Trepko A/S

Energivej 30, 2750 Ballerup

CVR no. 58 37 36 13

Annual report for 2019

This annual report has been adopted at the company's annual general meeting on April 14th 2020.

Chairman of the meeting

Trepko A/S
Energivej 30
2750 Ballerup
Denmark

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Worldwide supplier of filling/packaging machines

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Group information

The company

Trepko A/S
Energivej 30
2750 Ballerup
Denmark

Tel.: +45 43 99 22 44
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Email: trepko@trepko.dk
Website: www.trepko.com

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

Executive Board

CEO Jacob Østergaard Knudsen

Board of Directors

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

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Lawyer

Rialto Advokater

Banks

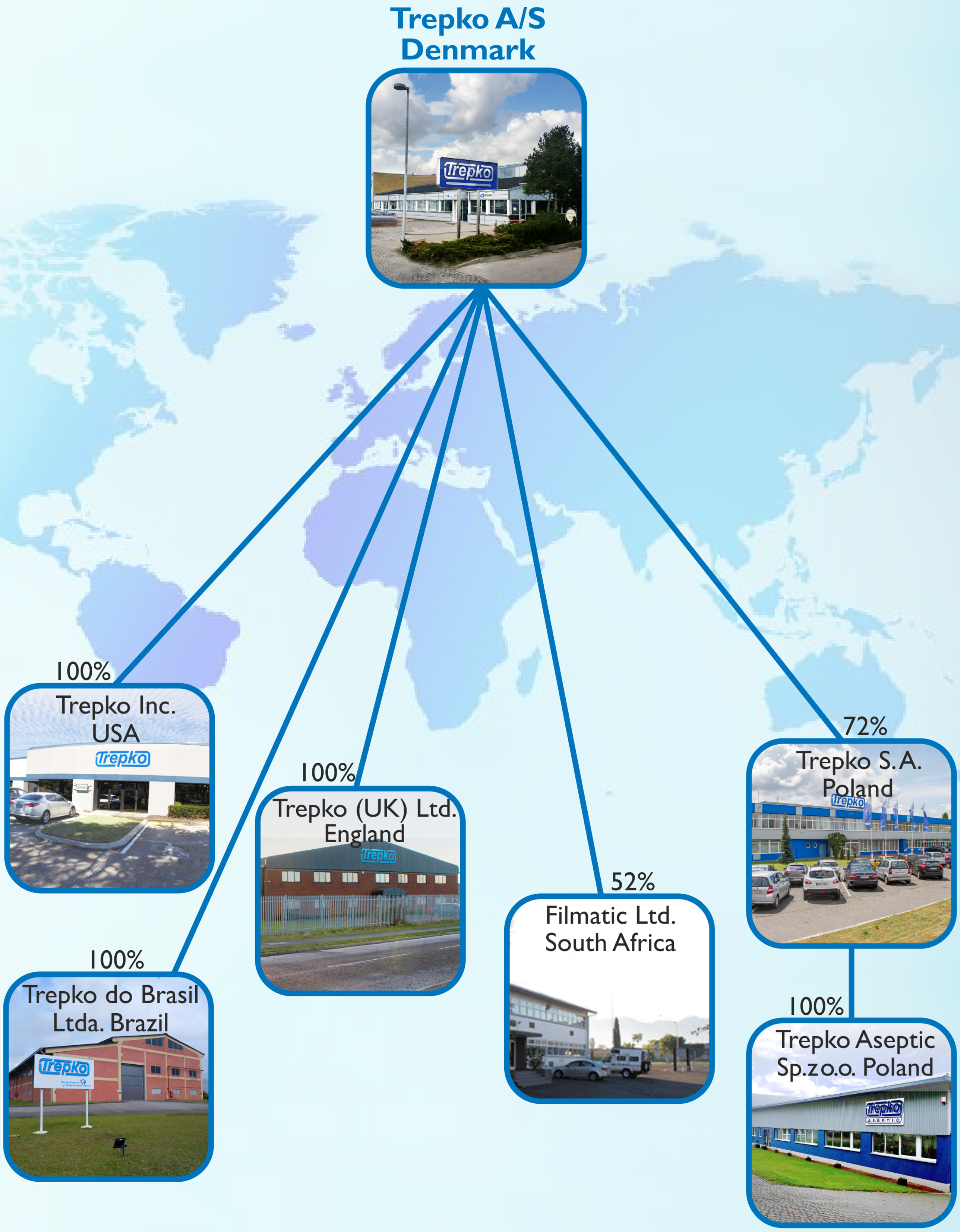
Handelsbanken
Nordea

Parent company

H.C. Holding Investeringsaktieselskab, Ballerup, Denmark

Subsidiaries

Trepko S.A., Gniezno, Poland
Trepko (UK) Limited, Gainsborough, England
Trepko Inc., Tampa, USA
Filmatic Packaging Systems Ltd., Cape Town, South Africa
Trepko do Brasil Ltda, Curitiba, Brazil



