

# Niebuhr Gears A/S

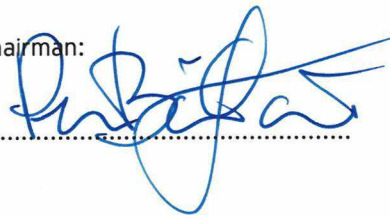
La Cours Vej 8, 7430 Ikast

CVR no. 71 15 07 12

## Annual report 2019

Approved at the Company's annual general meeting on 20 May 2020

Chairman:



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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Niebuhr Gears A/S for the financial year 1 January - 31 December 2019.

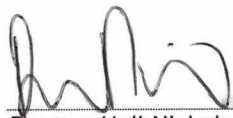
The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

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

Ikast, 20 May 2020  
Executive Board:



Rasmus Holt Niebuhr

Board of Directors:



Mogens Filtenborg  
Chairman



Rasmus Holt Niebuhr



Per Thy Sørensen



Else Rasmussen  
Employee representative



Michael Sørensen  
Employee representative

## Independent auditor's report

To the shareholders of Niebuhr Gears A/S

### Opinion

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

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 company financial statements" (hereinafter collectively referred to as "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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and 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 consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 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.

## Independent auditor's report

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and 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.

### 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.

### Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 20 May 2020  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Claus Hammer-Pedersen', is written over the printed name.

Claus Hammer-Pedersen  
State Authorised  
Public Accountant  
mne21334

## Management's review

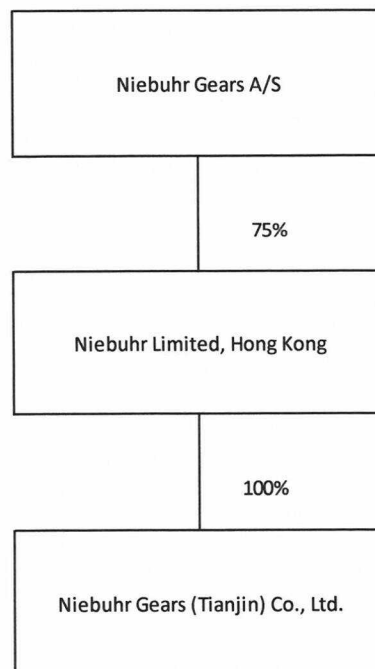
### Company details

Name	Niebuhr Gears A/S
Address, zip code, city	La Cours Vej 8 DK-7430 Ikast
CVR no.	71 15 07 12
Established	29 June 1982
Registered office	Ikast-Brande
Financial year	1 January - 31 December
Website	<a href="http://www.niebuhr.dk">www.niebuhr.dk</a>
E-mail	<a href="mailto:niebuhr@niebuhr.dk">niebuhr@niebuhr.dk</a>
Telephone	+45 96 60 50 50
Board of Directors	Mogens Filtenborg Rasmus Holt Niebuhr Per Thy Sørensen Else Rasmussen Michael Sørensen
Executive Board	Rasmus Holt Niebuhr
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25 DK-8000 Aarhus C

## Management's review

### Group chart

#### The Niebuhr Group





## Management's review

### Financial highlights for the Group

DKK'000	2019	2018	2017	2016	2015
<b>Key figures</b>					
Gross profit	42,393	41,352	45,711	46,986	26,730
Operating profit	18,740	20,276	26,430	30,035	11,737
Profit before tax	17,895	10,225	21,607	26,449	9,185
<b>Profit/loss for the year</b>	<b>13,840</b>	<b>7,928</b>	<b>16,555</b>	<b>20,405</b>	<b>6,043</b>
<b>Balance sheet</b>					
Fixed assets	125,134	114,202	170,887	138,238	146,181
Non-fixed assets	128,395	153,430	137,136	122,048	119,106
<b>Total assets</b>	<b>253,529</b>	<b>267,632</b>	<b>308,023</b>	<b>260,286</b>	<b>265,287</b>
Equity	111,739	100,674	98,128	92,668	79,533
Provisions	1,700	2,047	2,194	1,894	165
Non-current liabilities	64,073	51,431	104,344	80,729	82,450
<b>Current liabilities</b>	<b>76,017</b>	<b>113,480</b>	<b>103,357</b>	<b>84,995</b>	<b>103,139</b>
<b>Cash flows</b>					
Cash flows from operating activities	26,917	42,835	20,393	58,706	7,748
Net cash flows from investing activities	-36,173	27,765	-60,115	-16,271	-23,708
Cash flows from financing activities	13,624	-84,587	22,772	-12,488	-12,816
<b>Total cash flows</b>	<b>4,368</b>	<b>-13,987</b>	<b>-16,950</b>	<b>29,947</b>	<b>-28,776</b>
Portion relating to investments in items of property, plant and equipment	35,656	26,391	60,974	16,914	26,418
<b>Financial ratios</b>					
Return on invested capital	7.7%	7.0%	9.3%	11.4%	4.7%
Solvency ratio	40.5%	34.4%	29.2%	32.6%	27.5%
Return on equity	14.2%	8.7%	18.1%	24.1%	8.7%
<b>Average number of full-time employees</b>	<b>181</b>	<b>172</b>	<b>178</b>	<b>159</b>	<b>161</b>

