RMIG

we make ideas come to life

RM RICH. MÜLLER A/S | CVR-NR. 64 11 31 19 | INDUSTRIPARKEN 40, DK-2750 BALLERUP

Annual report 2019

Contents

Company details

Company
RM Rich. Müller A/S
Industriparken 40
DK-2750 Ballerup
Central Business Registration No: 64 11 31 19
Registered in Ballerup

Phone: +45 44 20 88 00
Fax: +45 44 20 89 61

Board of Directors
Sten Scheibye, Chairman
Bjarne Moltke Hansen, Vice-chairman
Jørgen Frost
Per Thanning Johansen
Kim Borch-Kristensen, member elected by the employees
John René Petersen, member elected by the employees

Management
Torben D. Svanholm
Lene Hall

Company auditors
Deloitte Statsautoriseret Revisionspartnerselskab

The Annual General Meeting adopted the annual report on 17 March 2020

Chairman of the General Meeting

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Front page photo:
Humanistiska Teatern, Uppsala University. For more information see:
http://www.rmig.com/en/city+emotion/case+studies/projects/humanistiska+teatern,+uppsala+university?doc=1979&page=1&url=/en/city+emotion/case+studies/application&sort=application

Statement by Management on the annual report

Today we have presented the annual report of RM Rich. Müller A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position and results as well as the consolidated cash flow. Also, we believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ballerup, 17 March 2020

Management

Torben D. Svanholm Chief Executive Officer	Lene Hall Chief Financial Officer

Board of Directors

Sten Scheibye Chairman	Bjarne Moltke Hansen Vice-chairman	Jørgen Frost
Per Thanning Johansen	Kim Borch-Kristensen member elected by the employees	John René Petersen member elected by the employees

Independent auditor's report

To the shareholder of RM Rich. Müller A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of RM Rich. Müller A/S for the financial year 1 January - 31 December 2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2019, and of the results of their operations and the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 exits. 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 financial statements.

Independent auditor's report

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 consolidated financial statements and the parent 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 Group’s and the Entity’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 the parent 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 Group's and the Entity’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 the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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 performance 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 17 March 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

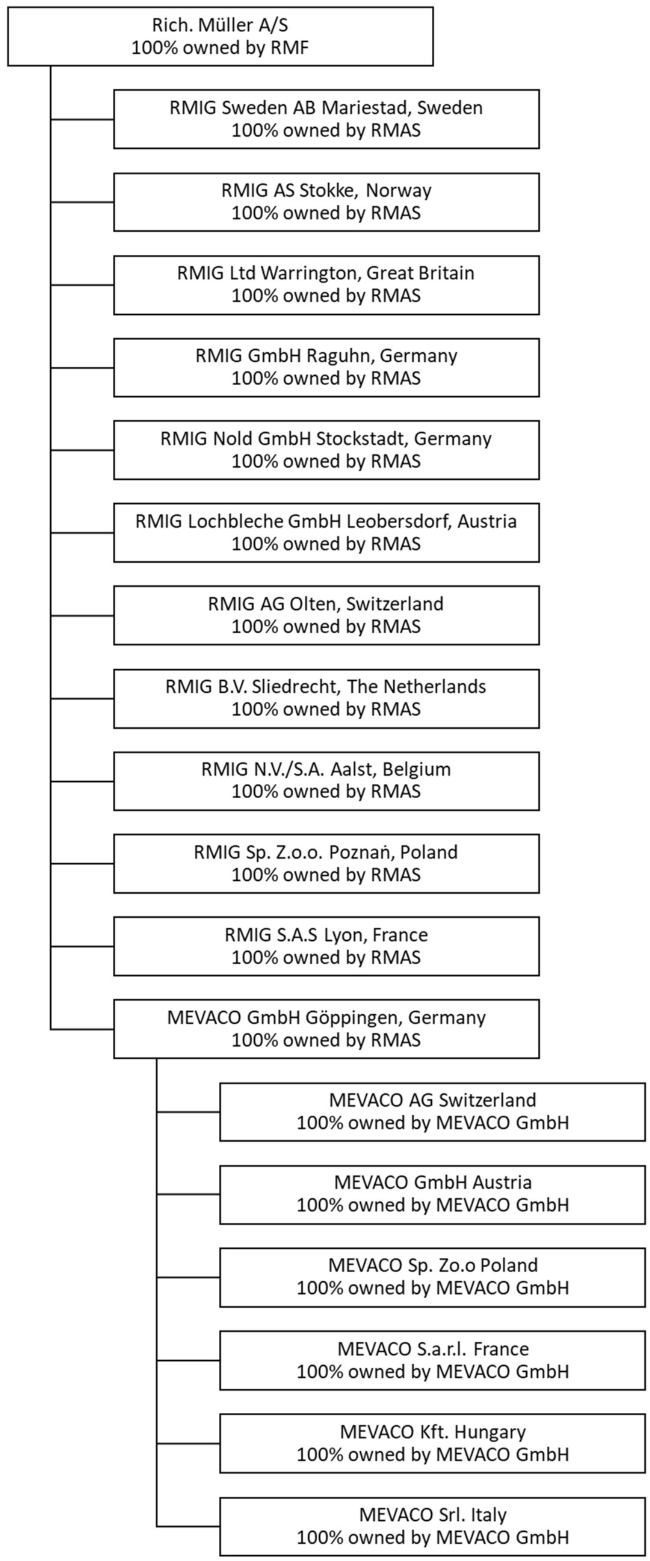
Erik Holst Jørgensen
State Authorised Public Accountant
MNE-nr. mne9943

Tim Kjær-Hansen
State Authorised Public Accountant
MNE-nr. mne23295

Management's review

Group chart

(The percentages in brackets indicate the shareholding)



Management's review

Group financial highlights

	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
Turnover	130,093	118,353	113,579	88,673	89,679
EBITDA before special items	8,786	7,306	6,235	5,507	4,758
EBITDA	4,730	7,306	6,235	5,507	4,758
EBIT	1,174	3,087	3,340	3,180	2,499
Net financials	(892)	(842)	(625)	(965)	(778)
Net profit for the year	415	2,004	2,851	2,169	1,503
Investments in property, plant and equipment	8,770	4,021	2,275	1,489	1,893
Total assets	99,328	61,203	60,299	52,359	50,634
Total Equity, before subordinated loan	28,404	27,782	24,799	22,230	20,537
Total Equity	31,751	31,130	25,592	23,887	21,949
EBITDA ratio before special items	6.8%	6.2%	5.5%	6.2%	5.3%
EBITDA ratio	3.6%	6.2%	5.5%	6.2%	5.3%
EBIT ratio	0.9%	2.6%	2.9%	3.6%	2.8%
Total Equity ratio, before subordinated loan	28.6%	45.4%	41.1%	42.5%	40.6%
Total Equity ratio	32.0%	50.9%	42.4%	45.6%	43.3%
Return on invested capital excl. goodwill	4.3%	11.6%	13.0%	11.0%	8.7%
Cash flow from operating activities before special items	10.055	3.585	3.663	5.218	1.747
Cash flow from operating activities	7.915	3.585	3.663	5.218	1.747

Ratios

The ratios have been compiled in accordance with Recommendations & Ratios 2017 issued by The Danish Finance Society and generally accepted calculation formulas.