Worldwide supplier of filling/packaging machines

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

We have on this day presented the annual report for the financial year 01.01.19 - 31.12.19 for Trepko A/S.
The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.19 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.19 - 31.12.19.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Ballerup, April 10th, 2020

Executive Board

Jacob Østergaard Knudsen
CEO

Board Of Directors

Hans Christian Hansen
Chairman

Henrik Bjørn Oehlenschlæger
Vice Chairman

Birgit Møller-Hansen

Jesper Bjørn Hansen

Charlotte Hansen

To the Shareholder of Trepko A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of Trepko A/S for the financial year 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act.

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.19 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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

Statement regarding the management's review

Management is responsible for management's review.

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

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

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

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

Management's responsibility for the consolidated financial statements and parent company financial statements

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

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the 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 consolidated financial statements and parent company financial state ments unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements

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

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design auditprocedures 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 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 parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

Søborg, Copenhagen, April 10th, 2020

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Kim Nielsen
State Authorized Public Accountant
MNE-no. mne29417

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2019	2018	2017	2016	2015
Profit/ loss					
Revenue	353,496	361,492	343,910	333,593	281,583
Index	126	128	122	118	100
Gross profit	202,763	200,152	187,133	169,127	173,593
Index	117	115	108	97	100
Operating profit	66,892	71,301	65,082	41,768	58,659
Index	114	122	111	71	100
Profit before net financials	63,967	69,829	62,490	39,873	58,061
Index	110	120	108	69	100
Total net financials	3,472	4,109	4,552	9,424	-921
Index	-377	-446	-494	-1,023	100
Profit before tax	67,439	73,938	67,042	49,297	57,140
Index	118	129	117	86	100
Profit for the year	54,413	58,685	53,755	37,523	43,312
Index	126	135	124	87	100
Balance					
Total assets	438,825	413,047	334,504	284,084	291,429
Index	151	142	115	97	100
Investments in property, plant and equipment	8,615	91,111	32,773	34,957	39,637
Index	22	230	83	88	100
Equity	304,234	290,804	245,528	204,977	193,163
Index	158	151	127	106	100
Non-current assets	125,618	110,390	35,431	37,970	44,780
Index	281	247	79	85	100
Inventories	59,666	59,547	62,380	68,491	66,159
Index	90	90	94	104	100
Receviables	227,657	185,564	161,306	150,282	154,436
Cashflow					
Net cash flow:					
Operating activities	36,876	33,728	77,285	28,476	44,959
Investing activities	-24,880	-52,347	-4,680	-7,883	-23,279
Financing activities	-49,556	-7,328	-15,361	-21,976	-15,520
Cash flows for the year	-37,560	-25,947	57,244	-1,383	6,160

Ratios

	2019	2018	2017	2016	2015
Profitability					
Return on equity	18%	22%	24%	19%	26%
Gross margin	57%	55%	54%	51%	62%
Return on invested capital	35%	36%	36%	28%	43%
Profit margin	19%	20%	19%	13%	21%
Equity ratio					
Equity interest	69%	70%	73%	72%	66%
Others					
Number of employees (average)	619	624	602	651	596

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

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

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

EBITA: Operating profit plus amortisation and impairment losses on intangible assets.

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

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

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

Primary activities

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

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

Development in activities and financial affairs

While the revenue decreased by 2%, the profit before tax decreased by 9% and the number of employees decreased by 1%. During the year the volume of the market remained constant while competition intensified.

The group's income statement for the period 01.01.19 – 31.12.19 thereby show a net profit after tax of DKK 54.413 Mill. against DKK 58.685 Mill. for the preceding year.