Financial ratios are calculated as follows:

Return on invested capital	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Solvency ratio	$\frac{\text{Equity excl. non-controlling interests, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$

## Management's review

### Operating review

#### The Group's most important activities

Niebuhr Gears A / S is Denmark's largest manufacturer of gears and transmission components, which are delivered to industrial customers in Europe, China, India and the USA. Niebuhr has own production facilities in Denmark and China.

Development and production preparation takes place primarily in the parent company in Denmark, where all types of gears and transmission components are manufactured. Large gears are also manufactured at the factory in China.

In recent years Niebuhr has invested heavily in modern machines, robotic solutions and automation to ensure continued development and competitiveness.

Niebuhr contributes to the green conversion and production of clean energy, through the supply of key components to the wind turbine industry.

Niebuhr also contributes to efficiency improvements in construction machinery, agricultural machinery and more, by supplying high quality transmission products.

Niebuhr has 3 primary business areas:

#### Industrial Gears

In Denmark, Industrial Gears manufactures gearwheels and transmission components, in batches from one to several thousands, with a high degree of robotization and automation.

#### Heavy Duty

Heavy Duty produces large gears in Denmark and China, up to 6 meters in diameter. Niebuhr's Heavy Duty department is the world's leading manufacturer of large yaw rings for the wind industry.

#### Process Gears

Process Gears is a new business area, that started its operations in Q4 2019. Process Gears offers mass production of gearwheels on state-of-the-art and fully automated production lines.

#### The year passed and expectations for the coming year

##### Result

The Group's share of the result for the financial year was MDKK 13.4 against MDKK 7.4 in 2018.

Management considers results to be satisfactory.

##### Expectations for the coming year

As expected, the first quarter of the year started with positive results, but unfortunately, COVID-19 has evolved into a global pandemic, which will have a negative impact on the Group, and which has caused great uncertainty in the market outlook.

Niebuhr will closely monitor the situation, and make the necessary arrangements, to ensure that the company will remain profitable through the COVID-19 crisis.

##### Special risks

##### Capital resources

The company has the necessary credit facilities to finance operations and investments for the coming year.

## Management's review

### Operating review

#### Currency risks

The Company continuously assesses its exposure in foreign currency, and hedges any significant exposures. There is no speculation in foreign exchange investments or hedges.

#### Credit risks

The Group's maximum credit risk corresponds to the value of receivables, as shown in the balance sheet. Major customers are subject to credit assessment, and credit is only granted within the agreed credit limits.

#### Price Risks

The Company hedges its risks by entering into long-term price agreements with its customers, which are offset by similar price agreements with suppliers of raw materials / core services. Thus, significant deviations in the contribution margins, due to fluctuations in, for example, raw material costs, have been limited.