EBITDA ratio	$\frac{EBITDA\ x\ 100}{Turnover}$
EBIT ratio	$\frac{EBIT\ x\ 100}{Turnover}$
Total Equity ratio	$\frac{Total\ Equity, end\ of\ period\ x\ 100}{Total\ equity\ and\ liabilities, end\ of\ period}$
Return on invested capital excl. goodwill	$\frac{(EBITDA\ excl.\ goodwill\ write\ down)\ x\ 100}{Average\ invested\ capital\ excl.\ goodwill}$

The Group's primary activity

RM Rich. Müller A/S and its subsidiaries are internationally known by the name of RMIG.
On 1 October 2019, RM Rich Müller A/S acquired the well-reputed German standard metal sheet producer: MEVACO GmbH, headquartered in Göppingen, Germany. MEVACO is a well-established group in production and sale of standard and tailor-made sheets for customers in Central Europe. MEVACO sells through its digital platform, the MEVACO online shop, through which an important part of the sales takes place. MEVACO has subsidiaries in France, Austria, Poland, Switzerland, Italy and Hungary. With the acquisition of MEVACO, RMIG has strengthened its position as the leading manufacturer and supplier of perforated metal (sheet perforation) in Europe, and henceforth RMIG will become known under both the RMIG brand and the MEVACO brand.

In addition, RMIG is an important supplier of loudspeaker grilles for the automotive industry through its RMIG Nold factory in Germany. In 2019, RMIG decided to focus on the automotive market in Central Europe, and consequently divested RMIG Automotive Ltd. in England.

RMIG’s main market is Europe and the Group has manufacturing facilities in 5 European countries and serves its customers through local sales offices in 13 countries. Furthermore, RMIG cooperates worldwide with sales representatives, agents and distributors in countries in which the Group is not presented through its own subsidiaries.

Development within the financial year

The market showed good activity in the first half of the financial year, but geo-political uncertainties continued in 2019, causing a slowdown in the second half year.

Overall, revenue increased by € 11.7 million, or 9.9% on the previous year and the Group reached a turnover of € 130.1 million. MEVACO contributed positively to the rising revenue.

As mentioned, RMIG A/S purchased the MEVACO Group on 1 October. The acquisition of MEVACO supports the strategy of growing and strengthening the Group's perforation business.. The acquisition of MEVACO resulted in transaction costs of € 2.2 million, which are shown under other operating expenses in the income statement. The sale of RMIG Automotive Ltd. was effective as from 16 December and resulted in loss of goodwill and equity of € 1.9 million. Likewise these costs are shown as other operating expenses, which then add up to special items of € 4.1 million in total.

EBITDA before the above mentioned special items increased by € 1.6 million to € 8.9 million, showing a EBITDA ratio increase before special items to 6.8% from 6.2%. RMIG's strategic goal is to grow business earnings towards an EBITDA ratio of 10% within the next 3 years. The rising EBITDA ratio before special items in 2019 against 2018 shows a positive development towards the plan. MEVACO is expected to contribute positively to this development in the coming years.

Earnings before tax for the year decreased from € 2.2 million in 2018 to € 0.3 million in 2019. The poor result is due to the special items of € 4.1 million. RMIG Management finds the development in EBITDA before special items satisfactory.

Cash flow statement

Cash flow was positively influenced by higher earnings before special items and from positive development in net working capital.

The cash spending on investments in assets amounted to € 17.3 million and in acquisition of subisidaries to € 13.5 million.

Funding of the acquisition of MEVACO has been through long-term committed loans and with a grace period of 5-6 years. The financing of MEVACO increases the financial gearing of the Group, but the structure of the financing with commitment up to 6 years reduces the risk of the increased financial gearing.

The net cash position increased by € 8.7 million to a net cash position at year end of € 10.8 million. Equity ratio decreased to 28.6% from 45.4% in 2018.

Ownership

The Rich. Müller-Foundation, Ballerup, is the sole owner of RM Rich. Müller A/S.

Outlook

RMIG expects increasing sales and earnings in 2020. The acquisition of MEVACO will contribute positively to the sales and EBITDA, whereas the sale of RMIG Automotive Limited will have a negative impact on the sales. The Group expects a net increase in sales of about € 35 million and increasing EBITDA. The company continues to invest in new machinery and equipment which, together with a continued focus on process efficiency and scrap reductions, will support expectations for an increased result in 2020.

Statutory statement about Corporate Social Responsibility cf. § 99a

Business model

The RMIG Group (RMIG) is a leading and well-positioned group in the field of perforation technologies, forming technologies, surface treatment and the assembly of components. The company specialises in the development, production and assembly of complex perforated sheet metal parts, complete units for the automotive industry and sheet metal handling. Metal technology competence, expert customer service, innovation and quality awareness are distinguishing features of RMIG.

We wish to succeed by fair competition as well as by ethically correct behaviour and lawful conduct. A solid business collaboration to the benefit of all parties can only exist based on fair competition and in strict compliance with the legal system. At RMIG, all interaction and cooperation between colleagues as well as towards our external partners are characterised by security, trust, reliability and honesty. In order to keep winning the trust and confidence of our customers, employees and the public, it is essential to respect justice and law and comply with our internal regulations.

We are aware of our responsibilities towards our customers, employees and organisations, and we define ethical, social and legal guidelines and principles for a successful business collaboration in RMIG Code of Conduct. Thus, the RMIG Code of Conduct defines the general principles and requirements for RMIG employees.

Apart from procedural, economic and technical factors, social and ecological aspects such as human rights, working conditions, prevention of corruption and environmental protection are particularly important to us.