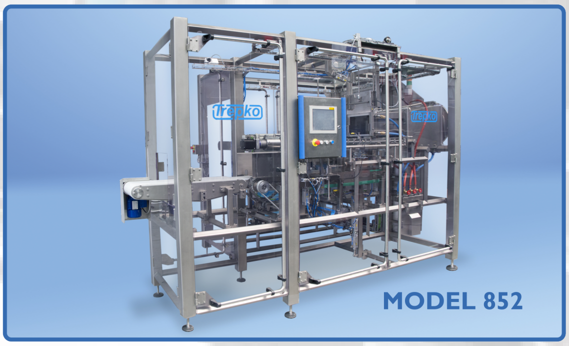
The profit before tax decreased to DKK 67.439 Mill. from DKK 73.938 Mill.

The groups cash flow was negatively impacted by Danish tax authorities demanding payment of DKK11.846 Mill. being tax already paid to tax authorities in Poland. While the Danish authorities have still not contacted Polish authorities in this regard, the group was made to immediately pay the amount a second time. As per the double taxation legislation of the European Union, the Danish authorities have 2 years for reaching an agreement with the Polish authorities, before repaying Trepko.

The discussions with the Danish tax authorities has not only put the management resources in both Poland, Denmark and USA under considerable stress, but has also caused significant internal and external costs. The financial resources removed from the Danish company required staff reductions mid-year. Trepko's management consider the claim unjustified.

Product development:

During the 5th TREPKO Conference & Exhibition in June 2019, an expansion of the product offering within the groups bulk filling systems was presented: A plate/slab wrapper and a brick wrapper for brick volumes up to 10 kg.. Both machines cater for pasty products such as margarine and butter, and they complete the groups product offering within the customer segment for Bulk Filling.



Another powerful development launched during the conference is the groups new OEE system, which is now available for all machines offered. The system enables remote monitoring and reconfiguration of all Trepko machines and while all data is safely stored in a cloud based system, real-time statistics can be accessed from literally any platform whether its a cell phone, tablet or PC.

Profit & Loss Account for the Parent Company

The net profit of the parent company – excl. profits from the daughter companies and before taxes – amounts to DKK 10.152 Mill. for the year 2019 vs. DKK 6.703 Mill. for the previous year. The board of directors considers the result as being very satisfactory, taking into account that the activities in the parent company are limited to sale of machinery, spare parts and service, some special design work – and finally acting as the parent company in the Trepko Group.

The company's expected development

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

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

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

The Trepko Group has the necessary capital strength and financial resources to make any such desired acquisitions. It is expected, that one further acquisition will take place during the year 2020 – all in line with Trepko’s acquisition strategy: acquiring companies’, whose geographical market or products will complement Trepko’s existing markets or product range, and thus help build the Trepko brand as previously acquired companies have.

For the Trepko Group in general, the stock of orders (backlog) were acceptable upon entering into 2020. The order intake in the first quarter of 2020 has been at the budgetted level – for the year 2020 a revenue decrease is howerver expected. The Group result is expected to decrease further in 2020.

Knowledge resources

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

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

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

Special risks

Currency risks

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

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

Interest rate risks

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

External environment

The activities of Trepko are characterized by a low degree of influence on the environment. The group is working on reducing its energy consumption and moving towards renewable energy to the greatest extent possible. Trepko has not made an environment policy or a environment statement.

Research and development activities

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

Subsequent events

The pandemic caused by COVID-19 has impacted the group. While one site is currently in lock-down the remaining sites remain operating at reduced level. International travel for commissioning of machines is impossible in almost all markets, causing a significant delay of payments. The groups service departments are thereby inefficient for the time being.

In addition inflow of orders has also come to a halt, and it is uncertain how revenue and costs will develop over the year.

The management expect this to be the start of a depressed business climate for years to come, and significantly reduced earnings are expected for this and the coming years. Thanks to Trepko's always very high solvency and significant cash resources, the group is well prepared to tackle this situation.

At the start of the year the group signed off on considerable investments in renewable energy for it's factories in Poland. The systems will be installed over this and the comming year. If succesfull it is the expectation that the concept will be rolled out at the groups other sites around the word.

Corporate social responsibility

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

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

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

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

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

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

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

Target figures for underrepresented gender

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

It is the Trepko Group´s policy to recruit the Board of Directors, as well as staff for any other position, based on relevant qualifications. The candidates gender, race, nationality and sexual preference are therefore not a consideration in the recruitment process.

