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HOMAG DANMARK A/S
HJALTEVEJ 12, SKOVBY, 8464 GALTEN
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2020

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 26 May 2021**

Dirigent Jan Weier

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COMPANY DETAILS

Company	Homag Danmark A/S Hjaltevej 12 Skovby 8464 Galten
	CVR No.: 55 92 20 12 Established: 25 February 1976 Registered Office: Skovby Financial Year: 1 January - 31 December
Board of Directors	Frederik Meyer Tobias Georg Schaible Dr. Markus Johannes Vöge
Executive Board	Jan Weier
Auditor	BDO Statsautoriseret revisionsaktieselskab Kystvejen 29 8000 Aarhus C

BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Homag Danmark A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Skovby, 9 March 2021

Executive Board

Jan Weier

Board of Directors

Frederik Meyer

Tobias Georg Schaible

Dr. Markus Johannes Vöge

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Homag Danmark A/S

Opinion

We have audited the Financial Statements of Homag Danmark A/S for the financial year 1 January - 31 December 2020, which comprise income statement, Balance Sheet, statement of changes in equity, cash flows, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

*In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at **31 December 2020** and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.*

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 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.*

INDEPENDENT AUDITOR'S REPORT

- *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.

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 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 Act. We did not identify any material misstatement of Management's Review.

Aarhus, 9 March 2021

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Bo Sørensen
State Authorised Public Accountant
MNE no. mne32750

FINANCIAL HIGHLIGHTS

	2020 DKK	2019 DKK	2018 DKK	2017 DKK	2016 DKK
Income statement					
Gross profit/loss.....	26,869,891	27,057,178	23,985,349	22,651,955	23,188,264
Operating profit/loss before depreciation and amortisation/EBITDA....	7,393,976	8,718,673	6,444,896	7,161,675	9,850,706
Operating profit/loss of main activities...	7,062,169	8,419,717	5,792,767	5,876,749	6,261,721
Financial income and expenses, net.....	-485,368	-27,080	-103,143	-76,459	-97,660
Profit/loss for the year before tax.....	6,576,801	8,392,637	5,689,624	5,800,290	6,164,061
Profit/loss for the year.....	5,118,759	6,506,350	4,420,975	4,505,714	4,778,859
Balance sheet					
Total assets.....	220,725,374	28,731,148	39,487,259	30,266,113	26,499,369
Equity.....	15,935,924	16,792,165	14,785,814	14,088,841	13,308,123
Cash flows					
Investment in property, plant and equipment.....	-332,885	-662,824	-475,390	-374,641	-944,184
Key ratios					
Return on equity.....	31.3	41.2	30.6	32.9	34.4

The ratios stated in the list of key figures and ratios have been calculated as follows:

*Return on equity:
$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$*

MANAGEMENT COMMENTARY

Principal activities

The company's principal activities continue to be deliveries of both complete machine lines and stand-alone machines. The activities include sale of both new and used machines. In addition, there are considerable activities in the form of service, software, repair, and sale of spare parts. The company's main area is Denmark and the activities are primarily aimed at the wood, furniture, and plastics industries.

The company is primarily engaged in sale of the HOMAG Group's products. Moreover, the company works with a number of suppliers of complementary products, so that the company's role as total supplier of machines and systems is maintained and expanded. Thus, we have today a product range of very well-regarded and known products which have been systematically incorporated and installed with our customers over many years.

Development in activities and financial and economic position

The acquisition of the majority shares of System TM is a strategic decision from the HOMAG Group to develop group capabilities in the solid wood sector. The acquisition will short term have no influence of the activities of the company.

Profit/loss for the year compared to the expected development

The company has realized a profit before tax of 6,576,801 DKK compared to last year's profit before tax of 8,392,637 DKK.

This year's profits before tax was expected as the company has invested in in Company System TM which has influenced the financial expenses.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance to the company's financial position.

Future expectations

The company expects operating profits before tax in 2021 in line with operating profits before tax in 2020.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2020 DKK	2019 DKK
GROSS PROFIT		26,869,891	27,057,178
Staff costs.....	1	-19,475,915	-18,338,505
Depreciation, amortisation and impairment losses.....		-331,807	-298,956
OPERATING PROFIT		7,062,169	8,419,717
Financial income.....		83,862	28,084
Financial expenses.....	2	-569,230	-55,164
PROFIT BEFORE TAX		6,576,801	8,392,637
Tax on profit/loss for the year.....	3	-1,458,042	-1,886,287
PROFIT FOR THE YEAR	4	5,118,759	6,506,350