Policy for environment and climate impact

Our decision on not having a policy for environment and climate impact is based on the evaluation of resources needed and materiality for a company of RMIG's size and nature. It is, however, RMIG's principles to comply with all current environmental laws and regulations, develop measures to minimise environmental pollution and continuously improve environmental protection and continuously implement initiatives to reduce the impact.

Policy for respecting human rights

Our decision on not having a policy for respecting human rights is based on the evaluation of resources needed and materiality for a company of RMIG's size and nature. RMIG respects the personal dignity, privacy and personal rights of all individuals. In accordance with our corporate values, we are committed to showing respect, honesty and trust towards our employees and external partners. Interacting with one another, we value a fair, friendly and constructive behaviour. Our awareness is materialised in our Code of Conduct which includes actions of equality and non-discriminating behaviour.

Policy for labour rights

RMIG's policy for labour rights seeks to secure a good working environment so we can attract, develop and maintain a qualified and engaged workforce. Through our committees, we focus on ensuring a safe and ergonomic working environment and RMIG is responsible for taking preventive measures concerning occupational health and safety.

Group Management decides and implements actions based on input from the committees and Employee Satisfaction Surveys to ensure a good working environment. Group Management follows up on the impacts from the initiatives through the yearly Personal Development Review and Employee Satisfaction Survey every third year.

Systematic follow-ups on health and safety incidents are taking place and Group Management is focused on minimising the numbers and severity of the incidents. The result shows no increase in numbers of accidents. We have not experienced any issues regarding labour rights.

Policy for bribery and corruption

It is RMIG's policy and commitment to work against bribery and corruption as expressed in our Supplier Code of Conduct. Free and fair competition is the foundation of our economic activities. Corruption, disloyalty and betrayal distort this competition. RMIG is obligated to comply with all current regulations concerning fair competition and antitrust laws. RMIG shall not violate those antitrust laws by agreements concerning, for example, price collusion, allocation of markets and customers, market agreements or bid rigging, and shall not abusively take advantage of an existing market-dominating position. RMIG must comply with all relevant legal obligations concerning money laundering prevention and shall not be involved in money laundering activities. Our business relationships are based on honesty and should not be distorted or influenced by means of bribery or other measures.

The RMIG Code of Conduct expresses the policy for employees in the Group and defines expected behaviour. RMIG employees are obligated to notify Group Management immediately upon learning of any known or suspected improper behaviour by suppliers or subcontractors, or by colleagues within RMIG. All subcontractors and suppliers are asked to sign the Supplier Code of Conduct and RMIG employees are asked in the yearly Personal Development Review to confirm that he/she is aware of our procedures and act in accordance with RMIG Code of Conduct. We have not experienced any incidents regarding bribery and corruption.

Environmental performance

It is Group Management's objective that the Group's products and production processes are not harmful to the environment. The Group companies have an ongoing dialogue with the authorities in the countries in which the Group has production facilities, and seek to contribute to an environmentally sustainable development.

Historically some of the Group companies have been involved in minor environmental cases. All known factors have been reported to the relevant authorities; according to RMIG's knowledge, there are no material risks connected to these factors.

Gender composition, management positions

The board of RMIG has decided the following policies and objectives for the under-represented gender in management positions.

Targets for the under-represented gender in the Board
By selection of new candidates for the RMIG Board, emphasis is placed on competences, international experience and diversity. Regarding the under-represented gender, it is the objective of RMIG to increase the number of board members of the under-represented gender and to achieve a share of the under-represented gender of at least 25% before the end of 2022.

Targets for the under-represented gender on other management levels
Other management levels at RMIG consist of Group Management and the Danish management team. No under-represented gender exists in any of these groups.

Reporting of fulfilment of objectives
The objectives have not yet been achieved as there were no changes of board members in 2019. The board of RMIG expects to implement changes to the board members in 2020 and hereby achieve the objective of 25% representation of the underrepresented gender.

In 2019, CFO Lene Hall was appointed as executive vice president hereafter the executive management has a 50/50 gender distribution.

Financial risks

RMIG is an international group with activities in a number of countries. Consequently, RMIG has a number of ordinary currency related positions in DKK, SEK, NOK, GBP etc. It is the Group's policy continuously to evaluate if these net positions are to be hedged. The Group's net position consists of investments in subsidiaries, receivables and liabilities other than provisions.

Events after the balance sheet date

The prevalence of COVID-19 is expected to adversely affect the level of activity in the world in 2020 and the leisure industry in particular is expected to be severely affected. Although RMIG is not directly affected by the leisure industry, the impact is expected to affect the activity level in the business to business industries as well.

The impact is expected to be somewhat smaller and will depend on whether RMIG and RMIG's customers and suppliers are able to maintain production and supply chain. RMIG has implemented initiatives to limit the effects of an infection with COVID-19 and expects to be able to maintain production and sales due to these initiatives. The financial impact on RMIG earnings is therefore expected at present to be minor provided the situation does not worsen or extend over a longer period.

Income statement

Parent 2018 €'000	Parent 2019 €'000		Note	Group 2019 €'000	Group 2018 €'000
50,923	49,594	Turnover	1	130,093	118,353
(42,634)	(41,231)	Production costs	2, 5	(104,696)	(96,331)
8,289	**8,363**	**Gross profit**		**25,396**	**22,022**
(2,785)	(2,928)	Sales and distribution costs	2, 5	(11,838)	(10,789)
(4,614)	(5,399)	Administrative costs	2, 3, 5	(8,760)	(8,190)
1,439	1,570	Other operating income		776	291
(41)	(4,028)	Other operating expenses	4	(4,402)	(247)
2,288	**(2,422)**	**Earnings before interest and tax (EBIT)**		**1,174**	**3,087**
260	3,186	Income from investments in group enterprises		-	-
331	367	Financial income		140	37
(826)	(890)	Financial expenses		(1,032)	(880)
2,053	**241**	**Earnings before tax**		**282**	**2,244**
(49)	174	Tax on profit for the year	6	133	(240)
2,004	**415**	**Earnings for the year**	7	**415**	**2,004**