Putting a target ratio for any underrepresented group would be a violation of the recruitment policy. It is therefore only done in subsidiaries where specifically required by law.

Note		Group		Parent	
		2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
1	**Revenue**	**353,496**	**361,492**	**90,284**	**74,054**
	Other operating income	980	1,190	0	0
	Costs of raw materials and consumables	-92,316	-95,262	-68,009	-52,514
	Other external expenses	-59,397	-67,268	-3,805	-7,845
	Gross profit	**202,763**	**200,152**	**18,470**	**13,695**
2	Staff costs	-126,882	-120,004	-8,099	-6,776
	Profit before depreciation, amortisation, write-downs and impairment losses	**75,881**	**80,148**	**10,371**	**6,919**
	Depreciation of property, plant and equipment	-8,989	-8,847	-227	-276
	Other operating expenses	-2,925	-1,472	8	60
	Profit before net financials	**63,967**	**69,829**	**10,152**	**6,703**
3	Income from equity investments in group enterprises	0	0	35,713	44,421
	Financial income	5,775	5,695	1,889	2,888
	Financial expenses	-2,303	-1,586	-106	-96
	Profit before tax	**67,439**	**73,938**	**47,648**	**53,916**
4	Tax on profit or loss for the year	-13,026	-15,253	-2,866	-2,405
	Profit for the year	**54,413**	**58,685**	**44,782**	**51,511**

5 Fee to auditors appointed by the general meeting

6 Distribution of net profit

ASSETS

Note		Group		Parent	
		31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
	Acquired rights	739	809	0	0
8	**Total intangible assets**	**739**	**809**	**0**	**0**
	Land and buildings	77,488	76,927	0	0
	Other fixtures and fittings, tools and equipment	29,736	26,437	508	725
	Prepayments for property, plant and equipment	0	4,216	0	0
9	**Total property, plant and equipment**	**107,224**	**107,580**	**508**	**725**
10	Equity investments in group enterprises	0	0	178,410	155,942
11	Deposits	65	167	66	65
11	Other receivables	17,590	1,833	0	325
	Total investments	**17,655**	**2,000**	**178,476**	**156,332**
	Total non-current assets	**125,618**	**110,389**	**178,984**	**157,057**
	Raw materials and consumables	30,733	29,523	693	693
	Work in progress	1,385	2,224	0	0
	Manufactured goods and goods for resale	27,253	26,804	7,627	7,682
	Prepayments for goods	295	996	0	0
	Total inventories	**59,666**	**59,547**	**8,320**	**8,375**
12	Work in progress for third parties	46,247	33,645	8,725	6,371
	Trade receivables	94,178	83,212	21,426	11,998
	Receivables from group enterprises	75,518	57,679	68,779	56,643
	Other receivables	8,500	9,749	1,315	540
	Prepayments	3,214	1,279	1,372	340
13	Total receivables	**227,657**	**185,564**	**101,617**	**75,892**
	Other investments	836	125	115	125
	Total securities and equity investments	**836**	**125**	**115**	**125**
	Cash	**25,048**	**57,421**	**2,159**	**19,246**
	Total current assets	**313,207**	**302,657**	**112,211**	**103,638**
	Total assets	**438,825**	**413,046**	**291,195**	**260,695**

EQUITY AND LIABILITIES

Note		Group 31.12.19 DKK '000	Group 31.12.18 DKK '000	Parent 31.12.19 DKK '000	Parent 31.12.18 DKK '000
14	Share capital	5,000	5,000	5,000	5,000
	Reserve for net revaluation according to the equity method	0	0	112,926	86,255
	Retained earnings	206,041	197,709	93,114	111,454
	Proposed dividend for the financial year	40,000	40,000	40,000	40,000
	Equity attributable to owners of the parent	**251,041**	**242,709**	**251,040**	**242,709**
15	Non-controlling interests	53,193	48,095	0	0
	Total equity	**304,234**	**290,804**	**251,040**	**242,709**
16	Provisions for pensions and similar obligations	3,747	3,705	0	0
17	Provisions for deferred tax	755	2,320	958	1,151
18	Other provisions	1,047	1,443	0	0
	Total provisions	**5,549**	**7,468**	**958**	**1,151**
19	Payables to other credit institutions	30,937	34,635	0	0
19	Other payables	0	559	0	0
	Total long-term payables	**30,937**	**35,194**	**0**	**0**
19	Short-term part of long-term payables	4,720	4,620	0	0
	Payables to other credit institutions	13,312	8,125	1,400	24
12	Prepayments received from work in progress for third parties	39,350	31,045	1,913	1,275
	Trade payables	14,415	11,489	863	828
	Payables to group enterprises	0	0	29,194	10,284
	Income taxes	2,938	4,778	2,886	2,612
	Other payables	23,370	19,523	2,941	1,812
	Total short-term payables	**98,105**	**79,580**	**39,197**	**16,835**
	Total payables	**129,042**	**114,774**	**39,197**	**16,835**
	Total equity and liabilities	**438,825**	**413,046**	**291,195**	**260,695**

