BEIERHOLM
VI SKABER BALANCE

Fritz Schur Teknik A/S

Esplanaden 40, 1263 København K

CVR no. 46 05 93 28

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.08.20

Martin Kasten
Dirigent

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Company information etc.

The company

Fritz Schur Teknik A/S
Esplanaden 40
1263 København K
CVR no.: 46 05 93 28
Financial year: 01.01 - 31.12

Executive Board

Mads-Ole Astrupgaard

Board of Directors

Fritz H. Schur, chairman
Peter Helbirk
Mads-Ole Astrupgaard

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Fritz Schur Technical Group A/S, København K.

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.19 - 31.12.19 for Fritz Schur Teknik A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.19 and of the results of the company's activities and cash flows for the financial year 01.01.19 - 31.12.19.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, June 18, 2020

Executive Board

Mads-Ole Astrupgaard

Board of Directors

Fritz H. Schur Chairman	Peter Helbirk	Mads-Ole Astrupgaard

To the Shareholder of Fritz Schur Teknik A/S

Opinion

We have audited the financial statements of Fritz Schur Teknik A/S for the financial year 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.19 and of the results of the company's operations and cash flows for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company 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 regarding the 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 Financial Statements Act.

Based on the work we have performed, we conclude that management’s review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management’s review.

Management's responsibility for the financial statements

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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.

Næstved, June 18, 2020

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jørgen Stegmann
State Authorized Public Accountant
MNE-no. mne11738

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2019	2018	2017	2016	2015
Profit/loss					
Operating profit/loss	-15,612	830	301	9,928	6,448
Index	-242	13	5	154	100
Total net financials	-1,408	320	208	-2,818	-630
Index	223	-51	-33	447	100
Profit/loss for the year	-13,526	970	418	4,853	4,169
Index	-324	23	10	116	100
Balance					
Total assets	138,524	156,357	126,544	129,069	113,664
Index	122	138	111	114	100
Investments in property, plant and equipment	516	156	335	942	92
Index	561	170	364	1,024	100
Equity	58,276	44,912	44,093	33,410	64,521
Index	90	70	68	52	100

Primary activities

The company is a leading provider of highly-profiled products and solutions that drive the development of sustainable solutions for our customers. The company's primary activities are engineering, trade and production.

Development in activities and financial affairs

The company achieved a profit after tax of th.DKK -13,526, which is lower than expected at the beginning of the year. During the financial year, the company established new production facilities in China and initiated operations in these facilities. Although this initiative is considered a very positive step in the company’s development, it affected the profit for the year negatively. The profit for the year was also to some degree negatively affected by difficult market conditions with structurally fluctuating demand. The profit for the year is overall considered as unsatisfactory.

In order to further strengthen the financial position of the company, the parent company made an equity contribution of DKK 27 million during the year. The equity of the company amounted to th.DKK 58,276 at the end of the financial year.

Outlook

The company expects that the new production facilities in China will start having a positive impact in 2020 and the negative market conditions are expected to ease off to some degree. In light of these expected developments, a positive result is expected in the coming financial year, which is also confirmed by the positive results achieved so far in the new year.

Knowledge resources

To secure the continued competitiveness of the company, the resources necessary for the maintenance and development of the competencies of the company are applied.

Special risks

The company is affected by a range of commercial, operational and financial risks, managed and mitigated through a comprehensive risk management and insurance setup.

Research and development activities

The company continuously applies resources for developing and improving products and systems. This work is done internally as well as in collaboration with customers and suppliers.

Subsequent events

In the spring of 2020, the society is affected by the spread of the Coronavirus (COVID-19). The Company has so far not experienced any significant impact on activity or demand as a result. However, it is still uncertain if it will impact on the general development in 2020. Management believes, regardless, that the Company’s future activity and financial situation will not be significantly affected.

Income statement

Note		2019 DKK '000	2018 DKK '000
	Gross profit	**62,634**	**77,737**
1	Staff costs	-77,436	-76,029
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**-14,802**	**1,708**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-810	-878
	Profit/loss before net financials	**-15,612**	**830**
2	Income from equity investments in group enterprises	-1,059	399
3	Financial income	178	231
	Financial expenses	-527	-310
	Profit/loss before tax	**-17,020**	**1,150**
4	Tax on profit or loss for the year	3,494	-180
	Profit/loss for the year	**-13,526**	**970**

