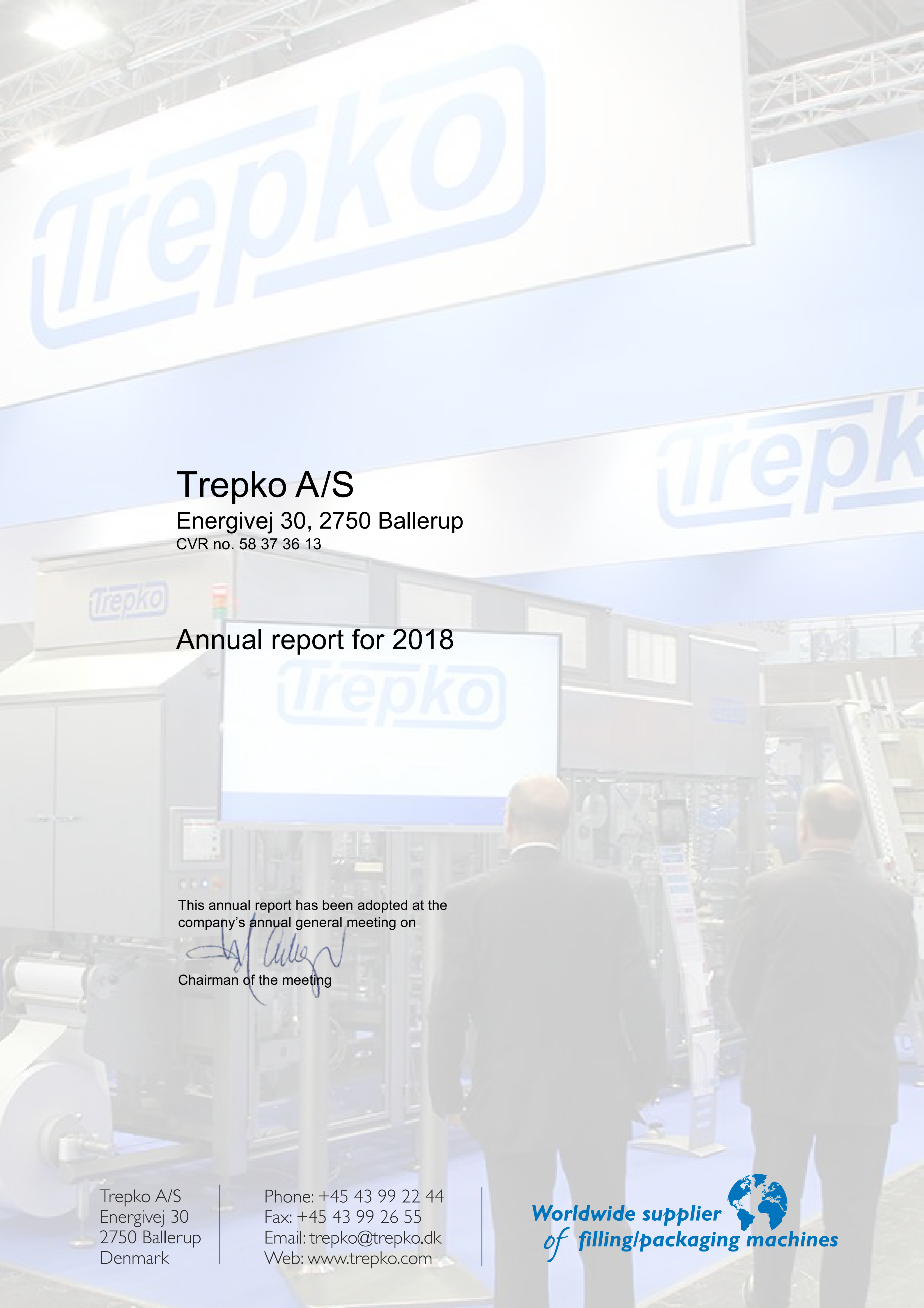

Trepko A/S

Energivej 30, 2750 Ballerup

CVR no. 58 37 36 13

Annual report for 2018

This annual report has been adopted at the company's annual general meeting on

Chairman of the meeting

Trepko A/S
Energivej 30
2750 Ballerup
Denmark

Phone: +45 43 99 22 44
Fax: +45 43 99 26 55
Email: trepko@trepko.dk
Web: www.trepko.com

Worldwide supplier of filling/packaging machines

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The company

Trepko A/S
Energivej 30
2750 Ballerup

Tel.: 43 99 22 44
Fax: 43 99 26 55
Website: www.trepko.com

Registered office: Ballerup
CVR no.: 58 37 36 13
Financial year: 01.01 - 31.12

Executive Board

Jacob Østergaard Knudsen

Board Of Directors

Hans Christian Hansen
Henrik Bjørn Oehlenschlæger
Birgit Møller-Hansen
Jesper Bjørn Hansen
Charlotte Pihl Hansen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Banks