**Consolidated financial statements and parent company financial statements for the period 1 January - 31 December**

**Income statement**

Note	DKK'000	Consolidated		Parent company	
		2019	2018	2019	2018
	<b>Gross profit</b>	42,393	41,352	32,435	32,491
	Distribution costs	-6,393	-4,848	-4,150	-3,257
	Administrative expenses	-17,260	-16,228	-12,962	-12,397
	<b>Operating profit</b>	18,740	20,276	15,323	16,837
	Other operating income	1,420	0	1,037	0
	<b>Profit before net financials</b>	20,160	20,276	16,360	16,837
7	Share of profit/loss in subsidiaries after tax	0	0	1,626	1,863
2	Financial income	989	543	1,157	310
3	Financial expenses	-3,254	-10,594	-2,459	-10,081
	<b>Profit before tax</b>	17,895	10,225	16,684	8,929
4	Tax on profit for the year	-4,055	-2,297	-3,351	-1,538
	<b>Profit for the year</b>	13,840	7,928	13,333	7,391
Breakdown of the consolidated results of operations:					
	Shareholders, Niebuhr Gears A/S	13,333	7,391		
	Non-controlling interests	507	537		
		13,840	7,928		

**Consolidated financial statements and parent company financial statements for the period 1 January - 31 December**

**Balance sheet**

Note	DKK'000	Consolidated		Parent company	
		2019	2018	2019	2018
		<b>ASSETS</b>			
		<b>Fixed assets</b>			
5	<b>Intangible assets</b>				
	Software rights	1,995	1,445	1,995	1,445
		<u>1,995</u>	<u>1,445</u>	<u>1,995</u>	<u>1,445</u>
6	<b>Property, plant and equipment</b>				
	Plant and machinery	94,350	101,120	71,242	76,008
	Fixtures and fittings, tools and equipment	2,748	2,529	2,748	2,529
	Leasehold improvements	5,172	6,004	4,471	4,880
	Property, plant and equipment under construction	20,569	2,804	20,569	2,804
		<u>122,839</u>	<u>112,457</u>	<u>99,030</u>	<u>86,221</u>
	<b>Investments</b>				
7	Investments in subsidiaries	0	0	27,468	25,700
	Securities	300	300	300	300
		<u>300</u>	<u>300</u>	<u>27,768</u>	<u>26,000</u>
	<b>Total fixed assets</b>	<u>125,134</u>	<u>114,202</u>	<u>128,793</u>	<u>113,666</u>
	<b>Non-fixed assets</b>				
	<b>Inventories</b>				
	Raw materials and consumables	25,568	24,883	21,738	21,556
	Contract work in progress	18,062	16,895	13,817	12,405
	Finished goods and goods for resale	22,454	25,155	15,853	19,942
		<u>66,084</u>	<u>66,933</u>	<u>51,408</u>	<u>53,903</u>
	<b>Receivables</b>				
	Trade receivables	50,177	66,512	38,779	60,656
	Receivables from group enterprises	7,268	15,266	15,342	21,136
	Other receivables	935	2,278	73	211
	Prepayments	2,325	1,782	2,710	1,191
		<u>60,705</u>	<u>85,838</u>	<u>56,904</u>	<u>83,194</u>
	<b>Cash</b>	<u>1,606</u>	<u>659</u>	<u>598</u>	<u>491</u>
	<b>Total non-fixed assets</b>	<u>128,395</u>	<u>153,430</u>	<u>108,910</u>	<u>137,588</u>
	<b>TOTAL ASSETS</b>	<u>253,529</u>	<u>267,632</u>	<u>237,703</u>	<u>251,254</u>