7 Related parties
20 Derivative financial instruments
21 Charges and security
22 Contingent liabilities

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Equity of the parent company's capital owners	Non controlling interests	Total equity
Group:							
The period: 01.01.18 -31.12.18							
Balance as at 01.01.18	5,000	0	191,394	40,000	236,394	9,134	245,528
Foreign currency translation adjustment of foreign enterprises	0	0	-5,360	0	-5,360	-885	-6,245
Capital increase	0	0	0	0	0	47,271	47,271
Fair value adjustment of hedging instruments	0	0	164	0	164	0	164
Dividend paid	0	0	0	-40,000	-40,000	-14,599	-54,599
Net profit/loss for the year	0	0	11,511	40,000	51,511	7,174	58,685
Balance as at 31.12.18	5,000	0	197,709	40,000	242,709	48,095	290,804
The period: 01.01.19 -31.12.19							
Balance as at 01.01.19	5,000	0	197,709	40,000	242,709	48,095	290,804
Foreign currency translation adjustment of foreign enterprises	0	0	2,943	0	2,943	847	3,790
Fair value adjustment of hedging instruments	0	0	607	0	607	0	607
Dividend paid	0	0	0	-40,000	-40,000	-5,399	-45,399
Other changes in equity	0	0	0	0	0	19	19
Net profit/loss for the year	0	0	4,782	40,000	44,782	9,631	54,413
Balance as at 31.12.19	5,000	0	206,041	40,000	251,041	53,193	304,234
Parent:							
The period: 01.01.18 -31.12.18							
Balance as at 01.01.18	5,000	104,664	86,730	40,000	236,394	0	236,394
Foreign currency translation adjustment of foreign enterprises	0	-5,360	0	0	-5,360	0	-5,360
Distributed dividend from group enterprises	0	-57,981	57,981	0	0	0	0
Fair value adjustment of hedging instruments	0	511	-347	0	164	0	164
Dividend paid	0	0	0	-40,000	-40,000	0	-40,000
Net profit/loss for the year	0	44,421	-32,910	40,000	51,511	0	51,511
Balance as at 31.12.18	5,000	86,255	111,454	40,000	242,709	0	242,709
The period: 01.01.19 -31.12.19							
Balance as at 01.01.19	5,000	86,255	111,454	40,000	242,709	0	242,709
Foreign currency translation adjustment of foreign enterprises	0	2,943	0	0	2,943	0	2,943
Distributed dividend from group enterprises	0	-12,401	12,401	0	0	0	0
Fair value adjustment of hedging instruments	0	463	144	0	607	0	607
Dividend paid	0	0	0	-40,000	-40,000	0	-40,000
Other changes in equity	0	-46	46	0	0	0	0
Net profit/loss for the year	0	35,712	-30,931	40,000	44,781	0	44,781
Balance as at 31.12.19	5,000	112,926	93,114	40,000	251,040	0	251,040