Handelsbanken
Nordea

Lawyer

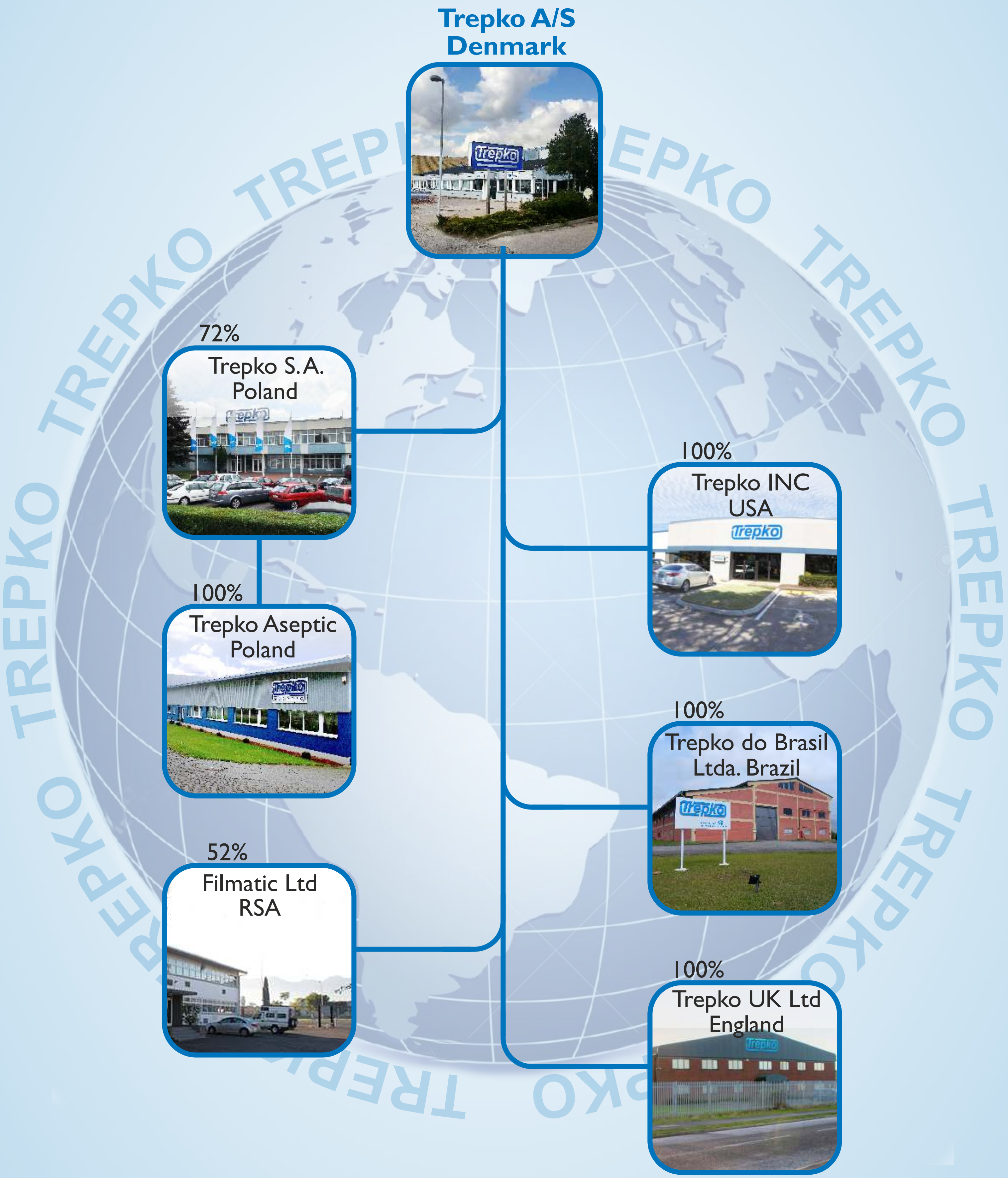
Rialto Advokater

Parent company

H.C. Holding Investeringsaktieselskab, Ballerup, Denmark

Subsidiaries

Trepko S.A., Gniezno, Poland
Trepko (UK) Limited, Gainsborough, England
Trepko AB, Alingsĺs, Sweden
Trepko INC, Tampa, USA
Filmatic Packaging Systems LTD, Cape Town, South Africa
Trepko do Brasil Ltd, Curitiba, Brazil


Trepko A/S
Denmark
72%
Trepko S.A.
Poland
100%
Trepko Aseptic
Poland
52%
Filmatic Ltd
RSA
100%
Trepko INC
USA
100%
Trepko do Brasil
Ltda. Brazil
100%
Trepko UK Ltd
England

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

We have on this day presented the annual report for the financial year 01.01.18 - 31.12.18 for Trepko A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.18 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.18 - 31.12.18.

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.

Trepko, April 4, 2019

Executive Board

Jacob Østergaard Knudsen
CEO

Board Of Directors

Hans Christian Hansen Chairman	Henrik Bjørn Oehlenschlæger Vice Chairman	Birgit Møller-Hansen
Jesper Bjørn Hansen	Charlotte Pihl Hansen	

To the Shareholder of Trepko A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of Trepko A/S for the financial year 01.01.18 - 31.12.18, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.18 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.18 - 31.12.18 in accordance with the Danish Financial Statements Act.

Basis for opinion

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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements

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

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and per-formance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Soeborg, Copenhagen, April 4, 2019

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Kim Nielsen

State Authorized Public Accountant
MNE-no. mne29417

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2018	2017	2016	2015	2014
Profit/loss					
Revenue	334,924	322,108	333,593	281,583	210,757
Index	159	153	158	134	100
Gross profit	194,704	187,133	169,127	173,593	138,923
Index	140	135	122	125	100
Operating profit/loss	71,301	65,082	41,768	58,659	52,334
Index	136	124	80	112	100
Profit/loss before net financials	69,829	62,490	39,873	58,061	50,944
Index	137	123	78	114	100
Total net financials	4,109	4,552	9,424	-921	521
Index	789	874	1,809	-177	100
Profit/loss before tax	73,938	67,042	49,297	57,140	51,465
Index	144	130	96	111	100
Profit/loss for the year	58,685	53,755	37,523	43,312	41,689
Index	141	129	90	104	100
Balance					
Total assets	413,047	334,504	284,084	291,429	226,006
Index	183	148	126	129	100
Investments in property, plant and equipment	105,579	32,773	34,957	39,637	36,630
Index	294	89	95	108	100
Equity	290,804	245,528	204,977	193,163	154,319
Index	188	159	133	125	100
Non-current assets	110,390	35,431	37,970	44,780	3,775
Index	2,924	939	1,006	1,186	100
Inventories	59,547	62,380	68,491	66,159	47,306
Index	126	132	145	140	100
Receviables	185,564	161,306	150,282	154,436	116,682
Cashflow					
Net cash flow:					
Operating activities	33,728	77,285	28,476	44,959	19,475
Investing activities	-52,347	-4,680	-7,883	-23,279	-17,006
Financing activities	-7,328	-15,361	-21,976	-15,520	-25,000
Cash flows for the year	-25,947	57,244	-1,383	6,160	-22,531

