Trepko A/S

Energivej 30, 2750 Ballerup

CVR no. 58 37 36 13

Annual report for 2020

This annual report has been adopted at the annual general meeting on 30.04.21

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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The company

Trepko A/S
Energivej 30
2750 Ballerup
Denmark

Tel.: +45 43 99 22 44
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Website: www.trepko.com
E-mail: trepko@trepko.dk

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 CEO
Jacob Østergaard Knudsen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Banks

Handelsbanken
Nordea

Lawyer

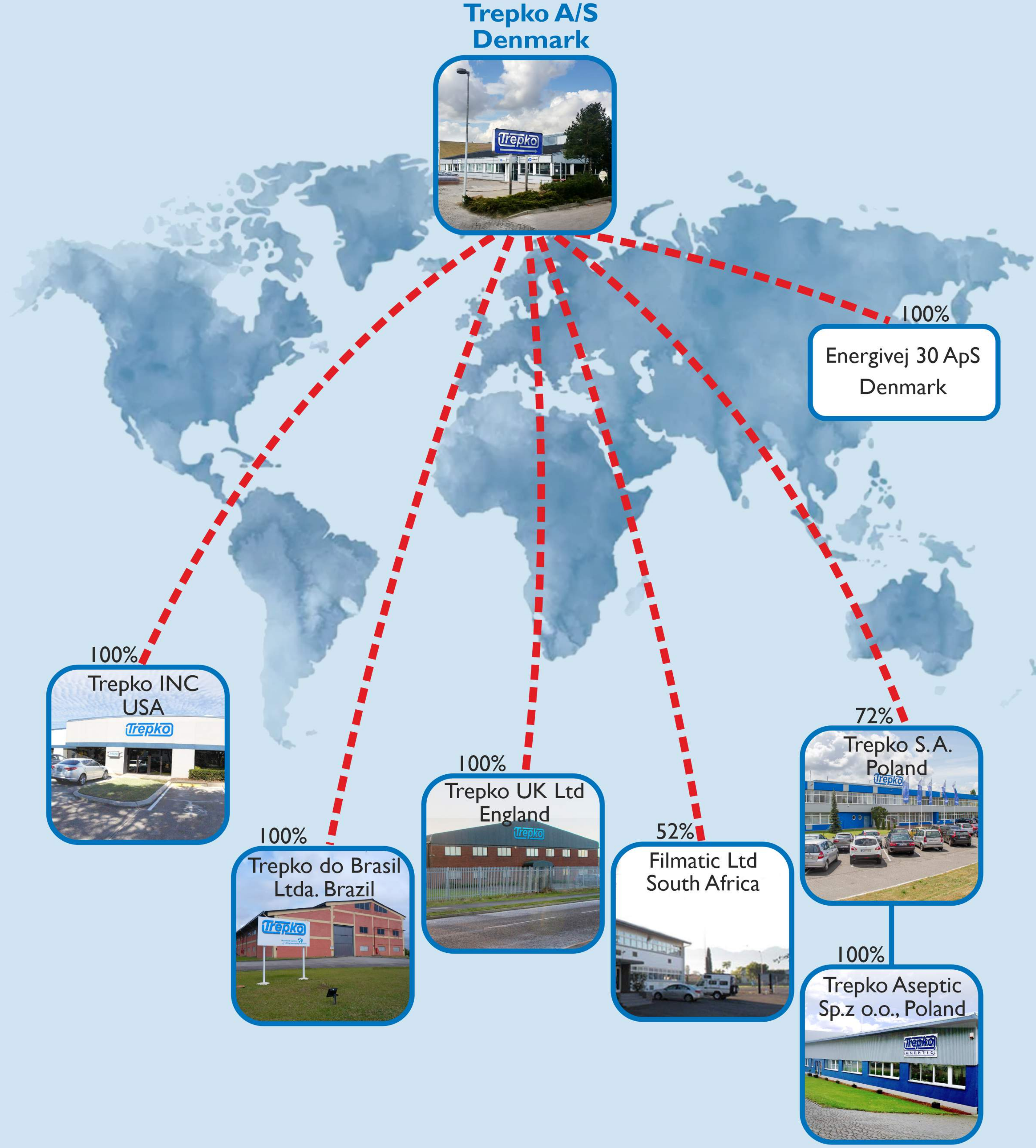
Rialto Advokater

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 Ltd, Curitiba, Brazil
Energivej 30 ApS, Ballerup, Denmark



Worldwide supplier
of filling/packaging machines

We have on this day presented the annual report for the financial year 01.01.20 - 31.12.20 for Trepko A/S.