Balance sheet

Parent				Group	
2018 €'000	2019 €'000		Note	2019 €'000	2018 €'000
21	7,805	Software, licenses, patents and trademarks		7,831	51
214	2,384	Goodwill and other intangible assets		7,226	3,096
235	**10,189**	**Intangible assets**	8	**15,057**	**3,147**
1,184	1,451	Land and buildings		15,096	8,820
3,907	3,767	Plant and machinery		17,562	10,295
138	180	Fixtures and fittings, tools and equipment		1,846	1,040
642	917	Tangible assets in progress and prepayments		1,682	1,928
5,871	**6,315**	**Tangible assets**	9	**36,186**	**22,083**
31,214	45,907	Investments in subsidiaires	10	-	-
-	-	Other securities	10	30	31
995	943	Deferred tax asset	11	2,980	2,929
32,209	**46,849**	**Fixed asset investments**		**3,010**	**2,960**
38,315	**63,354**	**Fixed assets**		**54,253**	**28,191**
3,714	**3,774**	**Inventories**	12	**17,736**	**15,527**
1,644	2,109	Trade receivables		13,387	11,817
15,037	12,942	Receivables from group enterprises		-	-
-	-	Corporation tax receivables		71	11
666	996	Other receivables		1,667	970
208	326	Prepayments	13	671	567
17,555	**16,373**	**Receivables**		**15,795**	**13,365**
3,352	**7,836**	**Cash**		**11,545**	**4,120**
24,621	**27,982**	**Current assets**		**45,076**	**33,012**
62,936	**91,336**	**Assets**		**99,328**	**61,203**

Balance sheet

Parent				Group	
2018 €'000	2019 €'000		Note	2019 €'000	2018 €'000
16,985	16,985	Share capital		16,985	16,985
10,797	11,419	Retained earnings		11,419	10,797
27,782	**28,404**	**Shareholders equity**		**28,404**	**27,782**
-	-	Provision for deferred tax	11	991	571
-	-	Pensions and similar liabilities	14	778	704
303	136	Other provisions	15	765	391
303	**136**	**Provisions**		**2,535**	**1,666**
3,348	3,347	Subordinated convertible loan capital	16	3,347	3,348
11,515	11,401	Mortgage debt etc.	17	11,401	11,515
-	27,857	Long-term loans	16	27,857	-
-	341	Other long-term debt	16	4,993	-
14,863	**42,946**	**Long-term liabilities other than provisions**	16	**47,598**	**14,863**
2,067	795	Bank debt		795	2,067
1,658	1,998	Trade payables		8,081	7,013
-	-	Short term loans		-	452
13,668	12,818	Payables to group enterprises		-	-
-	-	Corporation tax payables		1,310	133
2,595	4,239	Other payables		10,604	7,227
19,988	**19,850**	**Short-term liabilities other than provisions**		**20,791**	**16,893**
34,851	**62,796**	**Liabilities other than provisions**		**68,389**	**31,755**
62,936	**91,336**	**Equity and liabilities**		**99,328**	**61,203**
		Working capital changes	18		
		Assets charged, contingent liabilities, operational lease obligations, related parties	19 - 22		

Statement of changes in equity

Group

	Share capital	Retained earnings	Sharehold. equity	Non-contr. interests	Total Equity bef. subordinated loan capital	Subordinated loan capital	Total Equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2018	16,985	8,738	25,723	(924)	24,799	3,358	28,157
Profit for the year	-	2,004	2,004	-	2,004	-	2,004
Exchange rate adjustments relating to subsidiaries, hedging etc.	-	(118)	(118)	-	(118)	(10)	(128)
Net value adjustments, derivates	-	173	173	-	173	-	173
Acquisition of Non-controlling interests	-	-	-	924	924	-	924
Balance at 31 December 2018	**16,985**	**10,797**	**27,782**	**-**	**27,782**	**3,348**	**31,130**
Profit for the year	-	415	415	-	415	-	415
Exchange rate adjustments relating to subsidiaries, hedging, etc	-	109	109	-	109	(1)	108
Net value adjustments, derivates	-	97	97	-	97	-	97
Balance at 31 December 2019	**16,985**	**11,419**	**28,404**	**-**	**28,404**	**3,347**	**31,751**

The share capital is registered in DKK and amounts to DKK 126.6 million equal to € 16,985 thousand. Changes in the share capital relating to exchange rate adjustments are recognised under other reserves. The share capital consists of 126,600 shares of DKK 1,000 each. The shares are not classified. The shareholder has provided the Group with subordinated loan capital. The loan has no due date and bears interest at arm's length conditions.

Parent

	Share capital	Retained earnings	Sharehold. equity	Subordinated loan capital	Total Equity
	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2018	16,985	8,738	25,723	3,358	29,081
Profit for the year	-	2,004	2,004	-	2,004
Exchange rate adjustments relating to subsidiaries, hedging etc.	-	(118)	(118)	(10)	(128)
Net value adjustments, derivates	-	173	173	-	173
Balance at 31 December 2018	**16,985**	**10,797**	**27,782**	**3,348**	**31,130**
Profit for the year	-	415	415	-	415
Exchange rate adjustments relating to subsidiaries, hedging, etc	-	109	109	(1)	108
Net value adjustments, derivates	-	97	97	-	97
Balance at 31 December 2019	**16,985**	**11,419**	**28,404**	**3,347**	**31,751**

Cash flow statement

	Note	Group 2019 €'000	Group 2018 €'000
Earnings before interest and tax (EBIT)		1,174	3,087
Depreciation and amortisation	5	3,556	4,219
Adjustment of profits and losses from the sale of companies, property, plant and equipment		1,759	35
Adjusted earnings before interest and tax		**6,489**	**7,342**
Change in provisions		92	135
Working capital changes	18	2,661	(2,913)
Cash flows from operating activities before net financials and tax		**9,242**	**4,564**
Net financial items		(981)	(814)
Income taxes and withholding taxes paid		(346)	(165)
Cash flows from operating activities		**7,915**	**3,585**
Acquisition of tangible assets and property, plant and equipment		(8,770)	(4,024)
Acquisition of intangible assets		(8,554)	(11)
Acquisitions of subsidaries		(13,520)	(664)
Divestment of subsidiary		1	-
Sale of property, plant and equipment		201	(21)
Acquisition and sale of other securities, investments, etc		(39)	-
Cash flows from investing activities		**(30,682)**	**(4,721)**
Cash flows from operating and investing activities		**(22,767)**	**(1,136)**
Changes in equity and subordinated loan capital		0	0
Change in interest-bearing debt excl. subordinated loan capital		31,485	(528)
Cash flow change in exchange rates		(22)	(26)
Cash flows from financing activities		**31,463**	**(554)**
Increase in cash and cash equivalents		**8,697**	**(1,690)**
Cash and cash equivalents at 1 January		2,053	3,743
Cash and cash equivalents at 31 December		**10,750**	**2,053**

