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# ***Robert Bosch A/S***

Telegrafvej 1, DK-2750 Ballerup

## **Annual Report for 1 January - 31 December 2018**

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CVR No 55 11 28 19

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
9 /5 2019

Thore Henjum Pedersen  
Chairman of the General  
Meeting



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Robert Bosch A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Ballerup, 9 May 2019

## Executive Board

Thore Henjum Pedersen

## Board of Directors

Karl Frederik Nilner  
Chairman

Annette Kunkel Jensen  
Deputy Chairman

Thore Henjum Pedersen

# Independent Auditor's Report

To the Shareholders of Robert Bosch A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Robert Bosch A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 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 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 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 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 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 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 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

## Independent Auditor's Report

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.

Hellerup, 9 May 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jens Otto Damgaard  
statsautoriseret revisor  
mne9231

Morten Jørgensen  
statsautoriseret revisor  
mne32806

## Company Information

### **The Company**

Robert Bosch A/S  
Telegrafvej 1  
DK-2750 Ballerup

Telephone: + 45 4489 8989  
Facsimile: + 45 4489 8787  
E-mail: post@dk.bosch.com  
Website: www.bosch.dk

CVR No: 55 11 28 19  
Financial period: 1 January - 31 December  
Municipality of reg. office: Ballerup

### **Board of Directors**

Karl Frederik Nilner, Chairman  
Annette Kunkel Jensen  
Thore Henjum Pedersen

### **Executive Board**

Thore Henjum Pedersen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2018	2017	2016	2015	2014
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	766	803	740	702	669
Operating profit/loss	-88	-80	-65	-64	21
Profit/loss before financial income and expenses	19	22	24	17	21
Net financials	-3	-2	-2	0	1
Net profit/loss for the year	12	15	17	13	16
<b>Balance sheet</b>					
Balance sheet total	219	314	304	280	402
Equity	62	65	67	63	66
<b>Ratios</b>					
Gross margin	18.9%	17.3%	18.9%	17.9%	14.1%
Profit margin	2.5%	2.7%	3.2%	2.4%	3.1%
Return on assets	8.7%	7.0%	7.9%	6.1%	5.2%
Solvency ratio	28.3%	20.7%	22.0%	22.5%	16.4%
Return on equity	18.9%	22.7%	26.2%	20.2%	24.6%

For definitions, see under accounting policies.



# Management's Review

## Key activities

Robert Bosch A/S is a subsidiary of Robert Bosch GmbH, the world's largest supplier to the automobile industry which is the core segment of the group. The group also operates within the segments Automotive Aftermarket, Power Tools and Thermotechnology which are marketed and sold in Denmark by Robert Bosch A/S.

## Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 12,215, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 62,215.

The Company expects a continuous positive development in the market in 2019, which is expected to result in increased turnover and a positive development in profit compared to 2018. This is mainly driven by new products in our existing business.

## The past year and follow-up on development expectations from last year

Compared to 2017 sales decreased by 4.6 % (2017: increased by 8.5 %). In 2017 we had extraordinary project turnover and special sales that caused the 2018 figures to be lower to previous year. Also change in marked pricing gave an disadvantage compared with others.

Staff expenses and other external expenses have increased by DKK 8.1 million.

Profit on ordinary activities amounted to DKK 19.2 million compared to DKK 22.3 million in 2017. The profit after tax amounted to DKK 12.2 million compared to DKK 15.2 million in 2017.

## External environment

The Bosch group is aware that their actions must be in harmony with economic and ecological needs and also reflect our responsibility for the community as a whole – especially with a view to future generations. Paying attention to human health and safety, economical use of resources, and keeping the environment clean are therefore key corporate principles at the Bosch group. The products of the Bosch group combine energy efficiency and resource conservation with cost savings for the benefit of our customers and the environment.

To improve our performance in environmental protection the Board of Management of Bosch has defined the following new target for all operating units:

CO<sub>2</sub>-emissions: Reduction of relative CO<sub>2</sub> emissions by 35% by 2020 (based on 2007).