Ratios

	2018	2017	2016	2015	2014
Profitability					
Return on equity	22%	24%	19%	26%	28%
Gross margin	58%	58%	51%	62%	66%
Return on invested capital	36%	36%	28%	43%	43%
Profit margin	21%	20%	13%	21%	25%
Equity ratio					
Equity interest	70%	73%	72%	66%	68%
Others					
Number of employees (average)	624	602	651	596	485

Return on equity: $\dfrac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Gross margin: $\dfrac{\text{Gross result x 100}}{\text{Revenue}}$

Return on invested capital: $\dfrac{\text{EBITA x 100}}{\text{Avg. invested capital excl. goodwill}}$

EBITA: Operating profit plus amortisation and im-pairment losses on intangible assets.

Invested capital excl. goodwill: Sum of intangible operating assets and property, plant and equipment (excl. goodwill) as well as net working capital.

Profit margin: $\dfrac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Equity interest: $\dfrac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The main activities of the Company and the Group as a whole consist in development, production and sale of filling and packaging machines for the global food industry.

The products are sold to costumers in more than 100 countries on 6 continents.

Development in activities and financial affairs

The group's development in the covered period was positive to the extent that both turnover (4% up compared to last period), earnings (10% up compared to last period) and equity (18% up compared to the previous year) reached the highest level in the group's history.

The group's income statement for the period 01.01.18 – 31.12.18 thereby shows a net profit after tax of DKK 58.685 Mill. against DKK 53.755 Mill., for the period 01.01.17 - 31.12.17

The profit before tax reached DKK 73.938 Mill compared to DKK 67.042 Mill. the previous year. The revenue was increased to DKK 334.924 Mill. from 322.108 Mill. the previous year. Finally the balance shows equity of DKK 290.804 Mill.

Product development:

The group continued its product development program, which in October 2018 resulted in a new product launch at the Pack Expo International in Chicago. Trepko thereby introduced a complete state-of-the-art system for high capacity bag in box filling and packing of food stuffs. Contrary to the existing technologies within the field, Trepko's is specialised in hygenic handling of foodstuffs, whereas the existing alternatives are versatile solutions for multiple industries, which are then sought adapted to the food stuff industries. The focused solution from Trepko allows for a better hygiene and a ultimately more price competitive solution for Trepko's key-customer-groups.

The newly launched Bag-In-Box Filling and Packing system is seen as the start of Trepko's endavour into the niche markets of bulk filling, where Trepko intends to launch more products in 2019, making it a complete supplier of bulk filling technology for the dairy and margarine industry.

As recently seen with other Trepko product launches, the market has been rapid to adopt Trepko's new technologies, which is seen as the result of the confidence the group has earned in the marketplace.

Service & Manufacturing sites:

A significant positive cashflow in 2018 allowed the group to buy the majority of the buildings and land hosting its service and manufacturing activities.

In February 2018 Trepko Inc. in Florida purchased a domicile property of 1,200 sqmt (on a 5,000 sqmt lot). In October 2018, the company moved from its leased premises into the new domicile. The new property allowed for an even greater show-room, component manufacturing and better office facilities.

In April 2018 Trepko do Brasil Ltda. in Brazil purchased its current domicile from the company's original owner Bemis do Brasil industria e comércio de embalagens Ltda with whom it previously was a tenant. The current building is 2,150 sqmt. It is located on a 11,200 sqmt lot, providing vacant land allowing a considerable expansion of the current activity.

Finally in 2018 the properties occupied by Trepko in Poland, and in U.K. was taken over by the local subsidiares from H.C. Holding Investeringsaktieselskab, the holding company of the Trepko Group.

Profit & Loss Account for the Parent Company

The net profit of the parent company – excl. profits from daughter companies and before taxes – amounts to DKK 6.703 Mill. for the year 2018 (the year 2017: a profit of DKK 16.356 Mill.). The board of directors considers the result as being satisfactory, taking into account that the activities in the parent company are limited to sale of machinery, spare parts and service, some special design work – and finally acting as the parent company in the Trepko Group.

The company's expected development

The Trepko Group has a very strong position on the global market in terms of product range, quality and price, and the Group continues to increase its market share at a time when an increasing number of competitors are facing substantially financial problems – or already have gone bankrupt. No doubt that Trepko´s extremely high solvency – the highest in the industry – has a strong impact on many customers' preference for Trepko as their supplier, when making considerable capital investments with a life expectancy of up to 20 years.

Substantial resources are currently allocated to product developments and to expanding the global business, i.e. by expanding the Group's own sales network, participation in a great number of local as well as international exhibitions – and much more.

Furthermore, the Trepko Group is open-minded for the acquisition of small and medium-sized companies whose products constitute a natural supplement to the Trepko Group´s present product range – or companies, which in other ways might contribute to a strengthening of Trepko´s global market position. As part of this strategy, the Trepko Group has during the previous four years made acquisitions of Hugart Filling Machines, Poland, a 72 % ownership in Filmatic, South Africa, acquisition of KDR Engineering, UK, and finally of Brasholanda, Brazil.

The Trepko Group has the necessary capital strength and financial resources to make any such desired acquisitions. It is expected, that one further acquisition will take place during the year 2019 – all in line with Trepko's acquisition strategy: acquiring companies', whose geographical market or products will complement Trepko's existing markets or product range, and thus help build the Trepko brand as previously acquired companies have. For the Trepko Group in general, the stock of orders (backlog) were acceptable upon entering into 2019. The order intake in the first quarter of 2019 has been at the budgetted level – for the year 2019 a revenue increase is expected. The Group result is expected to increase further in 2019

Knowledge resources

The commercial business strategy of the company includes supply of high-technology dependable machinery for the food industry. This area of expertise imposes very high demand on knowledge resource of the employees and to the business process.