Notes

Parent 2018 €'000	Parent 2019 €'000		Group 2019 €'000	Group 2018 €'000
		1. Segment information		
		Turnover by geographical market:		
47,587	45,651	Europe	122,945	113,442
3,336	3,943	Rest of the world	7,148	4,911
50,923	**49,594**		**130,093**	**118,353**
		2. Staff costs		
10,203	10,833	Wages and salaries	30,572	27,142
938	949	Pension contributions and other social security costs	4,924	4,301
11,141	**11,782**		**35,496**	**31,443**
		Remuneration for the Parent's Management and Board of Directors is included by € 885 thousand (2018: € 730 thousand). Staff costs are included under other production costs, sales and marketing costs and administrative costs.		
		Lene Hall was appointed CFO as of 1. September 2019		
150	149	Average number of employees	715	645
		3. Audit fee		
		Fee to auditor appointed at the Annual General Meeting:		
		Deloitte:		
46	55	Legal audit, annual accounts	175	156
60	12	Tax counselling	39	75
-	1,061	Non-audit services	1,061	-
106	**1,128**		**1,275**	**231**

Notes

Parent 2018 €'000	Parent 2019 €'000		Group 2019 €'000	Group 2018 €'000
		4. Other operating Expenses		
-	(2,140)	Transaction costs from acquisitions	(2,140)	-
-	(1,834)	Loss on divested subsidiary	(1,916)	-
(41)	(54)	Other operating expenses	(346)	(247)
(41)	**(4,028)**		**(4,402)**	**(247)**
		5. Depreciations, amortisations and impairment losses on tangible assets		
201	541	Amortisations	829	770
-	-	Impairment losses on intangible assets	-	1,000
796	844	Depreciations	2,727	2,326
-	-	Impairment losses on tangible assets	-	123
997	**1,385**		**3,556**	**4,219**
		6. Tax on profit for the year		
-	(403)	Current tax	524	139
49	24	Change in deferred tax	(861)	102
-	-	Adjustment in deferred tax due to changes in tax rates	(4)	-
-	205	Adjustment concerning previous years	208	(0)
49	**(174)**		**(133)**	**240**
		7. Proposed distribution of profit		
2,004	415	Retained earnings	415	2,004
2,004	**415**		**415**	**2,004**

Notes

8. Intangible assets

Parent: Software licenses, patents and trademarks €'000	Parent: Goodwill, other intang. assets €'000		Group: Software licenses, patents and trademarks €'000	Group: Goodwill, other intang. assets €'000
1,201	1,283	Cost at 1 January 2019	3,230	7,432
(3)	(1)	Exchange rate adjustment	16	162
(0)	2,400	Addition from acquisition of subsidiary	(0)	2,400
8,000	100	Additions	8,006	554
-	-	Goodwill of company acquired	-	4,443
-	-	Disposals from divested subsidiary	-	(3,977)
9,198	**3,782**	**Cost at 31 December 2019**	**11,252**	**11,014**
(1,180)	(1,069)	Amortisation at 1 January 2019	(3,179)	(3,336)
0	0	Exchange rate adjustment	(14)	(56)
-	-	Impairment	-	-
(212)	(329)	Amortisation for the year	(228)	(601)
-	-	Amortisation regarding divested subsidiary	-	205
(1,392)	**(1,398)**	**Balance at 31 December 2019**	**(3,421)**	**(3,789)**
7,805	**2,384**	**Carrying amount at 31 December 2019**	**7,831**	**7,226**
		Leased assets included above:		454

Acquisition of MEVACO GmbH

RMIG has acquired 100% of the shares in MEVACO GmbH.

The amortisation period for the goodwill is based on the strategical importance of the acquisition, the strong market position, the historical employee turnover rate and the long-term earnings profile of MEVACO GmbH. The amortisation period is therefore assessed to be 20 years.

Divestment of RMIG Automotive Ltd.

RMIG has divested 100% of the shares in RMIG Automotive Ltd in 2019.

Notes

9. Tangible assets

	Group			
	Land and buildings €'000	Plant and machinery €'000	Fixtures fittings, tools and equipment €'000	Tangible assets in progress €'000
Cost at 1 January 2019	22,227	48,137	6,571	1,928
Exchange rate adjustment	74	170	75	(4)
Addition from acquisition of subsidiary	6,244	2,657	330	97
Additions	448	6,673	811	838
Disposals from assets sold	-	(1,454)	(1,490)	-
Adjustments	109	-	107	(1,177)
Cost at 31 December 2019	**29,101**	**56,182**	**6,404**	**1,682**
Depreciation at 1 January 2019	(13,407)	(37,842)	(5,531)	-
Exchange rate adjustment	(37)	(133)	(58)	-
Depreciation for the year	(561)	(1,830)	(336)	-
Impairment for the year	-	-	-	-
Depreciations regarding sold assets	-	1,185	1,368	-
Balance at 31 December 2019	**(14,005)**	**(38,620)**	**(4,558)**	**-**
Carrying amount at 31 December 2019	**15,096**	**17,562**	**1,846**	**1,682**
Leased assets included above:	-	2,701	499	-

Notes

9. Tangible assets (continued)

	Parent			
	Land and buildings €'000	Plant and machinery €'000	Fixtures fittings, tools and equipment €'000	Tangible assets in progress €'000
Cost at 1 January 2019	5,421	18,457	830	642
Exchange rate adjustment	(3)	(6)	1	(1)
Additions	417	520	89	276
Disposals	-	(23)	-	-
Cost at 31 December 2019	**5,836**	**18,949**	**919**	**917**
Depreciation at 1 January 2019	(4,237)	(14,550)	(692)	-
Exchange rate adjustment	1	5	0	-
Depreciation for the year	(150)	(648)	(47)	-
Depreciations regarding year's disposals	-	11	-	-
Balance at 31 December 2019	**(4,385)**	**(15,182)**	**(739)**	**-**
Carrying amount at 31 December 2019	**1,451**	**3,767**	**180**	**917**

Notes

Parent: Invest-ments in subsi-diaries €'000	10. Financial assets	Group: Other securities €'000
57,677	Cost at 1 January 2019	31
13,520	Additions from acquisition of subsidiaries	
(1,834)	Disposals from divested subsidiary	
69,363	**Cost at 31 December 2019**	**31**
(26,463)	Adjustments at 1 January 2019	-
108	Exchange rate adjustment	(1)
3,186	Share of profit/(loss) for the year in subsidiaries	-
(288)	Dividends from subsidiaries	-
(23,457)	**Balance at 31 December 2019**	**(1)**
45,906	**Carrying amount at 31 December 2019**	**30**

In the above, additions from acquired subsidiaries, the added value at year-end 2019 amounted to € 8,860 million.