The annual report is presented in accordance with the 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 31.12.20 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.20 - 31.12.20.

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 23, 2021

Executive Board

Jacob Østergaard Knudsen
CEO

Board Of Directors

Hans Christian Hansen Chairman	Henrik Bjørn Oehlenschlæger	Jacob Østergaard Knudsen CEO

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 01.01.20 - 31.12.20, 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 31.12.20 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.20 - 31.12.20 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 are further 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

The management is responsible for the 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 the 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 the 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 statements 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 the 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 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.

Soeborg, Copenhagen, April 23, 2021
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	2020	2019	2018	2017	2016
Profit/loss					
Revenue	325,207	353,496	361,492	343,910	333,593
Index	97	106	108	103	100
Gross profit	174,638	202,763	200,152	187,133	169,127
Index	103	120	118	111	100
Operating profit	56,927	66,892	71,301	65,082	41,768
Index	136	160	171	156	100
Profit before net financials	55,728	63,967	69,829	62,490	39,873
Index	140	160	175	157	100
Total net financials	2,059	3,472	4,109	4,552	9,424
Index	22	37	44	48	100
Profit before tax	57,787	67,439	73,938	67,042	49,297
Index	117	137	150	136	100
Profit for the year	45,586	54,413	58,685	53,755	37,523
Index	121	145	156	143	100
Balance					
Total assets	403,517	438,825	413,047	334,504	284,084
Index	142	154	145	118	100
Investments of the year in property, plant and equipment	8,615	8,615	91,111	32,773	34,957
Index	25	25	261	94	100
Equity	278,174	304,234	290,804	245,528	204,977
Index	136	148	142	120	100
Non-current assets	124,278	125,618	110,390	35,431	37,970
Index	327	331	291	93	100
Inventories	57,617	59,666	59,547	62,380	68,491
Index	84	87	87	91	100
Receivables	152,280	227,657	185,564	161,306	150,282
Cashflow Net cash flow:					
Operating activities	62,488	36,876	33,728	77,285	28,476
Investing activities	-12,543	-24,880	-52,347	-4,680	-7,883
Financing activities	3,697	-49,556	-7,328	-15,361	-21,976
Cash flows for the year	53,642	-37,560	-25,947	57,244	-1,383

Ratios

	2020	2019	2018	2017	2016
Profitability					
Return on equity	16%	18%	22%	24%	19%
Gross margin	54%	57%	55%	54%	51%
Return on invested capital	29%	35%	36%	36%	28%
Profit margin	18%	19%	20%	19%	13%
Equity ratio					
Equity interest	69%	69%	70%	73%	72%
Others					
Number of employees (average)	623	619	624	602	651

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

By the start of the year Trepko A/S acquired its domicile building. This is in-line with the majority of the daughter companies in the group also acquiring their own domiciles in the past years.

The pandemic caused many investments to be reconsidered by the group's customers, and this in turn lead to stalled and in many cases even canceled investment programs. The group thereby experienced a revenue decrease of 8%, which resulted in the profit before tax decreasing by 14%.

The situation lead to an increase of the already intensified competition in the industry. It is the expectation of the management that this market situation is to be a new normal for years to come.

The group's income statement for the period 01.01.20 – 31.12.20 thereby show a net profit after tax of DKK 45.586 Mill. against DKK 54.413 Mill. for the preceding year.

The profit before tax decreased to DKK 57.787 Mill. from DKK 67.439 Mill.

On-going discussions with the Danish tax authorities continued to put management resources in both Poland, Denmark and USA under considerable stress. The company's claim for repayment of DKK 11.846 Mill. with interest remains intact.

Product development:

COVID-19 caused all local and international trade fairs to be canceled. These fairs serve as the launchpad for the groups developments.

With no platform for demonstrating the new solutions, the groups product launches were stalled. The next product launch is scheduled for the 6th Trepko Conference & Exhibition in June 2022.