Consolidated cash flow statement

	2019 DKK '000	2018 DKK '000
Net profit/loss for the year	**54,413**	**58,685**
Depreciation, amortisation, impairment losses and write-downs	8,989	8,847
Financial income	-5,775	-5,695
Financial expenses	2,303	1,586
Tax on profit or loss for the year	13,026	15,253
Other adjustments	2,775	1,354
Adjustments of the years net profit/loss of the year for the cash flow	**21,318**	**21,345**
Change in working capital:		
Inventories	1,474	2,833
Receivables	-42,093	-25,099
Trade payables	2,926	1,542
Other payables relating to operating activities	11,797	-19,365
Cash flows from operating activities before net financials	**49,835**	**39,941**
Interest income and similar income received	5,775	5,695
Interest expenses and similar expenses paid	-2,303	-1,586
Income tax paid	-16,431	-10,322
Cash flows from operating activities	**36,876**	**33,728**
Purchase of intangible assets	-391	-507
Purchase of property, plant and equipment	-8,615	-91,111
Sale of property, plant and equipment	87	89
Dividend recieved	103	-73
Loans	-16,064	39,255
Cash flows from investing activities	**-24,880**	**-52,347**
Raising of additional capital	0	47,271
Dividend paid	-45,399	-54,599
Arrangement of mortgage debt	0	0
Repayment of credit institutions	-4,157	0
Cash flows from financing activities	**-49,556**	**-7,328**
Total cash flows for the year	**-37,560**	**-25,947**
Cash, beginning of year	57,421	75,337
Short-term payables to credit institutions, beginning of year	-8,125	-94
Cash, end of year	**11,736**	**49,296**
Cash, end of year, comprises:		
Cash	25,048	57,421
Short-term payables to credit institutions	-13,312	-8,125
Total	**11,736**	**49,296**

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000

1. Revenue

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

Revenue comprises the following activities:

	2019 Group	2018 Group	2019 Parent	2018 Parent
Revenue, activity	353,496	361,492	90,284	74,054
Total	353,496	361,492	90,284	74,054

Revenue comprises the following geographical markets:

	2019 Group	2018 Group	2019 Parent	2018 Parent
Europe	207,402	192,316	74,794	41,181
Africa	69,817	83,425	1,564	3,069
North and south America	55,495	47,353	180	202
Asia and middeleast	19,713	29,245	13,465	28,260
Other countries	1,069	9,153	281	1,342
Total	353,496	361,492	90,284	74,054

2. Staff costs

	2019 Group	2018 Group	2019 Parent	2018 Parent
Wages and salaries	108,891	104,507	7,877	6,548
Pensions	1,146	1,362	148	141
Other social security costs	16,845	14,135	74	87
Total	126,882	120,004	8,099	6,776
Average number of employees	619	624	9	10

3. Income from equity investments in group enterprises

	2019 Group	2018 Group	2019 Parent	2018 Parent
Income from equity investments in group enterprises	0	0	35,792	46,165
Elimination of internal gains and losses	0	0	-79	-1,744
Total	0	0	35,713	44,421

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000

4. Tax on profit or loss for the year

Current tax for the year	14,538	10,748	2,898	2,773
Adjustment of deferred tax for the year	-1,673	4,149	-193	-583
Adjustment of tax in respect of previous years	161	356	161	215
Total	13,026	15,253	2,866	2,405

5. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	500	659	250	229
Other services	249	304	223	134
Total	749	963	473	363

6. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	35,712	44,421
Proposed dividend for the financial year	40,000	40,000	40,000	40,000
Non-controlling interests	9,631	7,174	0	0
Retained earnings	4,782	11,511	-30,930	-32,910
Total	54,413	58,685	44,782	51,511

7. Related parties

Controlling influence	Basis of influence
H.C. Holding Investeringsaktieselskab, Ballerup, Denmark	Parent company
Hans Christian Hansen, Præstø, Denmark	Shareholder
Jesper Bjørn Hansen, Freeport, The Bahamas	Shareholder
Mathias Pihl Hansen, New York, USA	Shareholder
Christian Pihl Hansen, Florida, USA	Shareholder

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

8. Intangible assets

Figures in DKK '000	Acquired rights	Goodwill	Development projects in progress
Group:			
Cost as at 01.01.19	6,740	16,227	2,425
Foreign currency translation adjustment of foreign enterprises	174	317	27
Additions during the year	391	0	0
Disposals during the year	-7	0	0
Cost as at 31.12.19	7,298	16,544	2,452
Amortisation and impairment losses as at 01.01.19	-5,931	-16,227	-2,425
Foreign currency translation adjustment of foreign enterprises	-168	-317	-27
Amortisation during the year	-465	0	0
Amortisation of and impairment losses on disposed assets for the year	5	0	0
Amortisation and impairment losses as at 31.12.19	-6,559	-16,544	-2,452
Carrying amount as at 31.12.19	739	0	0
Parent:			
Cost as at 01.01.19	0	104	0
Cost as at 31.12.19	0	104	0
Amortisation and impairment losses as at 01.01.19	0	-104	0
Amortisation and impairment losses as at 31.12.19	0	-104	0
Carrying amount as at 31.12.19	0	0	0