Shares in subsidiaries

Name	Place of business	Share Capital	Votes and ownership
RMIG Sweden AB	Mariestad, Sweden	4,000 TSEK	100%
RMIG AS	Stokke, Norway	1,000 TNOK	100%
RMIG Ltd.	Warrington,Great Britain	500 TGBP	100%
RMIG GmbH	Raguhn, Germany	2,557 TEUR	100%
RMIG Nold GmbH	Stockstadt, Germany	1,023 TEUR	100%
RMIG Lochbleche GmbH	Leobersdorf, Austria	400 TEUR	100%
RMIG AG	Olten, Switzerland	100 TCHF	100%
RMIG B.V.	Dordrecht, The Netherlands	193 TEUR	100%
RMIG N.V./S.A.	Aalst, Belgium	217 TEUR	100%
RMIG Sp. Z.o.o.	Poznan, Poland	3,500 TPLN	100%
RMIG S.A.S.	Lyon, France	200 TEUR	100%
MEVACO GmbH	Göppingen, Germany	1,600 TEUR	100%

Notes

Parent 2018 €'000	Parent 2019 €'000		Group 2019 €'000	Group 2018 €'000
		11. Deferred tax		
1,095	994	Tax asset/liabilities at 1 January	2,358	2,479
(3)	(0)	Exchange rate adjustment	(11)	10
(49)	(28)	Changes during the year, recognised on equity	504	(49)
(48)	(24)	Changes during the year, recognised in profit and loss account	(861)	(82)
995	**943**		**1,989**	**2,358**
		Deferred taxes relate to the following items:		
150	89	Intangible assets	88	(222)
363	752	Tangible assets	799	410
(52)	(83)	Current assets	(347)	96
67	30	Provisions	129	165
(21)	(19)	Liabilities other than provisions	308	(2)
596	173	Tax losses carry forward, gross	2,893	4,388
(108)	-	Impairment of tax asset	(1,881)	(2,477)
995	**943**	**Total deferred tax**	**1,989**	**2,358**
		Consisting of:		
995	**943**	**Deferred tax asset**	**2,980**	**2,929**
-	**-**	**Provision for deferred tax liabilities**	**991**	**571**

Tax losses carried forward are recognised as the value of current accounting policy, in which only the portion of tax losses expected to be used within a five-year period is capitalised.

Notes

Parent 2018 €'000	Parent 2019 €'000		Group 2019 €'000	Group 2018 €'000
		12. Inventories		
1,709	1,798	Raw materials and consumables	5,719	4,003
331	269	Work in progress	2,468	2,445
1,674	1,708	Manufactured goods and goods for resale	9,548	9,079
3,714	**3,774**		**17,736**	**15,527**

13. Prepayments

Prepayments include payment in advance and accrued income, such as insurance premium or subscriptions.

Parent 2018 €'000	Parent 2019 €'000		Group 2019 €'000	Group 2018 €'000
		14. Pension and similar liabilities		
-	-	Liability at 1 January	704	705
-	-	Spent during the year	(34)	(34)
-	-	Change in assumptions	109	33
-	**-**		**778**	**704**

Pension and similar liabilities solely relate to provisions made in connection with the subsidiaries' pension obligations to present and former employees. Provisions are calculated on the basis of actuarial computations according to the Company’s accounting policy.

Notes

Parent 2018 €'000	Parent 2019 €'000	15. Other provisions	Group 2019 €'000	Group 2018 €'000
122	303	Other provisions at 1 January	391	227
(1)	(0)	Exchange rate adjustment	(0)	(1)
(11)	(17)	Spent during the year	(32)	(55)
(42)	(46)	Reversed during the year	(85)	(83)
235	(104)	Provisions made during the year	491	303
303	**136**		**765**	**391**

Other provisions essentially relate to provisions made in connection with the Group's restructuring activities. Provisions are, in all material respects, expected to mature within the coming financial year.

Parent 2018 €'000	Parent 2019 €'000	16. Long-term liabilities other than provisions	Group 2019 €'000	Group 2018 €'000
		Part of long-term liabilities falling due after more than 5 years from the balance sheet date amounts to:		
3,348	3,347	Subordinated convertible loan capital	3,347	3,348
6,439	5,359	Mortgage debt	5,359	6,439
849	670	Derivates	670	849
-	27,857	Long-term loans	27,857	-
-	341	Other long-term debt	1,839	-
-	-	Finance lease debt	3,154	-
10,636	**37,574**		**42,226**	**10,636**
3,165	4,256	Mortgage debt over 1 year less than 5 years	4,256	3,165
1,062	1,116	Derivates over 1 year less than 5 years	1,116	1,062
14,863	**42,946**		**47,598**	**14,863**

The subordinated convertible loan capital has no maturity. The outstanding amount is DKK 25 mill. equal to € 3,347 mill. end of 2019 (end of 2018: DKK 25 mill equal to € 3,348 mill). The subordination is valid for the full loan amount. The loan shall be repaid upon request from creditor with a notice period of minimum 12 months. In case of liquidation or bankruptcy the loan is subordinated to all other debts of the company.

Notes

16. Long-term liabilities other than provision (continued)

The loan is convertible into share capital with a redemption at pari. Hence the current outstanding amount can be converted into share capital of a nominal value of in total DKK 25 mill. There is no deadline for the right of conversion. The loan bears interests at arm’s length conditions.

Other long-term debt are provision made for the long-term holiday accrual in Denmark and Time value account in MEVACO GmbH. The Finance lease debt occur in connection to the acquisition of MEVACO GmbH.

Parent			Group	
2018 €'000	2019 €'000		2019 €'000	2018 €'000
		17. Mortgage debt etc.		
9,604	9,615	Mortgage debt	9,615	9,604
1,911	1,786	Derivates	1,786	1,911
11,515	**11,401**		**11,401**	**11,515**

Derivates of DKK 13.3 mill. equals to € 1,786 mill. is founded to secure a fixed interest rate on the variable mortgage loan. The derivates of notional principal amount DKK 72.3 mill equals to € 9,615 mill, are securing a fixed interest rate of 4.02% and will expire in 2028. Mortgage loan and derivates are with the same counterpart.

