

Dunlop Hiflex A/S

Vallensbækvej 24, 2605 Brøndby

CVR no. 69 80 02 11

Annual report 2020

Approved at the Company's annual general meeting on 21 June 2021

Chair of the meeting:

.....
Enrico Gennasio





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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Dunlop Hiflex A/S for the financial year 1 January - 31 December 2020.

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 of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Brøndby, 21 June 2021
Executive Board:

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Magnus Andersson

Board of Directors:

.....
Enrico Gennasio
Chair

.....
Guido Gennasio

.....
Magnus Andersson

.....
Stefano Galbussera

Independent auditor's report

To the shareholders of Dunlop Hiflex A/S

Opinion

We have audited the financial statements of Dunlop Hiflex A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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.

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 21 June 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kim Thomsen
State Authorised Public Accountant
mne26736

Management's review

Company details

Name	Dunlop Hiflex A/S
Address, Postal code, City	Vallensbækvej 24, 2605 Brøndby
CVR no.	69 80 02 11
Established	16 November 1982
Financial year	1 January - 31 December
Telephone	+45 43 25 40 00
Board of Directors	Enrico Gennasio, Chair Guido Gennasio Magnus Andersson Stefano Galbussera
Executive Board	Magnus Andersson
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management commentary

Business review

The purpose of the company is to conduct business within trade and industry and other related companies and to act as a holding company for Danish and foreign production and trading companies. The company has not been negatively effected by Covid-19. The same is expected for 2021.

Financial review

The income statement for 2020 shows a profit of DKK 2,714,601 against a profit of DKK 2,587,081 last year, and the balance sheet at 31 December 2020 shows equity of DKK 30,333,877.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	2020 DKK	2019 DKK'000
Gross profit	22,881,914	22,291
2 Staff costs	-17,375,562	-17,680
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,120,077	-1,129
Profit before net financials	4,386,275	3,482
3 Financial income	326,607	8
4 Financial expenses	-1,223,738	-161
Profit before tax	3,489,144	3,329
5 Tax for the year	-774,543	-742
Profit for the year	2,714,601	2,587
 Recommended appropriation of profit		
Retained earnings	2,714,601	2,587
	2,714,601	2,587

Financial statements 1 January - 31 December

Balance sheet

Note	2020 DKK	2019 DKK'000
ASSETS		
Fixed assets		
6 Intangible assets		
Acquired intangible assets	256,914	678
	<u>256,914</u>	<u>678</u>
7 Property, plant and equipment		
Plant and machinery	2,228,951	2,745
Fixtures and fittings, other plant and equipment	62,817	18
	<u>2,291,768</u>	<u>2,763</u>
Investments		
Deposits, investments	665,694	666
	<u>665,694</u>	<u>666</u>
Total fixed assets	<u>3,214,376</u>	<u>4,107</u>
Non-fixed assets		
Inventories		
Finished goods and goods for resale	9,059,263	9,059
	<u>9,059,263</u>	<u>9,059</u>
Receivables		
Trade receivables	18,077,124	13,534
Receivables from group enterprises	4,435,701	1,567
Other receivables	4,126	4
Prepayments	244,134	556
	<u>22,761,085</u>	<u>15,661</u>
Cash	<u>19,243,209</u>	<u>8,945</u>
Total non-fixed assets	<u>51,063,557</u>	<u>33,665</u>
TOTAL ASSETS	<u>54,277,933</u>	<u>37,772</u>

Financial statements 1 January - 31 December

Balance sheet

Note		2020 DKK	2019 DKK'000
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	5,000,000	5,000
	Retained earnings	25,333,877	22,619
	Total equity	30,333,877	27,619
	Provisions		
	Deferred tax	8,912	75
	Other provisions	50,000	50
	Total provisions	58,912	125
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	1,752,853	645
		1,752,853	645
	Current liabilities other than provisions		
	Trade payables	2,045,011	2,307
	Payables to group enterprises	15,971,317	3,871
	Corporation tax payable	269,425	285
	Other payables	3,598,422	2,800
	Deferred income	248,116	120
		22,132,291	9,383
		23,885,144	10,028
	TOTAL EQUITY AND LIABILITIES	54,277,933	37,772

- 1 Accounting policies
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2019	5,000,000	20,032,195	25,032,195
Transfer through appropriation of profit	0	2,587,081	2,587,081
Equity at 1 January 2020	5,000,000	22,619,276	27,619,276
Transfer through appropriation of profit	0	2,714,601	2,714,601
Equity at 31 December 2020	5,000,000	25,333,877	30,333,877

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Dunlop Hiflex A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Income statement

Revenue

Income from the sale of goods for resale and finished goods, including sales of hoses and fittings for high and low pressure application to the OEM, MRO and Offshore market, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	5-10 years
Plant and machinery	5-10 years
Fixtures and fittings, other plant and equipment	1-5 years
Leasehold improvements	3-5 years

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

	2020 DKK	2019 DKK'000
2 Staff costs		
Wages/salaries	15,725,222	15,817
Pensions	1,269,460	1,263
Other social security costs	380,880	600
	<u>17,375,562</u>	<u>17,680</u>
Average number of full-time employees	<u>30</u>	<u>32</u>
3 Financial income		
Other financial income	326,607	8
	<u>326,607</u>	<u>8</u>
4 Financial expenses		
Other financial expenses	1,223,738	161
	<u>1,223,738</u>	<u>161</u>
5 Tax for the year		
Estimated tax charge for the year	840,742	766
Deferred tax adjustments in the year	-66,199	-24
	<u>774,543</u>	<u>742</u>
6 Intangible assets		
DKK		Acquired intangible assets
Cost at 1 January 2020		<u>4,481,188</u>
Cost at 31 December 2020		<u>4,481,188</u>
Impairment losses and amortisation at 1 January 2020		3,802,813
Amortisation for the year		<u>421,461</u>
Impairment losses and amortisation at 31 December 2020		<u>4,224,274</u>
Carrying amount at 31 December 2020		<u>256,914</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2020	9,728,900	3,025,801	12,754,701
Additions	163,421	61,125	224,546
Disposals	0	60,000	60,000
Cost at 31 December 2020	9,892,321	3,146,926	13,039,247
Impairment losses and depreciation at 1 January 2020	6,983,690	3,008,172	9,991,862
Depreciation	679,680	15,937	695,617
Depreciation and impairment of disposals	0	60,000	60,000
Impairment losses and depreciation at 31 December 2020	7,663,370	3,084,109	10,747,479
Carrying amount at 31 December 2020	2,228,951	62,817	2,291,768

8 Share capital

The Company's share capital has remained DKK 5,000,000 in the past year.

9 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

	2020 DKK	2019 DKK'000
Rent and lease liabilities	3,152,456	5,097

10 Collateral

As security for the Company's debt to certain creditors, the Company has provided bank payment guarantees for a total amount of DKK 448,630.

11 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
AlfaGomma SpA	Via Torri Bianchi 1, 20871 Vimercate, Monza Brianza, Italy	The consolidated financial statements may be obtained at the parent company's adress