
Ziemann Holvrieka A/S

Kulholmsvej 24, DK-8930 Randers NØ

Annual Report for 1 January - 31 December 2019

CVR No 58 97 69 11

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
14/9 2020

Ko Brink
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ziemann Holvrieka A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations and cash flows for 2019.

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

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

Randers, 14 September 2020

Executive Board

Allan Ejgaard Jensen
Managing Director

Board of Directors

Ko Brink
Chairman

Arend Muggen

Allan Ejgaard Jensen

Independent Auditor's Report

To the Shareholder of Ziemann Holvrieka A/S

Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ziemann Holvrieka A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in ac-

Independent Auditor's Report

cordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the

Independent Auditor's Report

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.

Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Other matters

In violation of the VAT Act, the company has reported VAT returns too late to the Danish Tax Agency, whereby the management may incur liability.

Aarhus, 14 September 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Michael Nielsson

statsautoriseret revisor

mne15151

Company Information

The Company

Ziemann Holvrieka A/S
Kulholmsvej 24
DK-8930 Randers NØ

CVR No: 58 97 69 11
Financial period: 1 January - 31 December
Municipality of reg. office: Randers

Board of Directors

Ko Brink, Chairman
Arend Muggen
Allan Ejgaard Jensen

Executive Board

Allan Ejgaard Jensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Gross profit/loss	13.545	-3.832	28.675	38.241	38.492
Operating profit/loss	-3.838	-34.275	-4.786	-3.052	2.530
Net financials	175	121	648	940	941
Net profit/loss for the year	-3.663	-34.406	-3.250	-1.546	2.682
Balance sheet					
Balance sheet total	22.596	64.255	57.176	78.051	65.953
Equity	-10.949	-7.286	27.120	30.370	31.916
Cash flows					
Cash flows from:					
- investing activities	1.382	-416	-351	-276	-506
Number of employees	31	55	61	72	69
Ratios					
Return on assets	-17,0%	-53,3%	-8,4%	-3,9%	3,8%
Solvency ratio	-48,5%	-11,3%	47,4%	38,9%	48,4%
Return on equity	40,2%	-346,9%	-11,3%	-5,0%	8,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The major part of the company activities relates to selling tanks to the food and beverage industry as well as sale of process equipment and process lines especially for the brewing industry as well as tanks for the pharmaceutical industry.

Development in the year

The income statement of the Company for 2019 shows a loss of DKK 3,663,018, and at 31 December 2019 the balance sheet of the Company shows negative equity of DKK 10,949,140.

On the 28th of February 2019 the company announced to stop production at its factory in Randers. The company has continued as a Sales & Engineering organization.

The results realized during are therefore mostly the result of phasing out of the order backlog per year-end 2018. Due to the low utilization of the factory and some issue during completion of the order backlog; the company has not been able to realize a profit before financial income and expense. In addition the result is impacted by the activities relating to closure of the site.

As a result continuing challenges in the market, amongst which COVID-19 is one; management has decided in 2020 to also stop the sales & engineering activities within Ziemann Holvrieka A/S. Management does not have the intention to liquidate the company. Remaining projects will be finalized, even though by the end of 2020 no employees will be employed anymore.

Capital resources

The company has secured financing in the coming financial year through the ownership circle. See the discussion hereof in note 1.

Foreign exchange risks

The company's turnover, profit and cash flow are subject to exchange rate fluctuations in (partly) non-functional currencies. This pertains primarily the Euro. Changes in interest rates also affect the company's results and cash flow.

Know-how resources

Due to the decision to also stop the sales & engineering activities; no resources were allocated to know how.

Management's Review

Targets and expectations for the year ahead

Since management has decided to also stop the sales & engineering activities from Ziemann Holvrieka A/S; there is no relevant outlook for the year ahead.

Ongoing projects will be finished with the help of sister companies like Ziemann Holvrieka GmbH.

Uncertainty relating to recognition and measurement

The calculation of contract work in progress requires estimates of future events. The estimates used are based on assumptions that the management considers to be reasonable, but which by nature is uncertain and unpredictable as unexpected events or circumstances may arise, which change the basis for applied assumptions. The relationship is further discussed in note 2.