Waste and Water: 6% reduction in 2018 – compared to 2015

See: CSR report for 2018: <https://www.bosch.com/our-company/sustainability/reporting-and-data/>

# Management's Review

## Intellectual capital resources

In developing new products and opening up new areas of business, it is essential for our future market position that Bosch has first-class specialists on board and that we encourage them to use their potential to the full. We do that by building on the motivation and competence of our managers and associates. We systematically offer associates further training and keep them at the company long term. We are encouraging diversity, demographic complexity, and young talents.

In 2018 Robert Bosch A/S had 8,6 trainees and apprentices on an average. We have a special two-year junior management program in the Nordic region with 1,6 promising talents in average.

## Statement of corporate social responsibility

In the Bosch Principles of Social Responsibility, management and associate representatives profess to respect human rights, equal opportunities, and fair working conditions, and to uphold global standards in occupational health and safety. Bosch ensures the latter with a health and safety management system that is based on the internationally recognized OHSAS 18001 standard, which has been rolled out at all locations. Around 126 locations have been certified by an independent certification organization.

Robert Bosch A/S does not have its own independent policies for Corporate Social Responsibility and consequently does not prepare an independent statement on the topic.

For a statement regarding Corporate Social Responsibility at group level, we refer to our owner Robert Bosch GmbH, which is published on:

<https://www.bosch.com/our-company/sustainability/reporting-and-data/>

The Bosch Group has joined the UN Global Compact.

## Principles of human Rights

FN Global Compact

Since 2004, the Bosch Group has belonged to the United Nations Global Compact. We support the ten principles of the Global Compact and, in compliance with the Bosch values, use the international network in order to set higher standards in human and workers' rights, as well as in environmental protection and the fight against corruption.

<https://www.bosch.com/our-company/sustainability/society/memberships/>

The responsibility towards our society has a valuable tradition at Bosch and starts with the fair treatment of our employees. In our "Guidelines of corporate social responsibility" our management and employee representatives acknowledge human rights, equal opportunities, fair working conditions and worldwide standards in occupational health and safety. These eleven guidelines are oriented towards core labour standards of International Labour Organization and also obligatory for all of our suppliers. In tradition

## Management's Review

of our founder Robert Bosch our corporate social responsibility goes far beyond our company borders. We are committed to common good, especially equalizing opportunities through education.

### Principles for anticorruption and bribery

The aim of our globally applicable rules of business conduct is to protect our associates and company as well as our customers and partners.

As our "We are Bosch" mission statement says, "We promise only what we can deliver, accept agreements as binding, and respect and observe the law in all our business transactions." To underscore the importance of this principle, we have summed up our position with regard to legal requirements and ethical issues in our globally applicable Code of Business Conduct. The Code of Business Conduct serves as a guideline for how to do business.

Link for download of Code of Business Conduct:

<https://www.bosch.dk/om-bosch/vores-ansvar/#compliance>

Bosch has a global compliance system headed by a chief compliance officer who reports directly to the board of management. There is also a corporate compliance department and compliance officers in all divisions and regions, and also in Denmark.

Prevention and inspection measures including the dual-control principle, job rotation in sensitive areas, as well as regular audits are designed to support our values-based compliance system. We also have a mandatory compliance training program for our associates. In addition, we have established a "Compliance Dialogue," which allows compliance-related topics and experience to be discussed among our executives, associates, and compliance officers.

Actions in 2018:

At least once a year, a face-to-face training in antitrust has been held at our location.

Further, obligatory web-based trainings in compliance for associates.

# Management's Review

## **Report on the Gender Composition in Management, cf. Section 99 b of the Danish Financial Statements Act**

We consider our diverse workforce the key factor to financial success as unique ideas arise irrespective of where people with different competences and experience work together. Diversity and equal opportunities also have a positive effect on the work environment and bring people outside and inside our Company closer together. Besides giving men and women equal opportunities for executive positions, it is, in our opinion, also important that employees from a mix of generations, nationalities and working cultures work together and appreciate what each member of the team offers.

One woman and two men hold seats on the Board of Directors of Robert Bosch A/S thus providing a balanced gender representation.

The Bosch Group's target at other executive levels is to have at least 20% women in executive positions by 2020.

As we operate in an industry with an overweight of men, we are constantly working on increasing the representation of women among our employees. This means that for all open positions we try to include both genders among the final candidates interviewed. In respect of our graduate program under which we employ candidates that we consider potential leaders, we always aim for a 50/50 representation in the assessment centre where the final candidate is selected.