	Group	
	2019 €'000	2018 €'000
18. Working capital changes		
Change in inventories	2,112	(466)
Change in receivables	688	(358)
Change in trade payables, etc	(2,262)	(1,999)
Change in other NWC items	2,123	(90)
	2,661	**(2,913)**

Notes

	Group/Parent			
	Net book value of assets charged 2019 €'000	Charge 2019 €'000	Net book value of assets charged 2018 €'000	Charge 2018 €'000
19. Assets charged				
Group				
Current assets	-	-	928	928
Shares	4,556	26,000	-	-
Land, buildings and machineries	11,461	16,175	5,072	12,485
	16,018	**42,175**	**6,000**	**13,413**
Parent				
Shares	4,556	26,000	-	-
Land, buildings and machineries	5,217	12,481	5,072	12,485
	9,774	**38,481**	**5,072**	**12,485**

Debt related to shares is 14,226 TEUR.
The new committed credit facility of EUR 26 million expire in 2024 and include a overdraft facility of EUR 6 million.
The Group has been operating within the financial covernants for 2019, which includes gearing ratio and cross-default.

Debt related to land, buildings and machinery is 12,969 TEUR end of 2019.
Hereof is 1,498 TEUR related to Time value account in MEVACO GmbH.

Notes

20. Related parties and group relations

Related party comprise the shareholder, the Board of Directors and Management as well as enterprises of the RM Rich. Müller A/S Group, see group chart on page 6 and company details on page 1 in the annual report. Please also refer to the accounting policies.

Related parties with a controlling interest:

> The Rich. Müller-Foundation, Industriparken 40, 2750 Ballerup, Denmark wholly owns the share capital and the voting rights.

Rich. Müller-Foundation is the ultimate shareholder of RM Rich. Müller A/S. The Foundation does not prepare any consolidated financial statement.

All transactions with related parties, meet the requirememts of arm’s length conditions.

21. Contingent liabilities

Parent

The parent company has signed suretyships regarding all current and future obligations of a number of subsidiaries towards Nordea Group. At 31 December 2019 the balance between these subsidiaries and Nordea amounted to zero.

Parent			Group	
2018 €'000	**2019 €'000**		**2019 €'000**	**2018 €'000**
		22. Operational lease obligations		
		Operational lease obligations		
142	110	Due within 1 year	242	320
149	141	Due within 1 to 5 years	368	599
		Other obligations		
423	415	Due within 1 year	415	620
127	127	Due within 1 to 5 years	127	273
841	**794**		**1,153**	**1,812**

Accounting policies

Basis of accounting

The annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large). The accounting policies are unchanged from last year.

Reporting currency

The financial statements are presented in euro which is also the Group's internal reporting currency. Translation of amounts in DKK is based on the following exchange rates:

DKK/€	2019	2018
Income statement items	747.12	744.10
Balance sheet items	746.97	746.73

Recognition and measurement

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

Liabilities are recognised in the balance when the Group, as a consequence of a previous event, has a legal or actual liability, and it is likely that future financial advantages will be deducted from the Group, and the value of the 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 financial statement item below.

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

Profits, losses and risks that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, including recognition of value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Costs incurred to make this year's earnings, including depreciation, amortisation, impairment losses, provisions and reversals due to changed accounting estimates previously recognised in the income statement are furthermore recognised in the income statement.

Consolidation

The consolidated financial statements include RM Rich. Müller A/S (Parent) and the group enterprises (subsidiaries) in which the Group holds more than 50% of the voting rights or in any other way exercises controlling influence. Enterprises in which the Group holds 20%-50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries whose financial statements have been prepared applying the accounting policies of the RM Rich. Müller Group. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts as well as shareholdings are eliminated. Furthermore, unrealised profits and losses on transactions between the consolidated enterprises are eliminated.

Accounting policies

Foreign currency translation

Foreign currency transactions are translated applying standard exchange rates that roughly reflect the exchange rate at the transaction date. Assets and liabilities in foreign currencies are translated using the exchange rate at the balance sheet date and hedged amounts are translated at the agreed exchange rates. Exchange differences deriving from this are recognised in the income statement under financial income and expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the year and the balance sheet items are translated at the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' and associates' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly on equity.

Currency exposure related to foreign enterprises' equity is as a main assumption not hedge, as investments in foreign enterprises are seen as long-term investments. Exchange gains and losses – if any - on hedging are recognised directly on equity.

Derivatives

The RM Rich. Müller Group uses derivatives to control financial exposure that arises in connection with operating, financing and investing activities.

On initial recognition, derivatives are measured at cost and subsequently at fair value in the balance sheet. Positive and negative fair values of derivatives are recognised under other receivables or other payables.

Changes in the fair value of derivatives, classified as and complying with the requirements for hedging of the fair value of a recognised asset or liability, are recorded in the income statement according to the policy applied for hedged items.

Changes in the fair value of derivatives, classified as and complying with the requirements for hedging future assets or liabilities, are recognised under receivables or payables as well as equity. Income and expenses regarding such hedging transactions are transferred from equity at realisation and recognised under the same financial statement item as the hedged amount.

For derivatives that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement.

Changes in the fair value of derivatives, applied for hedging of net investments in independent foreign subsidiaries or associates, are classified directly on equity.

Pension obligations

The Group has made pension schemes and similar contracts with most of its employees.

The Company's payments into contributory schemes are recognised in the income statement at the time of maturity and any outstanding payments are recognised in the balance sheet under other payables.

For benefit schemes, an actuarial calculation is made of the net present value of future benefits to be paid by the Company pursuant to the schemes. The net present value less market value of assets related to the scheme is recognised in the balance sheet under pension obligations. Changes in net present value are recognised in the income statement.

Accounting policies

Government grants

Government grants, related to the acquisition of assets, are recognised concurrently with expenditure and depreciation on the assets concerned. Government grants, received to cover costs, are recognised when incurred.

Repayment obligations that are made topical in case of conditions for receiving the grants are not fulfilled are disclosed in the notes under contingent liabilities.

Income statement

Turnover

Turnover comprises invoiced sales for the year less cash discounts.

Costs of sales

Costs of sales (variable costs and other production costs) comprise costs incurred to achieve sales for the year. Costs of sales include direct payroll expenses, consumables and indirect production costs, incl. among others costs for freight, which is a deviation from the Danish Companies Act. In addition, research and non-capitalised development costs are included.

Sales and marketing costs

Sales and marketing costs comprise costs incurred for sale and distribution of the Group’s products.