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 12.521 Mill. for the year 2020 vs. DKK 10.152 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, but the ongoing expansion of the global business is currently stalled due to the lack of local as well as international exhibitions.

The Trepko Group remains 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, and will continue to do so following it'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 2021. For the year 2021 a continued revenue decrease is however expected.

The industry is currently operating in a depressed business climate, 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.

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

Foreign 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.

Supply chain risk

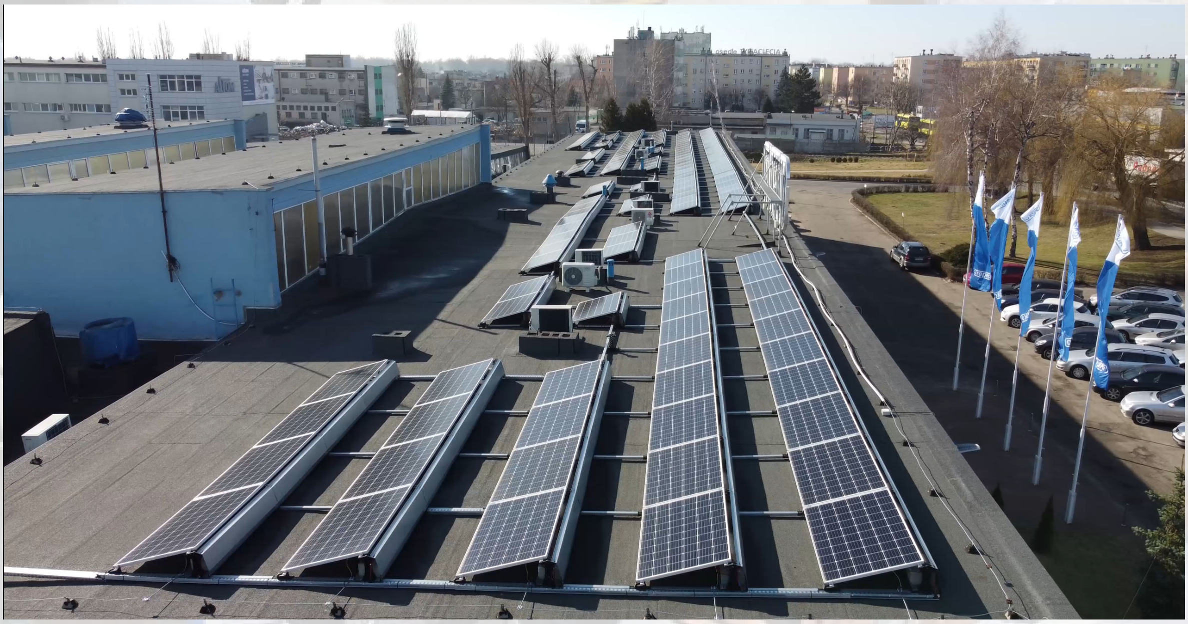
For the manufacturing of machines, the company rely on component supplies. Due to the pandemic, the supply chain is considered threatened. This has resulted in identification and additional stock keep of critical components.

Lock down risk

The product flow of the company is threatened by lock-downs caused by the pandemic. To minimize the impact of such events action-plans has been prepared for all factories on how to handle and execute lock-downs. The plans are detailed down to the level of the individual employee.

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 nor environment statement.



In 2020 alone Trepko installed solar panels with a total output of 100KW. In 2021 further 450KW are being added.