To be able to supply these solutions it is crucial for the company that it is able to recruit and maintain employees' with a high education level in the production. It is an ambition for the company to have both the newest knowledge and a quick adaptability. As measurement for this employee turnover and structure are important indicators.

The critical business process connected to supply of machinery to the food industry are service, quality and individual solutions. To make sure that the customer receives the agreed service and machinery, there are demands to the production, to secure that specific methods and procedures can be documented.

Special risks

Currency risks

Activities outside Denmark are causing the result, cash flows and equity to be influenced by the exchange rates and interest rate movements for a number of currencies. It is the policy of the company to hedge commercial exchange rate exposure. The hedge is primarily done by foreign exchange contracts to hedge expected turnover and purchase within the next 12 months. The company does not enter into speculative foreign currency holdings.

Exchange rate adjustments for investments in subsidiaries and associated companies, that are independent entities, are calculated directly into the equity. Relating exchange rate risks are not being covered as it is the company's opinion that a current hedging of such long-term investments will not be optimal from a total risk and cost perspective.

Interest rate risks

As the net interest-bearing debt does not constitute a significant amount, moderate changes in the interest rate level will not have any significant direct effect on earnings. Consequently, no interest rate positions have been taken to hedge interest rate risks.

External environment

The activities of Trepko are characterized by a low degree of influence on the environment. Trepko has not made an environment policy or a environment statement.

Research and development activities

The Trepko Group continues to develop new products aiming at expanding its product-line and ensuring its position as a one-stop-shop within packing machines for the dairy, fats and oil industries. In addition refinement of existing products is carried out on a continuous basis with the goal of ensuring a high quality product offering value for money. Development costs are not activated in the balance.

Subsequent events

No events, which might have any material influence on the fiancial situation of the Company, have occurred subsequent to the balance sheet date.

Corporate social responsibility

As per the Danish Financial Statements Act § 99 a, this paragraph describes Trepko's policies towards; environment, climate, social relations, employee relations, human rights, corruption and bribery. The businessmodel is previously described under the paragraph „Primary activities”

It is the intention of the management in every possible way to run Trepko within the laws and legislation of the countries in which the company operates.

It is furthermore the intent of the management to insure that the company operates as a responsible company, minimizing any negative impact on stakeholders and the surrounding society as much as possible. Up till now Trepko have chosen not to adopt or implement formulated policies for social responsibility. The reason being, that the company operates and carries out its activities under consideration of normally accepted principles and business moral. It is the opinion of the management that this automatically ensures that the company operates in a socially responsible way.

Tax- policy:
It is and has always been the policy of Trepko to pay tax on profit as per the rules and regulations in the countries where the company has its local activities. The company has not “tax-optimized” its activities.

Apart from contributing to the local societies through tax, the group’s local activities provide jobs both directly and with sub-suppliers in the local communities. In addition Trepko supports initiatives helping children (especially troubled children) in the local societies where the company manufactures.

As tax authorities around the world intensify their hunt for revenue, management resources have become increasingly occupied with entertaining these authorities in certain countries. The company fears that this is a tendency that will only increase in the coming years. In order to ensure that management resources are devoted to their intended purpose, it is therefore the policy of the group to permanently stop or heavily reduce investments in group companies experiencing unreasonable scrutiny comparable to harassment from local authorities.

Future work with social responsibility:
Trepko contiues to operate in a responsible manner, minimizing the negative impact on its stakeholders and the sorrounding society to the greatest extent possible. The management will continuously evaluate the need for formalized policies and guide lines.

Target figure for underrepresented gender

In the Parent Company the sex ratio on the board of Directors is 40% female / 60% male.

It is the Trepko Group's policy to recruit the board of directors, as well as staff for any other position, based on relevant qualifications. The candidate's sex, race, color and nationality are therefore not a consideration in the recruitment process.

Putting a target ratio for any underrepresented gender, race, color or nationality would be a violation of the recruitment policy. It is therefore only done in subsidiaries where specifically required by law.

Note		Group 2018 DKK '000	Group 2017 DKK '000	Parent 2018 DKK '000	Parent 2017 DKK '000
1	**Revenue**	334,924	322,108	74,054	107,855
	Other operating income	1,190	2,451	0	0
	Costs of raw materials and consumables	-74,142	-86,800	-52,514	-76,948
	Other external expenses	-67,268	-50,626	-7,849	-7,182
	Gross profit	194,704	187,133	13,691	23,725
2	Staff costs	-114,556	-115,292	-6,772	-7,286
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	80,148	71,841	6,919	16,439
4	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-8,847	-6,759	-276	-190
	Other operating expenses	-1,472	-2,592	60	107
	Profit/loss before net financials	69,829	62,490	6,703	16,356
5	Income from equity investments in group enterprises	0	0	44,421	38,686
6	Financial income	5,695	6,758	2,888	3,372
7	Financial expenses	-1,586	-2,206	-96	-49
	Profit/loss before tax	73,938	67,042	53,916	58,365
8	Tax on profit or loss for the year	-15,253	-13,287	-2,405	-4,377
	Profit/loss for the year	58,685	53,755	51,511	53,988