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2019	2018	2019	2018
		<b>EQUITY AND LIABILITIES</b>			
8	<b>Equity</b>				
	Share capital	1,000	1,000	1,000	1,000
	Reserve for net revaluation under the equity method	0	0	11,160	9,392
	Dividend proposed for the year	0	3,000	0	3,000
	Retained earnings	101,587	88,112	90,427	78,720
	Equity attributable to equity holders of Niebuhr Gears A/S	102,587	92,112	102,587	92,112
	Non-controlling interests	9,152	8,562	0	0
	<b>Total equity</b>	<b>111,739</b>	<b>100,674</b>	<b>102,587</b>	<b>92,112</b>
	<b>Provisions</b>				
9	Deferred tax	1,700	2,047	1,753	2,138
	<b>Total provisions</b>	<b>1,700</b>	<b>2,047</b>	<b>1,753</b>	<b>2,138</b>
	<b>Liabilities other than provisions</b>				
10	<b>Non-current liabilities other than provisions</b>				
	Other non-current liabilities	0	1,080	0	0
	Lease obligations	64,073	50,351	64,073	50,351
		<b>64,073</b>	<b>51,431</b>	<b>64,073</b>	<b>50,351</b>
	<b>Current liabilities other than provisions</b>				
10	Current portion of non-current liabilities other than provisions	13,670	17,949	12,584	14,880
	Bank loans and overdrafts	41,146	44,567	33,913	37,848
	Trade payables	9,221	19,861	6,806	13,143
	Payables to group enterprises	264	0	5,845	12,243
	Corporation taxes payable	902	1,011	862	599
	Prepayments	0	20,815	0	20,815
	Other payables	10,814	9,277	9,280	7,125
		<b>76,017</b>	<b>113,480</b>	<b>69,290</b>	<b>106,653</b>
	<b>Total liabilities other than provisions</b>	<b>140,090</b>	<b>164,911</b>	<b>133,363</b>	<b>157,004</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>253,529</b>	<b>267,632</b>	<b>237,703</b>	<b>251,254</b>

- 1 Accounting policies
- 11 Contractual obligations and contingencies, etc.
- 12 Mortgages and collateral
- 13 Staff costs
- 14 Related party disclosures

**Consolidated financial statements and parent company financial statements for  
the period 1 January - 31 December**

**Statement of changes in equity**

		Consolidated					
Note	DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total	Non-controlling interests	Total equity
	<b>Equity at 31 December 2018</b>	1,000	88,112	3,000	92,112	8,562	100,674
	Paid dividends	0	0	-3,000	-3,000	0	-3,000
	Transferred; see profit appropriation	0	13,333	0	13,333	508	13,841
	Foreign currency translation adjustments, foreign subsidiaries	0	142	0	142	82	224
	Transfer of interest swap	0	0	0	0	0	0
	<b>Equity at 31 December 2019</b>	<u>1,000</u>	<u>101,587</u>	<u>0</u>	<u>102,587</u>	<u>9,152</u>	<u>111,739</u>

		Parent company				
Note	DKK'000	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Dividend proposed for the year	Total
	<b>Equity at 31 December 2018</b>	1,000	9,392	78,720	3,000	92,112
	Paid dividends	0	0	0	-3,000	-3,000
15	Transferred; see profit appropriation	0	1,626	11,707	0	13,333
	Foreign currency translation adjustments, foreign subsidiaries	0	142	0	0	142
	Transfer of interest swap	0	0	0	0	0
	<b>Equity at 31 December 2019</b>	<u>1,000</u>	<u>11,160</u>	<u>90,427</u>	<u>0</u>	<u>102,587</u>

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Cash flow statement

Note	DKK'000	Consolidated	
		2019	2018
	<b>The Group's share of profit for the year</b>	13,333	7,391
	Non-controlling interests' share of the results of subsidiaries	508	537
		13,841	7,928
16	Adjustments	31,795	45,094
	Cash generated from operations (operating activities) before changes in working capital	45,636	53,022
17	Changes in working capital	-11,934	-2,381
	Cash generated from operations (operating activities)	33,702	50,641
	Interest received	989	543
	Interest paid	-3,254	-5,490
	Cash generated from operations (ordinary activities)	31,437	45,694
	Corporation tax paid	-4,520	-2,859
	<b>Cash flows from operating activities</b>	<b>26,917</b>	<b>42,835</b>
	Acquisition of property, plant and equipment	-36,787	-26,978
	Disposal of property, plant and equipment	614	54,743
	Acquisition of securities	0	0
	<b>Cash flows from investing activities</b>	<b>-36,173</b>	<b>27,765</b>
	External financing:		
	Repayment of long-term debt	-8,067	-64,481
	Raising of loans	16,429	0
	Changes in balances with shareholders	0	0
	Changes in balances with group companies	8,262	-12,106
	Paid dividends	-3,000	-8,000
	<b>Cash flows from financing activities</b>	<b>13,624</b>	<b>-84,587</b>
	<b>Net cash flows from operating, investing and financing activities</b>	<b>4,368</b>	<b>-13,987</b>
	Cash and cash equivalents at 1 January	-43,908	-29,921
	Cash and cash equivalents at 31 December	-39,540	-43,908

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.



## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Niebuhr Gears A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized enterprises under the Danish Financial Statements Act.

The financial statements have been prepared in accordance with the same accounting policies as last year.

#### Consolidated financial statements

The consolidated financial statements comprise the parent company, Niebuhr Gears A/S, and subsidiaries in which Niebuhr Gears A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

#### Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

### Income statement

#### Revenue

Revenue from the sale of finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

#### Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Trading enterprises recognise their cost of sales, and production enterprises recognise their production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation of production plant.

#### Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

#### Administrative expenses

Administrative expenses comprise expenses incurred during the year for group management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation.

#### Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

#### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Tax on profit/loss for the year

The parent company of the total Group, Rasmus Investments ApS, is covered by the Danish rules on compulsory joint taxation of the Niebuhr Group's Danish subsidiaries.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

##### Balance sheet

##### Intangible assets

Software rights are measured at cost less accumulated amortisation. Software rights are amortised over three years.

##### Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

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

#### Leases

Leases for fixed assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

#### Investments in subsidiaries

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Niebuhr Gears A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied; see Consolidated financial statements above.

#### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

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

#### 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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

#### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses based on an individual assessment of receivables.

#### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

#### Equity

##### *Reserve for net revaluation according to the equity method*

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

##### *Dividends*

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

##### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value 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 different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

#### Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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 obligation on finance leases.

Other liabilities are measured at net realisable value.

#### Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group'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 Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

#### Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

#### Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

DKK'000	Consolidated		Parent company	
	2019	2018	2019	2018
<b>2 Financial income</b>				
Interest income from group entities	201	165	372	309
Foreign exchange gains	786	112	0	0
Other interest income	2	266	785	1
	<u>989</u>	<u>543</u>	<u>1,157</u>	<u>310</u>
<b>3 Financial expenses</b>				
Foreign exchange losses	681	681	578	855
Loss on re-mortgaging	0	5,463	0	5,463
Other interest expense	2,573	4,450	1,881	3,763
	<u>3,254</u>	<u>10,594</u>	<u>2,459</u>	<u>10,081</u>
<b>4 Tax on profit for the year</b>				
Estimated tax on the taxable income for the year	4,411	3,365	3,735	2,606
Adjustment of deferred tax	-356	-1,068	-384	-1,068
	<u>4,055</u>	<u>2,297</u>	<u>3,351</u>	<u>1,538</u>

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 5 Intangible assets

	Consoli- dated
	<u>Software rights</u>
DKK'000	
Cost at 1 January 2019	3,828
Additions	1,130
Under development	0
At 31 December 2019	<u>4,958</u>
Impairment losses and amortisation at 1 January 2019	2,383
Amortisation for the year	580
Impairment losses and amortisation at 31 December 2019	<u>2,963</u>
<b>Carrying amount at 31 December 2019</b>	<u><b>1,995</b></u>
Amortised over	<u><u>3 years</u></u>
	<u>Parent company</u>
	<u>Software rights</u>
DKK'000	
Cost at 1 January 2019	3,829
Additions	1,130
Under development	0
Cost at 31 December 2019	<u>4,959</u>
Impairment losses and amortisation at 1 January 2019	2,384
Amortisation for the year	580
Impairment losses and amortisation at 31 December 2019	<u>2,964</u>
<b>Carrying amount at 31 December 2019</b>	<u><b>1,995</b></u>
Amortised over	<u><u>3 years</u></u>



Consolidated financial statements and parent company financial statements for  
the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Consolidated				Total
	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment under construction	
Cost at 1 January 2019	324,647	6,836	21,482	2,804	355,769
Foreign currency translation adjustments, foreign entities	478	0	30	0	508
Additions	33,040	1,479	1,137	0	35,656
Transferred	-18,323	558	0	17,765	0
Disposals	-3,824	-788	-20	0	-4,632
Cost at 31 December 2019	336,018	8,085	22,629	20,569	387,301
Impairment losses and depreciation at 1 January 2019	223,527	4,307	15,478	0	243,312
Foreign currency translation adjustments, foreign entities	276	0	21	0	297
Depreciation	21,585	1,405	1,958	0	24,948
Disposals	-3,720	-375	0	0	-4,095
Impairment losses and depreciation at 31 December 2019	241,668	5,337	17,457	0	264,462
<b>Carrying amount at 31 December 2019</b>	<b>94,350</b>	<b>2,748</b>	<b>5,172</b>	<b>20,569</b>	<b>122,839</b>
Property, plant and equipment include finance leases with a carrying amount totalling	55,264	794	2,367	20,417	78,842
Depreciated over	3-10 years	3-5 years	3-10 years	-	