5 Proposed distribution of net profit

Balance sheet

ASSETS

Note		31.12.19 DKK '000	31.12.18 DKK '000
	Acquired rights	115	81
	Goodwill	0	167
6	**Total intangible assets**	**115**	**248**
	Leasehold improvements	24	34
	Plant and machinery	626	1,908
	Other fixtures and fittings, tools and equipment	484	146
	Property, plant and equipment under construction	59	142
7	**Total property, plant and equipment**	**1,193**	**2,230**
8	Equity investments in group enterprises	4,525	1,247
9	Deposits	1,138	1,131
	Total investments	**5,663**	**2,378**
	Total non-current assets	**6,971**	**4,856**
	Raw materials and consumables	38,810	36,285
	Manufactured goods and goods for resale	18,967	24,860
	Total inventories	**57,777**	**61,145**
	Trade receivables	60,660	51,729
	Receivables from group enterprises	0	6,969
12	Deferred tax asset	4,927	1,515
	Income tax receivable	306	375
	Other receivables	1,047	2,745
10	Prepayments	1,724	1,196
	Total receivables	**68,664**	**64,529**
	Cash	**5,112**	**25,827**
	Total current assets	**131,553**	**151,501**
	Total assets	**138,524**	**156,357**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.19 DKK '000	31.12.18 DKK '000
11	Share capital	600	600
	Retained earnings	57,676	44,312
	Total equity	**58,276**	**44,912**
13	Other provisions	2,458	6,613
	Total provisions	**2,458**	**6,613**
14	Other payables	2,093	0
	Total long-term payables	**2,093**	**0**
	Payables to other credit institutions	64	0
	Trade payables	36,534	37,979
	Payables to group enterprises	28,499	52,483
	Other payables	10,600	14,370
	Total short-term payables	**75,697**	**104,832**
	Total payables	**77,790**	**104,832**
	Total equity and liabilities	**138,524**	**156,357**

15 Derivative financial instruments
16 Contingent liabilities
17 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.18 - 31.12.18			
Balance as at 01.01.18	600	43,493	44,093
Foreign currency translation adjustment of foreign enterprises	0	-151	-151
Net profit/loss for the year	0	970	970
Balance as at 31.12.18	600	44,312	44,912
Statement of changes in equity for 01.01.19 - 31.12.19			
Balance as at 01.01.19	600	44,312	44,912
Foreign currency translation adjustment of foreign enterprises	0	-110	-110
Group contribution	0	27,000	27,000
Net profit/loss for the year	0	-13,526	-13,526
Balance as at 31.12.19	600	57,676	58,276

Cash flow statement

Note		2019 DKK '000	2018 DKK '000
	Profit/loss for the year	**-13,526**	**970**
18	Adjustments	-1,276	732
	Change in working capital:		
	Inventories	3,368	-7,864
	Receivables	-7,760	-34,435
	Trade payables	-1,445	26,582
	Other payables relating to operating activities	-5,835	-1,292
	Cash flows from operating activities before net financials	**-26,474**	**-15,307**
	Interest income and similar income received	178	231
	Interest expenses and similar expenses paid	-527	-310
	Income tax paid	152	-391
	Cash flows from operating activities	**-26,671**	**-15,777**
	Purchase of intangible assets	60	-35
	Purchase of property, plant and equipment	301	-119
	Purchase of investments	-4,447	0
	Disposal of investments	-7	-7
	Cash flows from investing activities	**-4,093**	**-161**
	Arrangement of payables to group entreprises	-17,015	13,723
	Group contribution	27,000	0
	Cash flows from financing activities	**9,985**	**13,723**
	Total cash flows for the year	**-20,779**	**-2,215**
	Cash, beginning of year	25,827	28,042
	Cash, end of year	**5,048**	**25,827**
	Cash, end of year, comprises:		
	Cash	5,112	25,827
	Short-term payables to credit institutions	-64	0
	Total	**5,048**	**25,827**

	2019 DKK '000	2018 DKK '000

1. Staff costs

	2019 DKK '000	2018 DKK '000
Wages and salaries	67,236	66,527
Pensions	5,348	4,999
Other social security costs	1,144	1,068
Other staff costs	3,708	3,435
Total	77,436	76,029
Average number of employees during the year	114	112

2. Income from equity investments in group enterprises

	2019 DKK '000	2018 DKK '000
Share of profit or loss of group enterprises	-1,059	399
Total	-1,059	399

3. Financial income

	2019 DKK '000	2018 DKK '000
Interest, group enterprises	76	107
Other interest income	102	124
Total	178	231

	2019 DKK '000	2018 DKK '000

4. Tax on profit or loss for the year

Current tax for the year	-306	-375
Adjustment of deferred tax for the year	-3,188	555
Total	-3,494	180

5. Proposed distribution of net profit

Retained earnings	-13,526	970
Total	-13,526	970

6. Intangible assets

Figures in DKK '000	Acquired rights	Goodwill
Cost as at 01.01.19	6,598	10,366
Additions during the year	100	0
Disposals during the year	-67	-400
Cost as at 31.12.19	6,631	9,966
Amortisation and impairment losses as at 01.01.19	-6,516	-10,199
Amortisation during the year	-67	-7
Amortisation of and impairment losses on disposed assets for the year	67	240
Amortisation and impairment losses as at 31.12.19	-6,516	-9,966
Carrying amount as at 31.12.19	115	0