9 Distribution of net profit

ASSETS

Note		Group 31.12.18 DKK '000	Group 31.12.17 DKK '000	Parent 31.12.18 DKK '000	Parent 31.12.17 DKK '000
	Acquired rights	809	719	0	0
10	**Total intangible assets**	809	719	0	0
	Land and buildings	76,927	0	0	0
	Other fixtures and fittings, tools and equipment	26,436	32,395	725	561
	Prepayments for property, plant and equipment	4,216	378	0	0
11	**Total property, plant and equipment**	107,579	32,773	725	561
12	Equity investments in group enterprises	0	0	155,942	174,351
13	Deposits	168	1,139	65	64
13	Other receivables	1,834	800	325	790
	Total investments	2,002	1,939	156,332	175,205
	Total non-current assets	110,390	35,431	157,057	175,766
	Raw materials and consumables	29,523	27,697	693	693
	Work in progress	2,224	1,344	0	0
	Manufactured goods and goods for resale	26,804	32,611	7,682	3,528
	Prepayments for goods	996	728	0	0
	Total inventories	59,547	62,380	8,375	4,221
14	Work in progress for third parties	33,645	41,756	6,371	10,479
	Trade receivables	83,212	91,951	11,998	15,836
	Receivables from group enterprises	57,679	18,460	56,643	27,301
20	Deferred tax asset	0	841	0	0
	Other receivables	9,749	6,767	540	573
15	Prepayments	1,279	1,531	340	676
16	**Total receivables**	185,564	161,306	75,892	54,865
	Other investments	125	50	125	40
	Total securities and equity investments	125	50	125	40
	Cash	57,421	75,337	19,246	28,214
	Total current assets	302,657	299,073	103,638	87,340
	Total assets	413,047	334,504	260,695	263,106

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
17	Share capital	5,000	5,000	5,000	5,000
	Reserve for net revaluation according to the equity method	0	0	67,649	86,058
	Retained earnings	197,709	191,394	130,059	105,335
	Proposed dividend for the financial year	40,000	40,000	40,000	40,000
		242,709	236,394	242,708	236,393
18	Non-controlling interests	48,095	9,134	0	0
	Total equity	290,804	245,528	242,708	236,393
19	Provisions for pensions and similar obligations	3,705	3,805	0	0
20	Provisions for deferred tax	2,320	0	1,151	1,831
21	Other provisions	1,443	1,187	0	0
	Total provisions	7,468	4,992	1,151	1,831
22	Payables to other credit institutions	34,635	0	0	0
22	Other payables	559	0	0	0
	Total long-term payables	35,194	0	0	0
22	Short-term portion of long-term payables	4,620	0	0	0
	Payables to other credit institutions	8,125	94	24	64
14	Prepayments received from work in progress for third parties	31,045	45,449	1,275	9,171
	Trade payables	11,489	9,947	828	507
	Payables to group enterprises	0	0	10,284	8,820
	Income taxes	4,778	3,008	2,612	2,770
	Other payables	19,524	22,120	1,813	3,550
23	Deferred income	0	3,366	0	0
	Total short-term payables	79,581	83,984	16,836	24,882
	Total payables	114,775	83,984	16,836	24,882
	Total equity and liabilities	413,047	334,504	260,695	263,106

25 Contingent liabilities
26 Charges and security
27 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Equity of the parent company's capital owners	Non-controlling interests	Total equity
Group:							
Statement of changes in equity for 01.01.17 - 31.12.17							
Balance as at 01.01.17	5,000	0	173,956	15,000	193,956	11,021	204,977
Foreign currency translation adjustment of foreign enterprises	0	0	3,005	0	3,005	-271	2,734
Fair value adjustment of hedging instruments	0	0	445	0	445	0	445
Dividend paid	0	0	0	-15,000	-15,000	-514	-15,514
Other changes in equity	0	0	0	0	0	-868	-868
Net profit/loss for the year	0	0	13,988	40,000	53,988	-234	53,754
Balance as at 31.12.17	5,000	0	191,394	40,000	236,394	9,134	245,528
Statement of changes in equity for 01.01.18 - 31.12.18							
Balance as at 01.01.18	5,000	0	191,394	40,000	236,394	9,134	245,528
Foreign currency translation adjustment of foreign enterprises	0	0	-5,360	0	-5,360	-885	-6,245
Capital increase	0	0	0	0	0	47,271	47,271
Fair value adjustment of hedging instruments	0	0	164	0	164	0	164
Dividend paid	0	0	0	-40,000	-40,000	-14,599	-54,599
Net profit/loss for the year	0	0	11,511	40,000	51,511	7,174	58,685
Balance as at 31.12.18	5,000	0	197,709	40,000	242,709	48,095	290,804

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Equity of the parent company's capital owners	Non-controlling interests	Total equity
Parent:							
Statement of changes in equity for 01.01.17 - 31.12.17							
Balance as at 01.01.17	5,000	62,387	111,568	15,000	193,955	0	193,955
Foreign currency translation adjustment of foreign enterprises	0	3,005	0	0	3,005	0	3,005
Distributed dividend from group enterprises	0	-14,539	14,539	0	0	0	0
Fair value adjustment of hedging instruments	0	586	321	0	907	0	907
Dividend paid	0	0	0	-15,000	-15,000	0	-15,000
Other changes in equity	0	0	-462	0	-462	0	-462
Transfers to/from other reserves	0	-4,067	4,067	0	0	0	0
Net profit/loss for the year	0	38,686	-24,698	40,000	53,988	0	53,988
Balance as at 31.12.17	5,000	86,058	105,335	40,000	236,393	0	236,393
Statement of changes in equity for 01.01.18 - 31.12.18							
Balance as at 01.01.18	5,000	86,058	105,335	40,000	236,393	0	236,393
Foreign currency translation adjustment of foreign enterprises	0	-5,360	0	0	-5,360	0	-5,360
Distributed dividend from group enterprises	0	-57,981	57,981	0	0	0	0
Fair value adjustment of hedging instruments	0	511	-347	0	164	0	164
Dividend paid	0	0	0	-40,000	-40,000	0	-40,000
Net profit/loss for the year	0	44,421	-32,910	40,000	51,511	0	51,511
Balance as at 31.12.18	5,000	67,649	130,059	40,000	242,708	0	242,708