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 6 Property, plant and equipment (continued)

DKK'000	Parent company				Total
	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment under construction	
Cost at 1 January 2019	265,050	6,836	17,696	2,804	292,386
Additions	29,741	1,479	596	0	31,816
Transferred	-18,323	558	0	17,765	0
Disposals	-3,788	-788	-20	0	-4,596
Cost at 31 December 2019	272,680	8,085	18,272	20,569	319,606
Impairment losses and depreciation at 1 January 2019	189,042	4,306	12,816	0	206,164
Depreciation	16,083	1,405	985	0	18,473
Disposals	-3,687	-375	0	0	-4,062
Impairment losses and depreciation at 31 December 2019	201,438	5,336	13,801	0	220,575
<b>Carrying amount at 31 December 2019</b>	<b>71,242</b>	<b>2,748</b>	<b>4,471</b>	<b>20,569</b>	<b>99,030</b>
Property, plant and equipment include finance leases with a carrying amount totalling	55,264	794	2,367	20,417	78,842
Depreciated over	3-10 years	3-5 years	3-10 years	-	

#### 7 Investments in subsidiaries

DKK'000	Parent company	
	2019	2018
Cost at 31 December	16,308	16,308
Value adjustments at 1 January	9,392	7,819
Foreign currency translation adjustments	142	-290
Profit for the year	1,523	1,611
Intra-group profits	131	324
Adjustment of deferred tax, intra-group profit	-28	-72
Value adjustments at 31 December	11,160	9,392
<b>Carrying amount at 31 December</b>	<b>27,468</b>	<b>25,700</b>

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
Niebuhr Limited, Hong Kong	75%	2,031	36,793

Niebuhr Limited, Hong Kong, holds all the shares in the Chinese company, Niebuhr Gears (Tianjin) Co., Ltd.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 8 Share capital

The share capital comprises 1,000,000 shares of DKK 1 each. No shares carry special voting rights. The share capital has remained unchanged for the past five years.

#### 9 Deferred tax

	Consolidated		Parent company	
	2019	2018	2019	2018
DKK'000				
Deferred tax at 1 January	2,047	2,194	2,138	2,381
Foreign currency translation adjustments	0	0	0	0
Non-controlling interests share	9	24	0	0
Adjustment of deferred tax	-356	-996	-385	-1,068
Adjustment of deferred tax, taken directly to equity	0	825	0	825
<b>Deferred tax 31 December</b>	<b>1,700</b>	<b>2,047</b>	<b>1,753</b>	<b>2,138</b>

Provisions regarding deferred tax comprise deferred tax relating to intangible assets, property, plant and equipment, indirect production overheads regarding inventories, debtors and lease obligations.

#### 10 Non-current liabilities

	Consolidated				
	Total debt at 1/1 2019	Total debt at 31/12 2019	Repayment, first year	Non-current portion from 1 - 5 years	Outstanding debt after 5 years
DKK'000					
Other non-current liabilities	4,149	1,086	1,086	0	0
Lease obligation	65,231	76,657	12,584	46,402	17,672
	<b>69,380</b>	<b>77,743</b>	<b>13,670</b>	<b>46,402</b>	<b>17,672</b>
	Parent company				
	Total debt at 1/1 2019	Total debt at 31/12 2019	Repayment, first year	Non-current portion from 1 - 5 years	Outstanding debt after 5 years
DKK'000					
Lease obligation	65,231	76,657	12,584	46,402	17,672

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 11 Contractual obligations and contingencies, etc.

##### Contingent liabilities

The Company has provided a guarantee for the subsidiary's bank for other non-current liabilities with a residual outstanding amount of DKK 8,320 thousand at 31 December 2019.

The Company has moreover provided absolute guarantee for a Group entity.