9. Property, plant and equipment

Figures in DKK '000	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Group:			
Cost as at 01.01.19	81,175	75,000	4,216
Foreign currency translation adjustment of foreign enterprises	1,265	1,092	0
Additions during the year	970	7,254	0
Disposals during the year	0	-6,714	0
Transfers during the year to/from other items	0	4,216	-4,216
Cost as at 31.12.19	83,410	80,848	0
Depreciation and impairment losses as at 01.01.19	-4,248	-48,564	0
Foreign currency translation adjustment of foreign enterprises	-46	-644	0
Depreciation during the year	-1,628	-6,897	0
Reversal of depreciation of and impairment losses on disposed assets	0	4,993	0
Depreciation and impairment losses as at 31.12.19	-5,922	-51,112	0
Carrying amount as at 31.12.19	77,488	29,736	0
Parent:			
Cost as at 01.01.19	0	2,541	0
Additions during the year	0	10	0
Disposals during the year	0	-50	0
Cost as at 31.12.19	0	2,501	0
Depreciation and impairment losses as at 01.01.19	0	-1,816	0
Depreciation during the year	0	-227	0
Reversal of depreciation of and impairment losses on disposed assets	0	50	0
Depreciation and impairment losses as at 31.12.19	0	-1,993	0
Carrying amount as at 31.12.19	0	508	0

10. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.19	69,687
Disposals during the year	-4,203
Cost as at 31.12.19	65,484
Revaluations as at 01.01.19	101,166
Foreign currency translation adjustment of foreign enterprises	2,943
Reversal of revaluations of disposed assets	-150
Net profit/loss from equity investments	34,426
Dividend relating to equity investments	-12,401
Fair value adjustment of hedging instruments	463
Changes in intra-group profit from inventories	1,286
Revaluations as at 31.12.19	127,733
Depreciation and impairment losses as at 01.01.19	-14,911
Reversal of depreciation of and impairment losses on disposed assets	104
Depreciation and impairment losses as at 31.12.19	-14,807
Carrying amount as at 31.12.19	178,410

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year	Recognised value
Group enterprises:				
Trepko S.A. Gniezno, Poland	72%	166,157	40,662	119,633
Trepko (UK) Limited, Gainsborough, England	100%	25,306	2,653	25,306
Trepko Inc. Tampa, USA	100%	17,150	2,004	17,150
Filmatic Packaging Systems Ltd. Cape Town, South Africa	52%	13,894	-3,946	7,225
Trepko do Brasil Ltd, Curitiba, Brazil	100%	12,517	2,963	12,517
Adjustment to Group Practice	100%	-3,421	508	-3,421

11. Other non-current financial assets

Figures in DKK '000	Deposits	Other receivables
Group:		
Cost as at 01.01.19	167	1,509
Foreign currency translation adjustment of foreign enterprises	1	17
Additions during the year	1	16,064
Disposals during the year	-104	0
Cost as at 31.12.19	65	17,590
Parent:		
Cost as at 01.01.19	65	0
Additions during the year	1	0
Cost as at 31.12.19	66	0

	Group		Parent	
	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
12. Contract work in progress				
Contract work in progress	58,343	57,384	20,821	30,109
On-account invoicing	-51,446	-54,784	-14,009	-25,013
Contract work in progress, net	6,897	2,600	6,812	5,096
Is recognised in the balance sheet in the following way:				
Contract work in progress	46,247	33,645	8,725	6,371
On-account payments on contract work in progress	-39,350	-31,045	-1,913	-1,275
Total	6,897	2,600	6,812	5,096
13. Receivables				
Receivables which fall due for payment more than 1 year after the end of the financial year	2,637	2,617	2,637	2,617

14. Share capital

The share capital consists of:

	Quantity	Nominal value
Shares A	100.000	50

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

	Group		Parent	
	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000

15. Non-controlling interests

Non-controlling interests, beginning of year	48,095	9,134	0	0
Foreign currency translation adjustment of foreign enterprises	847	-885	0	0
Capital increase	0	47,271	0	0
Dividend paid	-5,399	-14,599	0	0
Other changes in equity	19	0	0	0
Net profit for the year (distribution)	9,631	7,174	0	0
Total	53,193	48,095	0	0

16. Provisions for pensions and similar obligations

The provision for pension obligations only concerns the group companies in Poland as the pension plans are defined contribution plans where the pension obligation is incumbent on the individual insurance company and where the group does not have obligations towards the employees when they leave the group.