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities and cash flows of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

The consequences of Covid-19, in which many governments around the world have decided to "shut down the countries", are of great importance to the world economy. Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date (December 31, 2019) and therefore constitutes a non-regulatory event for the company. The company has only to a lesser extent been affected by closures as a result of Covid-19. Most of the company's customers have been able to continue production.

Sales however has declined further, with customers postponing investment decisions. This fact together with the necessity to further optimize the production and sales effort throughout the group of which Ziemann Holvrieka A/S is part, has resulted in the decision by the management to also stop the sales & engineering activities in Denmark. The company will continue to work on the projects in progress with the assistance of the sister companies within the group.

Income Statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Gross profit/loss		13.544.911	-3.831.968
Staff expenses	5	-17.572.243	-30.015.090
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	6	189.475	-427.604
Profit/loss before financial income and expenses		-3.837.857	-34.274.662
Financial income		529.499	536.396
Financial expenses	7	-354.660	-415.552
Profit/loss before tax		-3.663.018	-34.153.818
Tax on profit/loss for the year	8	0	-252.316
Net profit/loss for the year		-3.663.018	-34.406.134

Distribution of profit

Proposed distribution of profit

Retained earnings		-3.663.018	-34.406.134
		-3.663.018	-34.406.134

Balance Sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Land and buildings		0	0
Plant and machinery		0	1.265.152
Other fixtures and fittings, tools and equipment		85.627	0
Property, plant and equipment	9	85.627	1.265.152
Fixed assets		85.627	1.265.152
Inventories	10	0	5.143.854
Trade receivables	11	8.420.671	19.515.278
Contract work in progress	12	8.196.206	31.849.658
Receivables from group enterprises		2.996.226	2.503.944
Other receivables		0	1.772.757
Deferred tax asset	15	0	0
Corporation tax		86.000	354.000
Prepayments	13	602.807	356.761
Receivables		20.301.910	56.352.398
Cash at bank and in hand		2.208.217	1.493.445
Currents assets		22.510.127	62.989.697
Assets		22.595.754	64.254.849

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		1.000.001	1.000.001
Retained earnings		-11.949.141	-8.286.123
Equity	14	-10.949.140	-7.286.122
Other provisions	16	6.153.844	28.824.752
Provisions		6.153.844	28.824.752
Trade payables		4.907.734	15.847.779
Prepayments	12	0	8.823.267
Payables to group enterprises		19.929.045	11.204.893
Other payables		2.554.271	6.840.280
Short-term debt		27.391.050	42.716.219
Debt		27.391.050	42.716.219
Liabilities and equity		22.595.754	64.254.849
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Unusual events	3		
Subsequent events	4		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Accounting Policies	21		

Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained</u> <u>earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 January	1.000.001	-8.286.123	-7.286.122
Net profit/loss for the year	<u>0</u>	<u>-3.663.018</u>	<u>-3.663.018</u>
Equity at 31 December	<u>1.000.001</u>	<u>-11.949.141</u>	<u>-10.949.140</u>

Cash Flow Statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Net profit/loss for the year		-3.663.018	-34.406.134
Adjustments	17	-364.314	559.076
Change in working capital	18	-5.455.088	34.037.920
Cash flows from operating activities before financial income and expenses		-9.482.420	190.862
Financial income		248.537	536.396
Financial expenses		-354.654	-415.552
Cash flows from ordinary activities		-9.588.537	311.706
Corporation tax paid		197.155	248.000
Cash flows from operating activities		-9.391.382	559.706
Purchase/sale of property, plant and equipment		1.382.002	-416.423
Cash flows from investing activities		1.382.002	-416.423
Raising of loans from group enterprises		8.724.152	-739.971
Cash flows from financing activities		8.724.152	-739.971
Change in cash and cash equivalents		714.772	-596.688
Cash and cash equivalents at 1 January		1.493.445	2.090.133
Cash and cash equivalents at 31 December		2.208.217	1.493.445
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2.208.217	1.493.445
Cash and cash equivalents at 31 December		2.208.217	1.493.445

Notes to the Financial Statements

1 Going concern

The company was restructured in 2019 to function exclusively as a sales company for Group Companies.

A capital increase will be made in 2020 for the re-establishment of the negative equity.

The company's parent company; CIMC Enric Tank and Process B.V., have issued a letter of financial support that will secure sufficient funds to finance the company's operating activities and to settle its financial obligations.