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2020 DKK	2019 DKK
Software.....		20,887	34,776
Intangible assets.....	5	20,887	34,776
Land and buildings.....		831,393	755,958
Other plant and operating equipment.....		685,623	746,093
Property, plant and equipment.....	6	1,517,016	1,502,051
Investments in subsidiaries.....		170,231,272	0
Financial non-current assets.....	7	170,231,272	0
NON-CURRENT ASSETS.....		171,769,175	1,536,827
Finished goods and goods for resale.....		4,478,454	8,232,674
Inventories.....		4,478,454	8,232,674
Trade receivables.....		14,681,359	9,905,839
Other receivables.....		4,027	844
Receivables tax.....		0	159,411
Prepayments and accrued income.....	8	3,362,438	1,168,570
Receivables.....		18,047,824	11,234,664
Cash.....		26,429,921	7,726,983
CURRENT ASSETS.....		48,956,199	27,194,321
ASSETS.....		220,725,374	28,731,148

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2020 DKK	2019 DKK
Share capital.....	9	1,970,000	1,970,000
Retained profit.....		13,965,924	8,847,165
Proposed dividend for the financial year.....		0	5,975,000
EQUITY.....		15,935,924	16,792,165
Provision for deferred tax.....	10	149,478	129,729
PROVISIONS.....		149,478	129,729
Debt to subsidiaries.....		149,000,000	0
Holdiday pay Commitment.....		971,500	0
Non-current liabilities.....	11	149,971,500	0
Trade payables.....		8,940,934	2,171,625
Debt to subsidiaries.....		23,856,326	3,128,258
Corporation tax.....		238,293	0
Other debt.....		6,368,378	3,429,743
Prepayments received from customers.....	12	15,264,541	3,079,628
Current liabilities.....		54,668,472	11,809,254
LIABILITIES.....		204,639,972	11,809,254
EQUITY AND LIABILITIES.....		220,725,374	28,731,148
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EQUITY

	Share capital	Retained profit	Proposed dividend for the financial year	Total
Equity at 1 January 2020.....	1,970,000	8,847,165	5,975,000	16,792,165
Proposed profit allocation ⁴		5,118,759		5,118,759
Transactions with owners				
Dividend paid.....			-5,975,000	-5,975,000
Equity at 31 December 2020.....	1,970,000	13,965,924	0	15,935,924

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	2020 DKK	2019 DKK
Profit/loss for the year.....	5,118,759	6,506,350
Depreciation and amortisation, reversed.....	331,807	298,956
Reversed realization gains.....	0	-65,000
Tax on profit/loss, reversed.....	1,458,042	1,886,287
Corporation tax paid.....	-1,040,587	-2,135,699
Change in inventories.....	3,754,220	-2,784,780
Change in receivables (ex tax).....	-6,972,571	-184,808
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility).....	42,620,925	-12,672,462
CASH FLOWS FROM OPERATING ACTIVITY.....	45,270,595	-9,151,156
Purchase of property, plant and equipment.....	-332,885	-662,824
Sale of property, plant and equipment.....	0	65,000
Purchase of financial assets.....	-170,231,272	0
CASH FLOWS FROM INVESTING ACTIVITY.....	-170,564,157	-597,824
Instalments on loans.....	149,971,500	0
Dividends paid in the financial year.....	-5,975,000	-4,500,000
CASH FLOWS FROM FINANCING ACTIVITY.....	143,996,500	-4,500,000
CHANGE IN CASH AND CASH EQUIVALENTS.....	18,702,938	-14,248,980
Cash and cash equivalents at 1. januar.....	7,726,983	21,975,963
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	26,429,921	7,726,983
Cash and cash equivalents at 31 December comprise:		
Cash.....	26,429,921	7,726,983
CASH AND CASH EQUIVALENTS, NET DEBT.....	26,429,921	7,726,983

NOTES

	2020 DKK	2019 DKK	Note
Staff costs			1
Average number of employees	29	27	
Wages and salaries.....	17,636,567	16,570,397	
Pensions.....	1,615,119	1,501,877	
Social security costs.....	120,320	137,862	
Other staff costs.....	103,909	128,369	
	19,475,915	18,338,505	
Financial expenses			2
Interest expenses subsidiaries.....	363,169	0	
Other interest expenses.....	206,061	55,164	
	569,230	55,164	
Tax on profit/loss for the year			3
Calculated tax on taxable income of the year.....	1,438,293	1,840,589	
Adjustment of deferred tax.....	19,749	45,698	
	1,458,042	1,886,287	
Proposed distribution of profit			4
Dividend for the financial year.....	0	5,975,000	
Retained earnings.....	5,118,759	531,350	
	5,118,759	6,506,350	
Intangible assets			5
		Software	
Cost at 1 January 2020.....		879,194	
Cost at 31 December 2020.....		879,194	
Amortisation at 1 January 2020.....		844,418	
Amortisation for the year.....		13,889	
Amortisation at 31 December 2020.....		858,307	
Carrying amount at 31 December 2020.....		20,887	