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

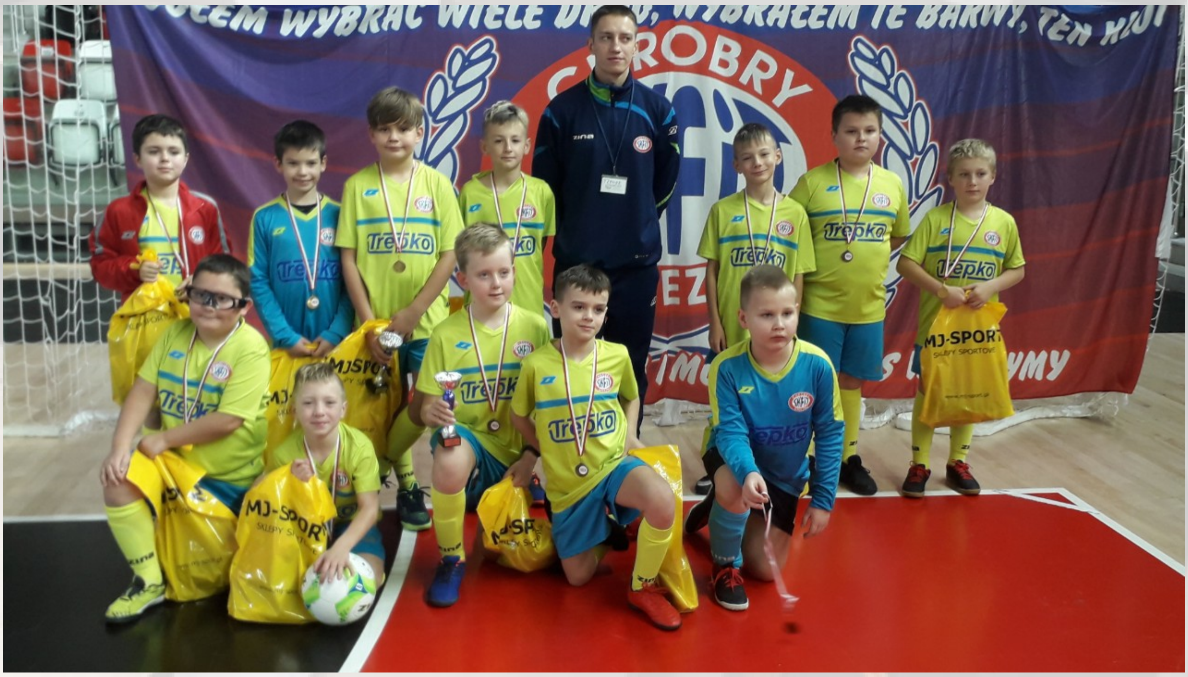
No events, which might have any material influence on the fiancial situation of the Company, have occurred subsequent to the balance sheet date.

Corporate social responsibility

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 socially responsible way.

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 in the local communities where the company has manufactoring facilities.



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.

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.

Gender diversity

Target figures for the supreme management body

In the parent company the gender ratio on the Board of Directors is 100 % 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 taget 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 2020 DKK '000	Group 2019 DKK '000	Parent 2020 DKK '000	Parent 2019 DKK '000
1	**Revenue**	**325,207**	**353,496**	**53,256**	**90,284**
	Other operating income	5,154	980	643	0
	Costs of raw materials and consumables	-111,642	-92,316	-32,568	-68,009
	Other external expenses	-44,081	-59,397	-2,736	-3,805
	Gross profit	**174,638**	**202,763**	**18,595**	**18,470**
2	Staff costs	-111,410	-126,882	-5,804	-8,099
	Profit before depreciation, amortisation, write-downs and impairment losses	**63,228**	**75,881**	**12,791**	**10,371**
	Depreciation and impairments losses of property, plant and equipment	-7,406	-8,989	-270	-227
	Profit before fair value adjustments	**55,822**	**66,892**	**12,521**	**10,144**
	Fair value adjustment of investment properties	1,105	0	0	0
	Operating profit	**56,927**	**66,892**	**12,521**	**10,144**
	Other operating expenses	-1,199	-2,925	0	8
	Profit before net financials	**55,728**	**63,967**	**12,521**	**10,152**
3	Income from equity investments in group enterprises	0	0	23,972	35,713
4	Financial income	8,638	5,775	3,445	1,889
5	Financial expenses	-6,579	-2,303	-52	-106
	Profit before tax	**57,787**	**67,439**	**39,886**	**47,648**
6	Tax on profit for the year	-12,201	-13,026	-3,566	-2,866
	Profit for the year	**45,586**	**54,413**	**36,320**	**44,782**