17. Deferred tax

Deferred tax as at 01.01.19	2,320	-841	1,151	1,831
Deferred tax recognised in the income statement	-1,565	3,372	-193	-583
Deferred tax recognised in equity	0	-211	0	-98
Deferred tax as at 31.12.19	755	2,320	958	1,150

Deferred tax is recognized in the balance sheet as:

Deferred tax liability	755	2,320	958	1,151

18. Other provisions

Figures in DKK '000	Warranty commitments
Group non capital provisions during the year	1,047
Group non capital provisions as at 31.12.19	1,047

19. Longterm payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.19	Total payables at 31.12.18
Group:				
Payables to other credit institutions	4,720	6,002	35,657	38,635
Other payables	0	0	0	559
Total	4,720	6,002	35,657	39,194

20. Derivative financial instruments

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

Parent: 0-12 months DKK 12,554k
Group: 0-12 months DKK 44,523k.

21. Charges and security

Group: The group has not provided any other security over assets.

Parent: The company has not provided any security over assets.

22. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of total DKK 8.493 Mill. This includes lease agreements concluded with group enterprises with a lease payment of DKK 0.3Mill.

Recourse guarantee commitments

For third part which is not a group enterprise the group has provided a guarantee for the debt to credit institutions. The guarantee is maximised at DKK 0,4 Mill. The debt to credit institutions amounts to DKK 9,160 Mill. at the balance sheet date.

Guarantee commitments

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

Parent:

Lease commitments

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

Recourse guarantee commitments

The company has provided a guarantee for the the subsidaries debt to credit institutions. The guarantee towards the for the subsidaries is maximised at DKK 47.482 Mill.

For third part which is not a group enterprise the group has provided a guarantee for the debt to credit institutions. The guarantee is maximised at DKK 0,4 Mill. The debt to credit institutions amounts to DKK 9,160 Mill. at the balance sheet date.

Guarantee commitments

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

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The maximum liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

GENERAL

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

The accounting policies have been applied consistently with previous years. Comparison figures for 2018 (2017 key figures), has been corrected for classification between revenue and cost of raw materials and consumables due to changed group elimination. The correction has no effect on gross profit or profit for the year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Newly acquired or newly founded enterprises are recognised in the consolidated financial statements as from the time of acquisition. Divested or discontinued enterprises are recognised in the consolidated income statement up until the time of divestment or discontinuation. Comparative figures are not restated for newly acquired, divested or discontinued enterprises.

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

The cost of the equity investments in the acquired enterprises is set off against the proportionate share of the fair value of the subsidiaries' net assets at the time of the establishment of the group relationship.The consolidated goodwill (positive difference) at the time of acquisition is recognised as an asset and amortised on a straight-line basis in accordance with an individual assessment of the asset's useful life, such life, however, not exceeding 20 years and with a minimum of EUR 1 mill a year. Consolidated negative goodwill (negative balance), reflecting an expected adverse development in the enterprises in question, is recognised in the balance sheet under deferred income and is reduced as the conditions underlying the negative balance materialise.

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

Non-controlling interests

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

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

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables,respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

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

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

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

Change in inventories of finished goods and work in progress

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

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

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

Depreciation and impairment losses

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

	Useful lives, years	Residual value, per cent
Completed development projects	3-10	-
Acquired rights	3-10	-
Goodwill	3-10	-
Buildings	30	0-70
Other plant, fixtures and fittings, tools and equipment	3-10	0

Goodwill is amortised over 3-10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Land is not depreciated.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

Other operating expenses

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

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises’ profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/ loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

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

Development projects in progress are transferred to completed development projects when the asset is ready for use. Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation and impairment losses’ section.

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses. Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation and impairment losses’ section.

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses. Goodwill is amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation and impairment losses’ section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise land and buildings as well as other fixtures and fittings, tools and equipment. Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary. The assets are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation and impairment losses' section.

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

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

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises’ equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Goodwill recognised under equity investments in subsidiaries in the balance sheet of the parent is amortised according to the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at 3-10 years in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment. If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets. The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

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

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

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

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

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

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

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

Prepayments

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

Other investments

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

Cash

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

Equity

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

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

Provisions

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

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

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

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

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

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

Prepayments received from customers

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

Deferred income

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

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