NOTES

			Note
Property, plant and equipment			6
	Land and buildings	Other plant and operating equipment	
Cost at 1 January 2020.....	11,113,060	2,395,345	
Additions.....	91,000	241,885	
Cost at 31 December 2020.....	11,204,060	2,637,230	
Depreciation and impairment losses at 1 January 2020.....	10,357,102	1,649,253	
Depreciation for the year.....	15,565	302,354	
Depreciation and impairment losses at 31 December 2020...	10,372,667	1,951,607	
Carrying amount at 31 December 2020.....	831,393	685,623	
Financial non-current assets			7
		Investments in subsidiaries	
Additions.....		170,231,272	
Cost at 31 December 2020.....		170,231,272	
Carrying amount at 31 December 2020.....		170,231,272	
Investments in subsidiaries (DKK)			
Name and domicil	Equity	Profit/loss for the year	Ownership
System TM A/S, Odder.....	53,501,268	19,068,688	80 %
Prepayments and accrued income			8
Prepayments expenses.....		3,362,438	1,168,570
		3,362,438	1,168,570
Share capital			9
Allocation of share capital:			
A-Shares, 3,940 unit in the denomination of 500 DKK.....		1,970,000	1,970,000
		1,970,000	1,970,000

NOTES

Provision for deferred tax Note 10

Provision for deferred tax comprises intangible and tangible fixed assets.

	2020 DKK	2019 DKK
Deferred tax concerns:		
Intangible fixed assets.....	4,595	7,651
Land and buildings.....	119,508	102,935
Other plant and operating equipment.....	25,375	19,143
	149,478	129,729
Deferred tax, beginning of year.....	129,729	84,031
Deferred tax of the year, income statement.....	19,749	45,698
Provision for deferred tax 31 December 2020.....	149,478	129,729

Long-term liabilities 11

	31/12 2020 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities
Debt to subsidiaries.....	168,363,169	19,363,169	95,000,000	0
Holiday pay Commitment.....	971,500	0	0	0
	69,334,669	19,363,169	95,000,000	0

Prepayments received from customers 12

Contingencies, etc. 13

Contingent liabilities

The company is subject to common warranties/right of complaint relating to machines sold, etc.

Operating leases

The payment for the year is DKK ('000) 1,129 and the total residual lease payment is DKK ('000) 1,919.

Joint liabilities

The company is jointly and severally liable together with the parent company and the other Group companies in the joint taxable Group for tax on the Group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of AGRAMKOW Fluid Systems A/S, which serves as management company for the joint taxation.

NOTES**Note****Charges and securities****14**

As security for debt to mortgage credit institute, the company has pledged land and buildings of a carrying amount of DKK ('000) 831 at 31 December 2020, and a property value at 1 October 2020 of DKK ('000) 10,600. The pledge is DKK ('000) 3,701. As security for engagement with bank, an owner's mortgage of DKK ('000) 8,000 has been issued, giving security after the credit institute. The company's engagement with the bank is a deposit of DKK ('000) 26,277 at 31 December 2020.

Related parties**15**

The company's related parties include:

Controlling interest

HOMAG Finance GmbH is the principal shareholder.

Transactions with related parties

The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Consolidated Financial Statements**16**

The company is included in the consolidated financial statements of HOMAG GROUP and DÜRR. Both companies are listed on the stock exchange in Germany.

ACCOUNTING POLICIES

The Annual Report of Homag Danmark A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

Change in accounting policies and classification

The accounting policies have been changed in the following areas as a consequence of the company's changeover from reporting class B to reporting class C.

- *The policy changes have not changed the figures for 2020 or previous years.*
- *The annual report for class C is more specified than for class B.*

Except for the above areas, the accounting policies are consistent with the policies applied last year.

Consolidated Financial Statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of HOMAG GROUP and DÜRR. Both companies are listed on the stock exchange in Germany.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Cost of sales

Cost of sales comprises costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Payments related to operating lease expenses and other lease agreements are recognised in the Income Statement during the continuance of the contract. The Company's total liability concerning operating and other lease agreements are stated under contingencies, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs of social security, etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Income from equity interests in subsidiaries

Dividend received is recognised in the company's income statement.

ACCOUNTING POLICIES

Financial income and expenses

Financial income and expenses include interest income and expenses and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement, however, no more than 8 years.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings.....	30 years	0%
Cars.....	5 years	0%
Other plant, fixtures and equipment.....	5-10 years	0%

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Financial non-current assets

Investments in subsidiaries are measured at cost. If the cost exceeds the net realisable value, this is written down to the lower value.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are assessed on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, it is written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Cash and cash equivalents

Primarily cash at banks.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Other liabilities are measured at amortised cost equal to nominal value.

Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.

ACCOUNTING POLICIES

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.