The Annual Report is therefore presented on the assumption of the company continuing as a going concern.

2 Uncertainty relating to recognition and measurement

The calculation of contract work in progress requires estimates of future events. The estimates used are based on assumptions that the management considers to be reasonable, but which by nature is uncertain and unpredictable as unexpected events or circumstances may arise, which change the basis for applied assumptions.

An essential condition for the application of the production principle is that the income and costs of individual contract can be estimated reliably. Expected revenues and costs of a contract may however change as the contract is executed and uncertainties are clarified. Similarly, during the execution of the contract, changes may be made to the contract, as well as conditions for the execution of the contract may prove not to be met.

The company's internal business processes, financial management and calculation tools, along with project management's knowledge and experience, support that construction work in progress can be measured reliably in accordance with the production principle.

3 Unusual events

In 2019, the company carried out extensive restructuring and in this connection closed production. Since 1 July 2019, the company has functioned as a sales company with only a few work in progress per. December 31, 2019.

Notes to the Financial Statements

4 Subsequent events

The consequences of Covid-19, in which many governments around the world have decided to "shut down the countries", are of great importance to the world economy. Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date (December 31, 2019) and therefore constitutes a non-regulatory event for the company. The company has only to a lesser extent been affected by closures as a result of Covid-19. Most of the company's customers have been able to continue production.

Sales however has declined further, with customers postponing investment decisions. This fact together with the necessity to further optimize the production and sales effort throughout the group of which Ziemann Holvrieka A/S is part, has resulted in the decision by the management to also stop the sales & engineering activities in Denmark. The company will continue to work on the projects in progress with the assistance of the sister companies within the group.

	<u>2019</u> DKK	<u>2018</u> DKK
5 Staff expenses		
Wages and salaries	16.044.956	27.448.559
Pensions	1.206.566	1.937.474
Other social security expenses	320.721	629.057
	<u>17.572.243</u>	<u>30.015.090</u>
Including remuneration to the Executive Board of:		
Executive Board	<u>973.661</u>	<u>0</u>
	<u>973.661</u>	<u>0</u>
Average number of employees	<u>31</u>	<u>55</u>

Remuneration to the Executive Board has not been disclosed in 2018 in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	2019 DKK	2018 DKK
6 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	149.546	498.804
Gain and loss on disposal	-339.021	-71.200
	-189.475	427.604
Which is specified as follows:		
Buildings	0	245.223
Plant and machinery	121.004	240.118
Other fixtures and fittings, tools and equipment	28.542	13.463
Loss/(profit) on sale of property, plant and equipment	-339.021	-71.200
	-189.475	427.604
7 Financial expenses		
Interest paid to group enterprises	226.971	282.577
Other financial expenses	91.756	67.912
Exchange loss	35.933	65.063
	354.660	415.552
8 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	0	252.316
	0	252.316

Notes to the Financial Statements

9 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 January	25.264.619	14.589.458	1.764.247
Additions for the year	0	138.489	114.169
Disposals for the year	0	-14.614.947	0
Cost at 31 December	<u>25.264.619</u>	<u>113.000</u>	<u>1.878.416</u>
Impairment losses and depreciation at 1 January	25.264.619	13.324.306	1.764.247
Depreciation for the year	0	137.205	28.542
Impairment and depreciation of sold assets for the year	0	-13.348.511	0
Impairment losses and depreciation at 31 December	<u>25.264.619</u>	<u>113.000</u>	<u>1.792.789</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>	<u>85.627</u>

10 Inventories

	2019	2018
	DKK	DKK
Raw materials and consumables	0	5.143.854
	<u>0</u>	<u>5.143.854</u>

11 Trade receivables

The following receivables fall due for payment more than 1 year after year end

0	<u>2.513.541</u>
---	------------------

Notes to the Financial Statements

	2019	2018
	DKK	DKK
12 Contract work in progress		
Selling price of work in progress	64.989.814	119.601.182
Payments received on account	-56.793.608	-96.574.791
	8.196.206	23.026.391
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	8.196.206	31.849.658
Prepayments received recognised in debt	0	-8.823.267
	8.196.206	23.026.391

13 Prepayments

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

14 Equity

The share capital consists of 23 shares of a nominal value of DKK 1,000,001. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