Note		2018 DKK '000	2017 DKK '000
	Net profit/loss for the year	58,685	53,755
28	Adjustments	21,345	18,389
	Change in working capital:		
	Inventories	2,833	6,111
	Receivables	-25,099	-12,580
	Trade payables	1,542	-4,047
	Other payables relating to operating activities	-19,365	22,760
	Cash flows from operating activities before net financials	39,941	84,388
	Interest income and similar income received	5,695	6,758
	Interest expenses and similar expenses paid	-1,586	-2,206
	Income tax paid	-10,322	-11,655
	Cash flows from operating activities	33,728	77,285
	Purchase of intangible assets	-507	-432
	Purchase of property, plant and equipment	-91,111	-3,896
	Sale of property, plant and equipment	89	158
	Acquisition of enterprise	0	-794
	Dividend recieved	-73	0
	Loans	39,255	284
	Cash flows from investing activities	-52,347	-4,680
	Sale of treasury shares	0	201
	Raising of additional capital	47,271	0
	Dividend paid	-54,599	-15,514
	Arrangement of mortgage debt	0	0
	Repayment of credit institutions	0	-48
		0	0
	Cash flows from financing activities	-7,328	-15,361
	Total cash flows for the year	-25,947	57,244
	Cash, beginning of year	75,337	26,748
	Short-term payables to credit institutions, beginning of year	-94	-8,749
	Cash, end of year	49,296	75,243
	Cash, end of year, comprises:		
	Cash	57,421	75,337
	Short-term payables to credit institutions	-8,125	-94
	Total	49,296	75,243

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

1. **Revenue**

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Revenue, activity	334,924	322,108	74,054	107,855
Total	334,924	322,108	74,054	107,855

Revenue comprises the following geographical markets:

Europe	170,959	165,044	41,181	55,466
Africa	81,953	79,981	3,069	8,119
North and south America	47,353	61,186	202	24,791
Asia and Middle East	29,245	15,283	28,260	19,061
Other countries	5,414	614	1,342	418
Total	334,924	322,108	74,054	107,855

2. **Staff costs**

Wages and salaries	99,059	97,928	6,548	7,051
Pensions	1,362	1,552	141	148
Other social security costs	14,135	15,812	83	87
Total	114,556	115,292	6,772	7,286
Average number of employees during the year	624	602	10	12

Remuneration for the management:

Remuneration for the Board of Directors	425	430	425	430

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	659	624	203	165
Other services	304	550	160	134
Total	963	1,174	363	299

4. Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment

Depreciation of property, plant and equipment	8,847	6,759	276	190
Total	8,847	6,759	276	190

5. Income from equity investments in group enterprises

Income from equity investments in group enterprises	0	0	46,165	37,499
Elimination of internal gains and losses	0	0	-1,744	1,187
Total	0	0	44,421	38,686

6. Financial income

Other financial income	5,695	6,758	2,888	3,372
Total	5,695	6,758	2,888	3,372

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

7. Financial expenses

Other financial expenses	1,586	2,206	96	49
Total	1,586	2,206	96	49

8. Tax on profit or loss for the year

Tax on profit or loss for the year	0	0	0	0
Current tax for the year	10,748	11,472	2,773	3,128
Adjustment of deferred tax for the year	4,149	1,815	-583	1,249
Adjustment of tax in respect of previous years	356	0	215	0
Total	15,253	13,287	2,405	4,377

9. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	44,421	38,686
Proposed dividend for the financial year	40,000	40,000	40,000	40,000
Non-controlling interests	7,174	-233	0	0
Retained earnings	11,511	13,988	-32,910	-24,698
Total	58,685	53,755	51,511	53,988

10. **Intangible assets**

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill
Group:			
Cost as at 01.01.18	2,491	6,723	17,365
Foreign currency translation adjustment of foreign enterprises	-66	-490	-1,138
Additions during the year	0	507	0
Cost as at 31.12.18	2,425	6,740	16,227
Amortisation and impairment losses as at 01.01.18	-2,491	-6,002	-17,365
Foreign currency translation adjustment of foreign enterprises	66	446	1,138
Amortisation during the year	0	-375	0
Amortisation and impairment losses as at 31.12.18	-2,425	-5,931	-16,227
Carrying amount as at 31.12.18	0	809	0
Parent			
Cost as at 01.01.18	0	0	104
Cost as at 31.12.18	0	0	104
Amortisation and impairment losses as at 01.01.18	0	0	-104
Amortisation and impairment losses as at 31.12.18	0	0	-104
Carrying amount as at 31.12.18	0	0	0

11. **Property, plant and equipment**

Figures in DKK '000	Land and buildings	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment
Group:			
Cost as at 01.01.18	0	83,605	378
Foreign currency translation adjustment of foreign enterprises	0	-2,279	0
Additions during the year	77,575	9,698	4,216
Disposals during the year	0	-8,518	-378
Transfers during the year to/from other items	3,600	-7,506	0
Cost as at 31.12.18	81,175	75,000	4,216
Depreciation and impairment losses as at 01.01.18	0	-51,210	0
Foreign currency translation adjustment of foreign enterprises	0	1,347	0
Depreciation during the year	-2,730	-6,954	0
Reversal of depreciation of and impairment losses on disposed assets	0	5,523	0
Transfers during the year to/from other items	-1,518	2,730	0
Depreciation and impairment losses as at 31.12.18	-4,248	-48,564	0
Carrying amount as at 31.12.18	76,927	26,436	4,216
Parent:			
Cost as at 01.01.18	0	2,539	0
Additions during the year	0	441	0
Disposals during the year	0	-440	0
Cost as at 31.12.18	0	2,540	0
Depreciation and impairment losses as at 01.01.18	0	-1,979	0
Depreciation during the year	0	-276	0
Reversal of depreciation of and impairment losses on disposed assets	0	440	0
Depreciation and impairment losses as at 31.12.18	0	-1,815	0
Carrying amount as at 31.12.18	0	725	0
Carrying amount in the balance sheet if revaluation to fair value had not been carried out as at 31.12.18	0	0	0