7 Fee to auditors appointed by the general meeting
8 Distribution of net profit

ASSETS

Note		Group 31.12.20 DKK '000	Group 31.12.19 DKK '000	Parent 31.12.20 DKK '000	Parent 31.12.19 DKK '000
	Acquired rights	515	739	0	0
9	**Total intangible assets**	**515**	**739**	**0**	**0**
	Land and buildings	68,873	77,488	0	0
	Investment properties	28,800	0	0	0
	Other fixtures and fittings, tools and equipment	24,245	29,736	638	508
	Prepayments for property, plant and equipment	602	0	0	0
10	**Total property, plant and equipment**	**122,520**	**107,224**	**638**	**508**
11	Equity investments in group enterprises	0	0	170,236	178,410
12	Deposits	0	65	67	66
12	Other receivables	1,243	17,590	0	0
	Total investments	**1,243**	**17,655**	**170,303**	**178,476**
	Total non-current assets	**124,278**	**125,618**	**170,941**	**178,984**
	Raw materials and consumables	26,805	30,733	624	693
	Work in progress	8,735	1,385	0	0
	Manufactured goods and goods for resale	21,145	27,253	7,627	7,627
	Prepayments for goods	932	295	0	0
	Total inventories	**57,617**	**59,666**	**8,251**	**8,320**
13	Work in progress for third parties	24,921	46,247	7,548	8,725
	Trade receivables	84,808	94,178	13,273	21,426
	Receivables from group enterprises	34,800	75,518	38,563	68,779
	Deferred tax asset	1,355	0	0	0
	Income tax receivable	1,060	0	0	0
	Other receivables	2,564	8,500	114	1,315
14	Prepayments	2,772	3,214	962	1,372
15	**Total receivables**	**152,280**	**227,657**	**60,460**	**101,617**
	Other investments	115	836	115	115
	Total securities and equity investments	**115**	**836**	**115**	**115**
	Cash	**69,227**	**25,048**	**19,485**	**2,159**
	Total current assets	**279,239**	**313,207**	**88,311**	**112,211**
	Total assets	**403,517**	**438,825**	**259,252**	**291,195**

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000
16	Share capital	5,000	5,000	5,000	5,000
	Reserve for net revaluation according to the equity method	0	0	99,753	112,926
	Foreign currency translation reserve	-16,764	0	0	0
	Cash flow hedging reserve	-1,163	0	-660	0
	Retained earnings	201,332	206,041	84,310	93,114
	Proposed dividend for the financial year	40,000	40,000	40,000	40,000
	Equity attributable to owners of the parent	**228,405**	**251,041**	**228,403**	**251,040**
17	Non-controlling interests	49,769	53,193	0	0
	Total equity	**278,174**	**304,234**	**228,403**	**251,040**
18	Provisions for pensions and similar obligations	3,486	3,747	0	0
19	Provisions for deferred tax	2,797	755	1,115	958
20	Other provisions	1,210	1,047	0	0
	Total provisions	**7,493**	**5,549**	**1,115**	**958**
21	Mortgage debt	13,115	0	0	0
21	Payables to other credit institutions	30,344	30,937	0	0
	Total long-term payables	**43,459**	**30,937**	**0**	**0**
21	Short-term part of long-term payables	5,384	4,720	0	0
	Payables to other credit institutions	3,849	13,312	784	1,400
13	Prepayments received from work in progress for third parties	27,495	39,350	1,707	1,913
	Prepayments received from customers	222	0	222	0
	Trade payables	9,973	14,415	840	863
	Payables to group enterprises	0	0	19,119	29,194
	Deposits	452	0	0	0
	Income taxes	2,218	2,938	3,088	2,886
	Other payables	24,798	23,370	3,974	2,941
	Total short-term payables	**74,391**	**98,105**	**29,734**	**39,197**
	Total payables	**117,850**	**129,042**	**29,734**	**39,197**
	Total equity and liabilities	**403,517**	**438,825**	**259,252**	**291,195**

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Statement of changes in equity

Figures in DKK '000	Share capital	Foreign currency translation and cash flow hedging reserve	Retained earnings	Proposed dividend for the financial year	Equity of the parent company's capital owners	Non controlling interests	Total equity
Group:							
Statement of changes in equity for 01.01.19 - 31.12.19							
Balance as at 01.01.19	5,000	0	197,525	40,000	242,525	48,095	290,620
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	4,966	40,000	44,966	9,631	54,597
Balance as at 31.12.19	5,000	0	206,041	40,000	251,041	53,193	304,234
Statement of changes in equity for 01.01.20 - 31.12.20							
Balance as at 01.01.20	5,000	0	206,041	40,000	251,041	53,193	304,234
Foreign currency translation adjustment of foreign enterprises	0	-16,764	0	0	-16,764	-5,024	-21,788
Fair value adjustment of hedging instruments	0	-1,163	-1,029	0	-2,192	0	-2,192
Dividend paid	0	0	0	-40,000	-40,000	-8,197	-48,197
Other changes in equity	0	0	0	0	0	529	529
Net profit/loss for the year	0	0	36,320	0	36,320	9,268	45,588
Balance as at 31.12.20	5,000	-17,927	241,332	0	228,405	49,769	278,174