Administrative expenses

Administrative expenses comprise expenses for the administrative staff and Management as well as other indirect costs.

Other operating income and expenses

Other operating income and expenses comprise income and expenses of a secondary nature to the Group’s primary activities, incl. grants for research and development, rental and commission income as well as payroll refunding etc.

Income from investments in group enterprises

The Parent’s pro rata share of the each subsidiary’s profit or loss after tax and adjustment of unrealised intra-group profits and losses is recognised in the income statement.

Financial income and expenses

Interest income and interest expenses are recognised in the income statement at the amounts attributable to the financial year. In addition, financial income and expenses comprise income and expenses under finance leases.

Furthermore, realised and unrealised value adjustments on financial instruments, securities and transactions in foreign currencies are recognised in the income statement.

Accounting policies

Income taxes

Tax for the year includes current tax for the year and changes in deferred tax. Tax for the year relates to both profit/losses from ordinary and extraordinary activities.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's expected taxable income adjusted for tax payable from prior years. Tax related to the exchange gains and losses on financial instruments used for hedging the equity of foreign group enterprises are recognised directly on equity.

Deferred tax is calculated based on the current tax rates for the financial year on all temporary differences between the carrying amount and tax-based value of assets and liabilities. The effect of any changes in the tax rates is recognised in the accounts similar to the original transaction. Provisions for deferred tax liabilities are not made as regards investments in subsidiaries, as the temporary differences are not expected for realisation in the near future.

Tax losses carry forward that with adequate certainty are expected to be set off against future taxable income within a five-year period are capitalised and set off against the deferred tax liability within the same legal entity and jurisdiction.

Balance sheet

Fixed assets

When acquiring an enterprise goodwill or negative goodwill on consolidation is computed as the difference between purchase price and fair value of the net assets.

The economic useful life on goodwill is estimated on basis of the empirical professional knowledge of Management within each segment. The amotisation period is maximum 20 years and lasts longest for companies with a strong market position and a long profit profile.

Research expenditure is written off as incurred. Development expenditures is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalized as an intangible asset and amortised over the period during which the company is expected to benefit. This period is 5-7 years. Provision is made for any impairment.

Property, plant and equipment, and other intangible assets are in the year of acquisition measured at acquisition price or cost. The cost of self-constructed assets comprises expenses for materials, direct labour costs and a portion of indirect production costs. Interests are not included in the indirect production costs.

All fixed assets are measured less accumulated depreciation and impairment losses. The carrying amounts of intangible assets and property, plant and equipment are reviewed annually to determine whether or not there are indications of impairment. If such indication exists, the recoverable amount is estimated as the higher of net sales price and utility value. Impairment losses are expensed under amortisation and depreciation.

Accounting policies

Fixed assets (continued)

Straight-line depreciation and amortisation are made on the basis of the estimated useful lives of the assets:

Software, licenses and patents	up to 5 years
Trademarks	up to 10 years
Goodwill	up to 20 years
R&D and other intangible assets	up to 7 years
Buildings	20 to 40 years
Plant and machinery	5 to 15 years
Fixtures and fittings, tools and equipment	3 to 10 years
Other plant and machinery, fixtures and fittings, tools and equipment	3 to 10 years

Assets of a low acquisition price or of a short useful life are expensed right away in the income statement

Assets, held under financial leases, are recognised in the balance sheet at the lower of fair value and present value of future lease payments at the time of acquisition. The internal rate of return of the lease or an approximation of this is applied as a discount factor for determining the present value. Assets, held under financial leases, are depreciated equal to the Group's other property, plant and equipment.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest portion of the lease payment is recognised in the income statement.

For operating lease the lease payments are expensed on a straight-line basis over the lease term.

Fixed asset investments

Investments in subsidiaries and associates are measured under the equity method. The pro rata share of the subsidiaries' equity is adjusted for unrealised intra-group profits and losses and goodwill/negative goodwill on consolidation.

Net revaluation of investments in subsidiaries and associates is recognised in net revaluation under the equity method if the net revaluation exceeds dividends declared by the enterprises.

Investments in subsidiaries and associates with a negative equity are measured at zero value and to the extend any receiveable from these companies is irrecoverable it is written down by the pro rata share of the negative equity. When the pro rata share of the negative equity exceeds the receiveable, the remaining amount is recognised under provisions to the extend that there is a legal or actual liability to pay them.

Newly acquired companies are recognized in the consolidated financial statement from the date of acquisition. In the acquisition of new entities over which the Group obtains control, the acquisition method is used, meaning that the acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Intangible assets indentified are recognized if they can be separated or if they originate from contractual terms. The tax effect of the revaluation is taken into account.

Inventories

Inventories are measured at the lower of acquisition price and cost using the FIFO method. If the acquisition price or cost exceeds the net realisable value, a write-down is made to such lower value.

Work in progress and finished goods are recognised at manufacturing cost that includes consumption of materials and payroll costs plus indirect production costs. Indirect production costs comprise operating expenses, maintenance and depreciation of production plant as well as administration and factory management.

In cases where the acquisition price or the manufacturing cost exceeds the estimated sales price less completion costs and distribution costs, a write-down is made to such lower net realisable value.

Receivables

Receivables are measured at amortised cost. Provision is made for bad debts.

Other provisions

Other provisions comprise restructuring provisions which are recognised when the Group has a legal or constructive obligation.

Financial liabilities

Mortgage debt and bank debt are recognised in the balance sheet at the proceeds received deducted any costs of transaction. In subsequent periods, the debts are measured at amortised cost. The difference between proceeds and nominal value is thus recognised in the profit and loss accounts as an interest expense over the duration of the debts.

Cash flow statement

The cash flow statement is presented using the indirect method split into operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year.

No cash flow statement has been prepared for the parent company as the cash flow of the parent company is included in the cash flow of the Group.

Cash flows from operating activities are calculated as the operating result adjusted for non-cash operating items, working capital changes and net financial items.

Cash flows from investing activities comprise payments in connection with purchase and sale of property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise payments to and investment from shareholders as well as raising and repayment of loans and payments of dividends.

The cash flow statement cannot be concluded only from the published financial records.

Cash and cash equivalents comprise of cash funds and any investments recognised as current assets, which are highly liquid and readily convertible to cash, deducted by the amount of bank debts which consists of overdraft facilities.

Segment information

As the primary and the secondary segments are identical, disclosures are solely provided on geographic markets. The segmental disclosures comply with the Group's accounting policies, risks and internal financial control.