Every year, we moreover perform appraisal interviews with all of our employees and offer executive development training in our Nordic LEAD program if the talent is there. In 2018, two talents of whom one were women participated in our two-year talent program, the Junior Management Program.

The gender distribution in the management team of Robert Bosch A/S in 2018 was 31,3% women and 68,7% men.

Our efforts to reach a better gender representation at management level have resulted in an increased number of female executives, and we have already now exceeded our target of 20% female executives in Bosch Global.

We have in 2018 continued our effort; we had again an awareness week with focus on Diversity, training in Biased thinking and still making sure to include both genders in application shortlists.

## **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## **Unusual events**

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

## Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
<b>Revenue</b>	2	<b>766,336</b>	<b>803,390</b>
Other operating income		107,297	102,105
Expenses for raw materials and consumables		-602,849	-644,575
Other external expenses		-125,446	-121,764
<b>Gross profit/loss</b>		<b>145,338</b>	<b>139,156</b>
Staff expenses	3	-120,869	-112,724
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-5,124	-4,106
Other operating expenses		-130	-33
<b>Profit/loss before financial income and expenses</b>		<b>19,215</b>	<b>22,293</b>
Financial income	4	504	557
Financial expenses	5	-3,504	-2,748
<b>Profit/loss before tax</b>		<b>16,215</b>	<b>20,102</b>
Tax on profit/loss for the year	6	-4,000	-4,902
<b>Net profit/loss for the year</b>		<b>12,215</b>	<b>15,200</b>

# Balance Sheet 31 December

## Assets

	Note	2018 TDKK	2017 TDKK
Goodwill		4,680	0
<b>Intangible assets</b>	7	<b>4,680</b>	<b>0</b>
Land and buildings		27,815	29,384
Other fixtures and fittings, tools and equipment		9,210	9,474
<b>Property, plant and equipment</b>	8	<b>37,025</b>	<b>38,858</b>
<b>Fixed assets</b>		<b>41,705</b>	<b>38,858</b>
<b>Inventories</b>		<b>7,047</b>	<b>6,799</b>
Trade receivables		129,625	120,527
Receivables from group enterprises		38,328	110,771
Other receivables		1,157	464
Corporation tax		535	511
Prepayments		1,091	831
<b>Receivables</b>		<b>170,736</b>	<b>233,104</b>
<b>Cash at bank and in hand</b>		<b>0</b>	<b>34,899</b>
<b>Currents assets</b>		<b>177,783</b>	<b>274,802</b>
<b>Assets</b>		<b>219,488</b>	<b>313,660</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		50,000	50,000
Proposed dividend for the year		12,215	15,200
<b>Equity</b>	9	<b>62,215</b>	<b>65,200</b>
Provision for deferred tax	11	1,812	2,299
Other provisions	12	17,515	13,510
<b>Provisions</b>		<b>19,327</b>	<b>15,809</b>
Trade payables		24,012	16,340
Payables to group enterprises		76,774	176,037
Other payables		37,160	39,742
Deferred income		0	532
<b>Short-term debt</b>		<b>137,946</b>	<b>232,651</b>
<b>Debt</b>		<b>137,946</b>	<b>232,651</b>
<b>Liabilities and equity</b>		<b>219,488</b>	<b>313,660</b>
Subsequent events	1		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

## Statement of Changes in Equity

	Share capital	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK
Equity at 1 January	50,000	15,200	65,200
Ordinary dividend paid	0	-15,200	-15,200
Net profit/loss for the year	0	12,215	12,215
<b>Equity at 31 December</b>	<b>50,000</b>	<b>12,215</b>	<b>62,215</b>



# Notes to the Financial Statements

## 1 Subsequent events

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

	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>2 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	736,824	768,310
Revenue, exports	29,512	35,080
	<u><b>766,336</b></u>	<u><b>803,390</b></u>
<b>Business segments</b>		
Automotive Technology	223,844	235,886
Consumables	374,190	385,759
Energy and building technology	168,302	181,745
	<u><b>766,336</b></u>	<u><b>803,390</b></u>
<b>3 Staff expenses</b>		
Wages and salaries	108,016	101,421
Pensions	9,562	9,058
Other social security expenses	3,291	2,245
	<u><b>120,869</b></u>	<u><b>112,724</b></u>
<b>Average number of employees</b>	<u><b>186</b></u>	<u><b>189</b></u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

## Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
<b>4 Financial income</b>		
Interest received from group enterprises	110	204
Other financial income	394	353
	<u><b>504</b></u>	<u><b>557</b></u>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	372	298
Other financial expenses	3,132	2,450
	<u><b>3,504</b></u>	<u><b>2,748</b></u>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	4,465	4,189
Deferred tax for the year	-487	638
Adjustment of tax concerning previous years	22	75
	<u><b>4,000</b></u>	<u><b>4,902</b></u>

## Notes to the Financial Statements

### 7 Intangible assets

	Goodwill TDKK
Additions for the year	5,200
Cost at 31 December	5,200
Amortisation for the year	520
Impairment losses and amortisation at 31 December	520
<b>Carrying amount at 31 December</b>	<b>4,680</b>

### 8 Property, plant and equipment

	Land and buildings TDKK	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 January	84,320	23,821
Additions for the year	96	2,805
Disposals for the year	0	-1,060
Cost at 31 December	84,416	25,566
Impairment losses and depreciation at 1 January	54,936	14,347
Depreciation for the year	1,665	2,939
Reversal of impairment and depreciation of sold assets	0	-930
Impairment losses and depreciation at 31 December	56,601	16,356
<b>Carrying amount at 31 December</b>	<b>27,815</b>	<b>9,210</b>

# Notes to the Financial Statements

## 9 Equity

The share capital consists of 100 shares of a nominal value of TDKK 500,000. No shares carry any special rights.

	2018 TDKK	2017 TDKK
<b>10 Distribution of profit</b>		
Proposed dividend for the year	12,215	15,200
	<b>12,215</b>	<b>15,200</b>
<b>11 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	2,299	1,661
Amounts recognised in the income statement for the year	-487	638
<b>Provision for deferred tax at 31 December</b>	<b>1,812</b>	<b>2,299</b>
Intangible assets	49	0
Property, plant and equipment	3,685	3,945
Inventories	-221	-119
Other	-1,701	-1,527
	<b>1,812</b>	<b>2,299</b>
<b>12 Other provisions</b>		
Warranty liabilities	10,938	10,762
Redundancy payment and anniversary bonus	2,964	2,348
Other provisions	3,613	400
	<b>17,515</b>	<b>13,510</b>

## Notes to the Financial Statements

	2018 TDKK	2017 TDKK
<b>13 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	5,881	5,631
Between 1 and 5 years	8,804	9,060
	<b>14,685</b>	<b>14,691</b>

### Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 14 Related parties

### Basis

#### Controlling interest

Robert Bosch Internationale Beteiligungen AG	Parent company
Luterbachstrasse 10	
CH-4528 Zuchwil	
Schweiz	

#### Transactions

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

Transactions from related parties includes purchase and sale of goods in the Bosch Group, which has been affected at arm's length.

# Notes to the Financial Statements

## 14 Related parties (continued)

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the largest and the smallest group.

<u>Name</u>	<u>Place of registered office</u>
Robert Bosch GmbH	Germany

The Group Annual Report can be obtained at the following address:

Robert Bosch GmbH  
Robert-Bosch Platz 1  
D-70839 Gerlingen-Schillerhöhe  
Germany

# Notes to the Financial Statements

## 15 Accounting Policies

The Annual Report of Robert Bosch A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in TDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Robert Bosch GmbH, the Company has not prepared a cash flow statement.

### Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Leases

Leases in terms of which the Company 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 Company.

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.

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.

### Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.



# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### 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 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.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, e.g. invoicing of corporate cost to group companies.

### 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 Danish group companies. 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 5 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

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:

Buildings	33.3 years
Other fixtures and fittings, tools and equipment	3-12 years

Depreciation period and residual value are reassessed annually.

### Investments in subsidiaries and associates

Investments in subsidiaries and associates 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 goods for resale 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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

### Prepayments

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

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### 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 Company 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 1. Provisions are measured and recognised based on experience with guarantee work. Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield.

#### **Deferred tax assets and liabilities**

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

#### **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.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

### Deferred income

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

## Financial Highlights

### Explanation of financial ratios

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