to the Financial Statements

	Consolidated		Parent	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
10 Provision for deferred tax				
Intangible assets	648	750	0	0
Property, plant and equipment	-3.786	-2.586	0	3
Contract work in progress	5.953	4.407	0	0
Tax regarding hedges	-164	1.063	0	0
Prepayments	67	64	0	0
Transferred to deferred tax asset	3.840	2.868	0	0
	6.558	**6.566**	**0**	**3**
Deferred tax asset				
Calculated tax asset	3.840	2.868	0	0
Carrying amount	**3.840**	**2.868**	**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.

	2020	2019	2020	2019
Other provisions	11.144	11.984	0	0
	11.144	**11.984**	**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	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
Between 1 and 5 years	0	156	0	0
Long-term part	0	156	0	0
Within 1 year	217	992	0	0
	217	**1.148**	**0**	**0**
Credit institutions				
Between 1 and 5 years	84.154	103.792	84.154	101.834
Long-term part	84.154	103.792	84.154	101.834
Within 1 year	18.000	18.000	18.000	18.000
Other short-term debt to credit institutions	23.016	25.649	0	0
Short-term part	41.016	43.649	18.000	18.000
	125.170	**147.441**	**102.154**	**119.834**
Lease obligations				
Between 1 and 5 years	358	106	0	0
Long-term part	358	106	0	0
Within 1 year	1.802	392	0	0
	2.160	**498**	**0**	**0**
Other payables				
Between 1 and 5 years	12.694	784	264	142
Long-term part	12.694	784	264	142
Other short-term payables	12.486	6.928	2.805	2.058
	25.180	**7.712**	**3.069**	**2.200**

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 -749.

14 Cash flow statement - adjustments

	Consolidated	
	2020	2019
	TDKK	TDKK
Financial income	-844	-117
Financial expenses	11.646	7.739
Depreciation, amortisation and impairment losses, including losses and gains on sales	34.453	30.612
Tax on profit/loss for the year	5.067	6.366
Other adjustments	-2.224	0
	48.098	**44.600**

15 Cash flow statement - change in working capital

	2020	2019
Change in inventories and contract work	-2.374	-10.589
Change in receivables	-12.179	-1.565
Change in other provisions	-841	8.118
Change in trade payables, etc	23.730	1.501
Fair value adjustments of hedging instruments	-5.580	4.168
	2.756	**1.633**

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 and Pilsudskiego 40, 67-100 Nowa Sól, Poland. The rental contract contains following conditions:
The lease have a notice of 6 months. The rent represents in total TDKK 4.205 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 138.451.
- Land and buildings, and inventory with a carrying value of TDKK 42.878.

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	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
18 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	480	402	8	8
Other assurance engagements	49	30	30	30
Tax advisory services	31	117	0	5
Other services	221	97	0	5
	781	**646**	**38**	**48**

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Baldo Acquisition ApS for 2020 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 2020 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.

Business combinations

Business acquisitions carried through on or after 1 July 2018

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.

- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.

- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may 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.

- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.

- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.

- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

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