7. Property, plant and equipment

Figures in DKK '000	Leasehold improve-ments	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under con-struction
Cost as at 01.01.19	4,172	12,959	1,768	142
Additions during the year	0	61	455	0
Disposals during the year	-131	-1,248	-943	-83
Cost as at 31.12.19	4,041	11,772	1,280	59
Depreciation and impairment losses as at 01.01.19	-4,138	-11,051	-1,621	0
Depreciation during the year	-10	-615	-118	0
Reversal of depreciation of and impairment losses on disposed assets	131	520	943	0
Depreciation and impairment losses as at 31.12.19	-4,017	-11,146	-796	0
Carrying amount as at 31.12.19	24	626	484	59

8. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.01.19	2,875
Additions during the year	4,447
Cost as at 31.12.19	7,322
Revaluations as at 01.01.19	-1,628
Foreign currency translation adjustment of foreign enterprises	-110
Net profit/loss from equity investments	-1,059
Revaluations as at 31.12.19	-2,797
Carrying amount as at 31.12.19	4,525

Name and registered office:	Ownership interest	Equity DKK '000	Net profit/loss for the year DKK '000	Recognised value DKK '000
Subsidiaries:				
Sirodan China ApS, Copenhagen	100%	4,328	-287	4,328
Sirodan India 1 ApS, Copenhagen	100%	102	-5	102
Sirodan USA ApS, Copenhagen	100%	95	-767	95

9. Other non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.01.19	1,131
Additions during the year	7
Cost as at 31.12.19	1,138

	31.12.19 DKK '000	31.12.18 DKK '000
10. Prepayments		
Prepaid administrative costs	1,101	1,063
Other prepayments	623	133
Total	1,724	1,196

11. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK '000
Share capital	600	600

	31.12.19 DKK '000	31.12.18 DKK '000

12. Deferred tax

Deferred tax as at 01.01.19	1,740	2,070
Deferred tax recognised in the income statement	3,188	-555
Deferred tax as at 31.12.19	4,928	1,515

13. Other provisions

Figures in DKK '000	Other provisions
Provisions as at 01.01.19	6,613
Provisions during the year	1,845
Reversed provision in respect of previous years	-6,000
Provisions as at 31.12.19	2,458

	31.12.19 DKK '000	31.12.18 DKK '000

Other provisions are expected to be distributed as follows:

Non-current liabilities	0	4,613
Current liabilities	2,458	2,000
Total	2,458	6,613

14. Long-term payables

Figures in DKK '000	Outstanding debt after 5 years	Total payables at 31.12.19
Other payables	0	2,093
Total	0	2,093

15. Derivative financial instruments

The company has entered into forward currency contracts to hedge future purchase of goods in JPY and USD. The market value of the forward currency contracts amounts to th.DKK -599 at 31.12.19.

16. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 2 - 33 months and average lease payments of th.DKK 66k, a total of th.DKK 883.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

The company make ongoing provisions for any products claims that may rise.

17. Related parties

Controlling influence	Basis of influence
FS 12 ApS, København K	Ownership
Fritz Schur Technical Group A/S, København K.	Ownership
Fritz H. Schur	Ownership

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

The company is included in the consolidated financial statements of the parents Fritz Schur Technical Group A/S, København K. and FS 12 ApS, København K.

18. Adjustments for the cash flow statement

	2019 DKK '000	2018 DKK '000
Other operating income	0	-6
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	810	878
Income from equity investments in group enterprises	1,059	-399
Financial income	-178	-231
Financial expenses	527	310
Tax on profit or loss for the year	-3,494	180
Total	-1,276	732

19. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Fritz Schur Technical Group A/S, København K., CVR no. 18 86 09 88, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets

19. Accounting policies - continued -

acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

19. Accounting policies - continued -

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

19. Accounting policies - continued -

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	3 - 5	0
Goodwill	10	0
Leasehold improvements	3 - 5	0
Plant and machinery	5 - 8	0
Other plant, fixtures and fittings, tools and equipment	3 - 5	0

Goodwill is amortised over 10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

19. Accounting policies - continued -

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

19. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

19. Accounting policies - continued -

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.
The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

19. Accounting policies - continued -

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Grants received from the parent are recognised directly in equity under retained earnings, as the grants are treated as capital contributions.

Provisions

Other provisions comprise expected expenses incidental to restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on

19. Accounting policies - continued -

the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term and short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

19. Accounting policies - continued -

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.