##### Operating leases

The Company has entered into operating leases representing the following amounts:

Remaining terms in 24-45 months with an average monthly payment of DKK 239 thousand, totalling DKK 10,407 thousand. Includes rent of property.

In addition, the Company and the Group have entered into finance leases, which have been recognised in the balance sheet; see note 6.

The Group has entered into leases with a remaining term of 160 months with an average monthly lease payment of DKK 68 thousand, totalling DKK 10,802 thousand. Includes rent of property.

##### Buy-back obligation

The Group is, if requested, under an obligation to acquire the non-controlling shareholding in the subsidiary, Niebuhr Limited, Hong Kong, at a price of at least DKK 8.9 million.

##### Joint taxation liability

The Company is jointly taxed with its parent, Rasmus Investments ApS, which acts as management company, and other group entities. The Company has joint and several unlimited liability together with other jointly taxed group entities for Danish corporation taxes and withholding taxes on dividends, interest and royalties. At 31 December 2019, no corporation taxes or withholding taxes were incumbent on the joint taxation unit. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes may entail that the Company's liability will increase.

#### 12 Mortgages and collateral

DKK'000	Consolidated		Parent company	
	2019	2018	2019	2018
The following assets have been provided as collateral for other non-current liabilities:				
Machinery with a carrying amount of	4,085	6,346	0	0
The following assets have been provided as collateral vis-à-vis the Group's banks:				
Lease assets are pledged as collateral for lease obligations	78,842	64,812	78,842	64,812

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 13 Staff costs

DKK'000	Consolidated		Parent company	
	2019	2018	2019	2018
Wages and salaries	61,372	59,288	55,086	53,666
Pensions	4,265	4,110	4,265	4,110
Other social security costs	3,169	2,942	1,183	1,051
	<u>68,806</u>	<u>66,340</u>	<u>60,534</u>	<u>58,827</u>
Staff costs include:				
Remuneration of the Executive Board and the Board of Directors	<u>1,697</u>	<u>2,778</u>	<u>1,697</u>	<u>2,778</u>
Average number of full-time employees	<u>181</u>	<u>172</u>	<u>129</u>	<u>119</u>

#### 14 Related party disclosures

Niebuhr Gears A/S' related parties comprise the following:

##### Parties exercising control

Rasmus Holding ApS, Peter Bonnens Vej 19, 7430 Ikast holds the majority of the share capital in the Company.

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Rasmus Holding ApS  
Peter Bonnens Vej 19  
DK-7430 Ikast

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 14 Related party disclosures (continued)

Related party transactions DKK'000	2019	2018
<b>Group</b>		
Receivables from group entities	7,532	15,265
Interest income from group entities	201	165
Other expenses	2,864	700
<b>Parent</b>		
Sale of goods to group entities	1,688	1,907
Purchase of goods to group entities	42,711	49,297
Other income	1,147	540
Interest income from group entities	372	143
Receivables from group entities	15,342	21,136
Payables to group entities	5,845	12,242

Besides distribution of dividend, no other transactions were carried through with shareholders in the year.

Remuneration/fees to members of the Executive Board and the Board of Directors of the Parent Company are disclosed in note 13.

DKK'000	Parent	
	2019	2018
<b>15 Appropriation of profit/loss</b>		
Extraordinary dividends distributed in the year	0	0
Dividends proposed for the year	0	3,000
Reserve for net revaluation under the equity method	1,626	1,863
Retained earnings	11,707	2,528
	<u>13,333</u>	<u>7,391</u>

DKK'000	Consolidated	
	2019	2018
<b>16 Cash flow statement adjustments</b>		
Financial income	-989	-543
Financial expenses	3,254	10,594
Amortisation of intangible assets and depreciation on property, plant and equipment	25,528	28,467
Profit/loss on the sale of fixed assets	-76	302
Tax on profit for the year	4,055	2,297
Change in interest swap	0	3,749
Value adjustments of subsidiaries, etc.	23	228
	<u>31,795</u>	<u>45,094</u>

<b>17 Changes in working capital</b>		
Change in inventories	849	-852
Change in receivables	17,134	-11,689
Change in trade and other payables	-29,917	10,160
	<u>-11,934</u>	<u>-2,381</u>