12. **Equity investments in group enterprises**

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.18	69,687
Cost as at 31.12.18	69,687
Revaluations as at 01.01.18	119,575
Foreign currency translation adjustment of foreign enterprises	-5,360
Net profit/loss from equity investments	47,620
Dividend relating to equity investments	-57,981
Fair value adjustment of hedging instruments	511
Changes in intra-group profit from inventories	-3,199
Revaluations as at 31.12.18	101,166
Depreciation and impairment losses as at 01.01.18	-14,911
Depreciation and impairment losses as at 31.12.18	-14,911
Carrying amount as at 31.12.18	155,942

12. **Equity investments in group enterprises** - continued -

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year	Recognised value
Group enterprises:				
Trepko S.A., Gniezno, Poland	72%	139,253	39,230	100,262
Trepko (UK) Limited, Gainsborough, England	100%	21,465	6,740	21,465
Trepko AB, Alingsĺs, Sweden	100%	4,249	-322	4,249
Trepko INC, Tampa, USA	100%	14,286	8,099	14,286
Filmatic Packaging Systems LTD, Cape Town, South Africa	52%	18,968	4,605	9,863
Trepko do Brasil Ltd, Curitiba, Brazil	100%	9,702	37	9,702
Adjustment to Group Practice	100%	-3,885	-6,238	-3,885

13. **Deposit and other receivables**

Figures in DKK '000	Deposits	Other receivables
Group:		
Cost as at 01.01.18	1,139	800
Foreign currency translation adjustment of foreign enterprises	-9	-1
Additions during the year	1	1,509
Disposals during the year	-963	-474
Cost as at 31.12.18	168	1,834
Parent		
Cost as at 01.01.18	64	790
Additions during the year	1	0
Disposals during the year	0	-465
Cost as at 31.12.18	65	325

	Group		Parent	
	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000

14. **Contract work in progress**

Contract work in progress	57,384	72,994	30,109	29,250
On-account invoicing	-54,784	-76,687	-25,013	-27,942
Contract work in progress, net	2,600	-3,693	5,096	1,308
Is recognised in the balance sheet in the following way:				
Contract work in progress	33,645	41,756	6,371	10,479
On-account payments on contract work in progress	-31,045	-45,449	-1,275	-9,171
Total	2,600	-3,693	5,096	1,308

15. **Prepayments**

Other prepayments	1,279	1,531	340	676
Total	1,279	1,531	340	676

16. **Receivables**

Receivables which fall due for payment more than 1 year after the end of the financial year	2,617	0	2,617	0

17. **Share capital**

The share capital consists of:

	Quantity	Nominal value
Shares A	100,000	50

The share capital capital has been fully paid in at the balance sheet date.

	Group		Parent	
	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
18. Non-controlling interests				
Non-controlling interests, beginning of year	9,134	11,021	0	0
Foreign currency translation adjustment of foreign enterprises	-885	-271	0	0
Capital increase	47,271	0	0	0
Dividend paid	-14,599	-514	0	0
Other changes in equity	0	-868	0	0
Net profit/loss for the year (distribution of net profit)	7,174	-234	0	0
Total	48,095	9,134	0	0

19. **Provisions for pensions and similar obligations**

The provision for pension obligations concerns the group companies only Poland as the other pension plans are defined contribution plans where the plans where the pension obligation is incumbent on the individual insurance company and where the group has obligations towards the employees when they leave the group.

	Group		Parent	
	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000

20. **Deferred tax**

	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
Deferred tax as at 01.01.18	-841	-2,389	1,831	622
Deferred tax recognised in the income statement	3,372	1,815	-583	1,249
Deferred tax recognised in equity	-211	-267	-98	-40
Additions relating to mergers and acquisition of enterprisesas at 31.12.18	2,320	-841	1,150	1,831

Deffered tax comprises:

	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
Deferred tax asset	0	841	0	0
Deferred tax liability	2,320	0	1,151	1,831
Total	2,320	841	1,151	1,831

21. **Other provisions**

Figures in DKK '000	Warranty commitments
Group:	
Provisionsas at 01.01.18	1,187
Provisions during the year	256
Provisionsas at 31.12.18	1,443

22. **Longterm payables**

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.18	Total payables at 31.12.17
Group:				
Payables to other credit institutions	4,620	18,565	39,255	0
Other payables	0	0	559	0
Total	4,620	18,565	39,814	0

	Group		Parent	
	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
23. Deferred income				
Deferred income	0	3,366	0	0
Total	0	3,366	0	0

24. **Derivative financial instruments**

The Board of Directors lays down the framework for the conclusion of contracts for derivative financial instruments. The enterprise concludes contracts for the sole purpose of hedging the currency risk on the future sale/purchase of goods in foreign currency. Forward exchange contracts are only concluded with counterparties (Danish banks) with a good credit score from a reputable credit rating agency.

Parent:
0-12 months DKK 2,269k

Group:
Group companies 0-12 months DKK 86,267k.

25. **Contingent liabilities**

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of total DKK 9.366 Mill. This includes lease agreements concluded with group enterprises with a lease payment of DKK 0,3Mill.

Recourse guarantee commitments

For third part which is not a group enterprise the group has provided a guarantee for the debt to credit institutions. The guarantee is maximised at DKK 1.275 Mill. The debt to credit institutions amounts to DKK 1.275 Mill. at the balance sheet date.

Guarantee commitments

The group has provided usual guarantee on repair on sold plants. Guarantee cost are charge to the profit and loss account as incured.

Parent:

Lease commitments

The company has concluded lease agreements with terms to maturity of DKK 265,000.