	2019	2018
	DKK	DKK
15 Provision for deferred tax		
Property, plant and equipment	-17.066	-66.634
Trade receivables	-3.935.403	-2.139.951
Contract work in progress	149.480	3.085.719
Prepayments	51.201	78.487
Other payables	23.506	29.848
Provisions	-1.353.846	-6.341.445
Tax loss carry-forward	-3.396.245	-2.355.399
Transferred to deferred tax asset	8.478.373	7.709.375
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	8.478.373	7.709.375
Write-down to assessed value	-8.478.373	-7.709.375
Carrying amount	<u>0</u>	<u>0</u>

16 Other provisions

Provisions consist of expected loss on contract work in progress and expected cost of guarantees.

Contract work in progress	5.899.459	28.456.322
Other provisions	254.385	368.430
	<u>6.153.844</u>	<u>28.824.752</u>

The provisions are expected to mature as follows:

Within 1 year	6.153.844	28.824.752
	<u>6.153.844</u>	<u>28.824.752</u>

Notes to the Financial Statements

	2019	2018
	DKK	DKK
17 Cash flow statement - adjustments		
Financial income	-529.499	-536.396
Financial expenses	354.660	415.552
Depreciation, amortisation and impairment losses, including losses and gains on sales	-189.475	427.604
Tax on profit/loss for the year	0	252.316
	-364.314	559.076
18 Cash flow statement - change in working capital		
Change in inventories	5.143.854	-1.228.811
Change in receivables	36.121.287	-6.958.583
Change in other provisions	-22.670.908	28.370.520
Change in trade payables, etc	-24.049.321	13.854.794
	-5.455.088	34.037.920

Notes to the Financial Statements

19 Contingent assets, liabilities and other financial obligations

Contingent assets

The company has a deferred tax asset per December 31 TDKK 8.478. The amount is not included in the balance sheet, since there is uncertainty about the time of its utilization.

Contingent liabilities

The company has entered lease contracts on the addresses Kulholmsvej 24 and 28. The lease is irrevocable from the part of the lessor until the 01.04.2020. At present, the annual lease is TDKK 203. The ground rent is adjusted once a year per 1 January.

When vacating, the company has an obligation to re-establish the leased land. The company has not recognized a re-establishment obligation as there is uncertainty about the amount.

Through Nationale Borg the company has guarantees for customers issued for totally TDKK 4,620

20 Related parties

	Basis
Controlling interest	
Allan Ejgaard Jensen, Linavænget 45, 7451 Sunds	CEO
Ko Brink, Thorbeckewal 46, 8011 WD Zwolle, Netherlands	Board Member
Arrend Muggen, Kartanjelaan 23, 8441 NC Heerenveen, Netherlands	Board Member
Allan Ejgaard Jensen, Linavænget 45, 7451 Sunds	Board Member
CIMC Group Co. Ltd., No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong P.R.C., China	Ultimative parent company
CIMC Enric Tank and Process B.V., Burg.Roelenweg 30, 8021 EW Zwolle, Netherlands	Imidiate parent company
Coöperatie Vela Holding U.A., Burg.Roelenweg 30, 8021 EW Zwolle, Netherlands	Domestic parent

Notes to the Financial Statements

20 Related parties (continued)

Transactions

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

There have been no transactions with Board members, CEO or significant shareholders, except for normal management remuneration.

There have been transactions with group companies at market terms.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

CIMC Enric Tank and Process B.V.
Burgemeester Roelenweg 30
8021 EW ZWOLLE
Netherlands

Consolidated Financial Statements

The company is included in the consolidated report of the parent company

<u>Name</u>	<u>Place of registered office</u>
CIMC Group Co. Ltd.	No. 2 Gangwan Avenue Shekou Industrial Zone, Shenzhen, Guangdong P.R.C. China
Coöperatie Vela Holding U.A	Burgemeester Roelenweg 30 8021 EW, Zwolle Netherlands.

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Ziemann Holvrieka A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

21 Accounting Policies (continued)

Income Statement

Revenue

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

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings, 20 years

Plant and machinery, 8 years

Other fixtures and fittings, tools and equipment, 3-5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

21 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

21 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Notes to the Financial Statements

21 Accounting Policies (continued)

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

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