Recourse guarantee commitments

The company has provided a guarantee for the the subsidaries debt to credit institutions. The guarantee towards the for the subsidaries is maximised at DKK 47.318 Mill.

For third part which is not a group enterprise the group has provided a guarantee for the debt to credit institutions. The guarantee is maximised at DKK 1.275 Mill. The debt to credit institutions amounts to DKK 1.275 Mill. at the balance sheet date.

Guarantee commitments

The company has provided usual guarantee on repair on sold plants. Guarantee cost are charge to the profit and loss account as incured.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The maximum 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 is involved in a tax matter with the Danish authorities regarding Transfer Pricing. The Danish tax authorities has decided to increase the taxable income by DKK 35.0 Mill. The company has appealed the decision. It is the management's view that the tax matter will not materially influence on the tax payment, as a tax increase in Denmark to a great extent will offset a tax deduction in Poland.

26. **Charges and security**

Group:

The group has as security for mortgage debt provided a company charge DKK 1,509k comprising trade receivables, other plant, fixtures and fittings, tools and equipment.

The group has provided bankers guarantee of DKK 2.670 Mill. at 31.12.18.

Parent:

The company has not provided bankers guarantee at 31.12.18.

27. **Related parties**

Controlling influence:	Basis of influence
Hans Christian Hansen, Præstø, Denmark	Shareholder
H.C. Holding Investeringsaktieselskab, Ballerup, Denmark	Parent company
Jesper Bjørn Hansen, Tampa, Florida, USA	Shareholder

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

Remuneration for the management is specified in note 2. Staff costs.

	Group	
	2018 DKK '000	2017 DKK '000
28. Adjustments for the cash flow statement		
Depreciation, amortisation, impairment losses and write-downs	8,847	6,759
Financial income	-5,695	-6,758
Financial expenses	1,586	2,206
Tax on profit or loss for the year	15,253	13,287
Other adjustments	1,354	2,895
Total	21,345	18,389

29. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

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.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

Newly acquired or newly founded enterprises are recognised in the consolidated financial statements as from the time of acquisition. Divested or discontinued enterprises are recognised in the consolidated income statement up until the time of divestment or discontinuation. Comparative

29. **Accounting policies** - continued -

figures are not restated for newly acquired, divested or discontinued enterprises.

Newly acquired enterprises are recognised in accordance with the purchase method, according to which the identifiable assets and liabilities of the newly acquired enterprises are recognised at fair value at the time of acquisition. A provision is made to cover expenses incidental to decided and announced restructuring in the acquired enterprise in connection with the acquisition. The tax effect of any reassessments made is recognised.

The cost of the equity investments in the acquired enterprises is set off against the proportionate share of the fair value of the subsidiaries' net assets at the time of the establishment of the group relationship.

The consolidated goodwill (positive difference) at the time of acquisition is recognised as an asset and amortised on a straight-line basis in accordance with an individual assessment of the asset's useful life, such life, however, not exceeding 20 years and with a minimum of EUR 1 mill a year. Consolidated negative goodwill (negative balance), reflecting an expected adverse development in the enterprises in question, is recognised in the balance sheet under deferred income and is reduced as the conditions underlying the negative balance materialise.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year after the year in which the acquisition took place.

Non-controlling interests

The financial items of the subsidiaries are recognised in full in the consolidated financial statements. The non-controlling interests' proportionate share of the subsidiaries' equity is classified as a part of consolidated equity. The subsidiaries' results are distributed proportionately to non-controlling interests and the parent's equity interest.

Purchase and sale of non-controlling interests in a subsidiary which do not result in the parent losing control of the subsidiary are treated in the consolidated financial statements as equity transactions, and the difference between the consideration and the carrying amount is allocated to the parent's equity interest.

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

29. **Accounting policies** - continued -

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 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.

29. **Accounting policies** - continued -

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.

LEASES

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

INCOME STATEMENT

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.

Construction contracts involving the delivery of highly customised installations are recognised as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Change in inventories of finished goods and work in progress

Change in inventories of finished goods and work in progress comprises adjustments in inventories of finished goods and work in progress for the year, including write-downs of inventories of finished goods and work in progress to the extent that these do not exceed normal write-downs.

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

29. **Accounting policies** - continued -

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.

Staff costs

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

Depreciation and impairment losses

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

	Useful lives, years	Residual value, per cent
Completed development projects		3-10
Acquired rights		3-10
Goodwill		3-10
Buildings		0
Other plant, fixtures and fittings, tools and equipment		0

Goodwill is amortised over 3-10 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.

Land is not depreciated.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation 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.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

29. **Accounting policies** - continued -

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are 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.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments 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

Completed development projects

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

29. **Accounting policies** - continued -

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

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

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 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 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.

Property, plant and equipment

Property, plant and equipment comprise land and buildings 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.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

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

29. **Accounting policies** - continued -

Prepayments for property, plant and equipment

Prepayments for property, plant and equipment comprise prepayments to suppliers.

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 measured in the balance sheet of the parent 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.

Goodwill recognised under equity investments in subsidiaries in the balance sheet of the parent is amortised according to the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at years in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

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.

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.

29. **Accounting policies** - continued -

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 material and labour costs. 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.

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.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance

29. **Accounting policies** - continued -

sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

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

Other investments

Other securities are measured at fair value, equivalent to the market value at the balance sheet date.

Cash

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

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

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

Provisions

Pension obligations are measured in the balance sheet on the basis of actuarial computations to the extent that such obligations are not covered by insurance (defined benefit plans). Actuarial gains and losses on defined benefit plans are recognised directly in equity under retained earnings.

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, 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 the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of

29. **Accounting policies** - continued -

1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on 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 within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries 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 payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

29. **Accounting policies** - continued -

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

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.

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 parent'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 flows from financing activities also comprise finance lease payments.

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