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Cash flow hedging reserve	Retained earnings	Proposed dividend for the financial year	Equity of the parent company's capital owners	Total equity
Parent:							
Statement of changes in equity for 01.01.19 - 31.12.19							
Balance as at 01.01.19	5,000	86,255	0	111,270	40,000	242,525	242,525
Foreign currency translation adjustment of foreign enterprises	0	2,943	0	0	0	2,943	2,943
Distributed dividend from group enterprises	0	-12,401	0	12,401	0	0	0
Fair value adjustment of hedging instruments	0	463	0	144	0	607	607
Dividend paid	0	0	0	0	-40,000	-40,000	-40,000
Other changes in equity	0	-46	0	46	0	0	0
Net profit/loss for the year	0	35,712	0	-30,747	40,000	44,965	44,965
Balance as at 31.12.19	5,000	112,926	0	93,114	40,000	251,040	251,040
Statement of changes in equity for 01.01.20 - 31.12.20							
Balance as at 01.01.20	5,000	112,926	0	93,114	40,000	251,040	251,040
Foreign currency translation adjustment of foreign enterprises	0	-16,764	0	0	0	-16,764	-16,764
Distributed dividend from group enterprises	0	-19,107	0	19,107	0	0	0
Fair value adjustment of hedging instruments	0	-1,274	-660	-259	0	-2,193	-2,193
Dividend paid	0	0	0	0	-40,000	-40,000	-40,000
Net profit/loss for the year	0	23,972	0	12,348	0	36,320	36,320
Balance as at 31.12.20	5,000	99,753	-660	124,310	0	228,403	228,403

Consolidated cash flow statement

	Group	
	2020 DKK '000	2019 DKK '000
Profit for the year	**45,586**	**54,413**
Adjustments for the cash flow statement		
Depreciation and impairments losses of property, plant and equipment	7,406	8,989
Fair value adjustment of investment properties	-1,105	0
Financial income	-8,840	-5,775
Financial expenses	6,784	2,303
Tax on profit or loss for the year	12,202	13,026
Other adjustments	-2,961	2,775
Total	13,486	21,318
Change in working capital:		
Inventories	-6,163	1,474
Receivables	26,574	-82,093
Trade payables	-2,829	2,926
Other payables relating to operating activities	-2,928	11,797
Cash flows from operating activities before net financials	**73,726**	**9,835**
Interest income and similar income received	8,840	5,775
Interest expenses and similar expenses paid	-6,784	-2,303
Income tax paid	-13,294	-16,431
Cash flows from operating activities	**62,488**	**-3,124**
Purchase of intangible assets	-300	-391
Purchase of property, plant and equipment	-27,398	-8,615
Sale of property, plant and equipment	32	87
Dividend recieved	0	103
Loans	15,123	-16,064
Cash flows from investing activities	**-12,543**	**-24,880**
Dividend paid	-48,197	-45,399
Arrangement of mortgage debt	14,905	0
Arrangement of payables to group entreprises	40,000	40,000
Repayment of other long-term payables	-3,011	-4,157
Cash flows from financing activities	**3,697**	**-9,556**
Total cash flows for the year	**53,642**	**-37,560**
Cash, beginning of year	25,048	57,421
Short-term payables to credit institutions, beginning of year	-13,312	-8,125
Cash, end of year	**65,378**	**11,736**
Cash, end of year, comprises:		
Cash	69,227	25,048
Short-term payables to credit institutions	-3,849	-13,312
Total	**65,378**	**11,736**

	Group		Parent	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 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:

Revenue, sales and services	323,499	353,496	53,256	90,284
Revenue, rental income from rental property	1,708	0	0	0
Total	325,207	353,496	53,256	90,284

Revenue comprises the following geographical markets:

Europe	179,967	207,402	47,002	74,794
Africa	97,068	69,817	606	1,564
North and south America	37,903	55,495	410	180
Asia and middeleast	6,057	19,713	5,112	13,465
Other countries	4,212	1,069	126	281
Total	325,207	353,496	53,256	90,284

2. Staff costs

Wages and salaries	96,914	108,891	5,603	7,877
Pensions	1,893	1,146	139	148
Other social security costs	12,603	16,845	62	74
Total	111,410	126,882	5,804	8,099
Average number of employees during the year	623	619	8	9

3. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	22,151	35,792
Elimination of internal gains and losses	0	0	1,821	-79
Total	0	0	23,972	35,713

	Group		Parent	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000

4. Financial income

Interest, group enterprises	0	0	202	0
Other interest income	194	478	194	478
Other financial income	8,444	5,297	3,049	1,411
Total	8,638	5,775	3,445	1,889

5. Financial expenses

Interest, group enterprises	0	0	3	0
Other financial expenses	6,579	2,303	49	106
Total	6,579	2,303	52	106

6. Tax on profit or loss for the year

Current tax for the year	11,171	14,538	3,566	2,898
Adjustment of deferred tax for the year	1,030	-1,673	0	-193
Adjustment of tax in respect of previous years	0	161	0	161
Total	12,201	13,026	3,566	2,866

7. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	615	500	250	250
Other services	126	249	19	223
Total	741	749	269	473

8. Distribution of net profit

	Group 2020 DKK '000	Group 2019 DKK '000	Parent 2020 DKK '000	Parent 2019 DKK '000
Reserve for net revaluation according to the equity method	0	0	23,972	35,712
Proposed dividend for the financial year	40,000	40,000	40,000	40,000
Non-controlling interests	9,268	9,631	0	0
Retained earnings	- 3,692	4,782	-27,652	-30,930
Total	45,586	54,413	36,320	44,782

9. Intangible assets

Figures in DKK '000	Acquired rights	Goodwill	Development projects in progress
Group:			
Cost as at 01.01.20	7,298	16,544	2,452
Foreign currency translation adjustment of foreign enterprises	-1,301	-1,797	-171
Additions during the year	300	0	0
Cost as at 31.12.20	6,297	14,747	2,281
Amortisation and impairment losses as at 01.01.20	-6,559	-16,544	-2,452
Foreign currency translation adjustment of foreign enterprises	1,199	1,797	171
Amortisation during the year	-422	0	0
Amortisation and impairment losses as at 31.12.20	-5,782	-14,747	-2,281
Carrying amount as at 31.12.20	515	0	0
Parent:			
Cost as at 01.01.20	0	104	0
Cost as at 31.12.20	0	104	0
Amortisation and impairment losses as at 01.01.20	0	-104	0
Amortisation and impairment losses as at 31.12.20	0	-104	0
Carrying amount as at 31.12.20	0	0	0

10. Property, plant and equipment

Figures in DKK '000	Land and buildings	Investment properties	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment
Group:				
Cost as at 01.01.20	83,410	0	80,848	0
Foreign currency translation adjustment of foreign enterprises	-7,740	0	-5,975	0
Additions during the year	135	27,695	2,116	602
Disposals during the year	0	0	-388	0
Cost as at 31.12.20	75,805	27,695	76,601	602
Depreciation and impairment losses as at 01.01.20	-5,922	0	-51,112	0
Foreign currency translation adjustment of foreign enterprises	-463	0	3,784	0
Impairment losses during the year	927	0	0	0
Depreciation during the year	-1,474	0	-5,323	0
Reversal of depreciation of and impairment losses on disposed assets	0	0	295	0
Depreciation and impairment losses as at 31.12.20	-6,932	0	-52,356	0
Fair value adjustments during the year	0	1,105	0	0
Fair value adjustments as at 31.12.20	0	1,105	0	0
Carrying amount as at 31.12.20	68,873	28,800	24,245	602

Parent:				
Cost as at 01.01.20	0	0	2,501	0
Additions during the year	0	0	400	0
Cost as at 31.12.20	0	0	2,901	0
Depreciation and impairment losses as at 01.01.20	0	0	-1,993	0
Depreciation during the year	0	0	-270	0
Depreciation and impairment losses as at 31.12.20	0	0	-2,263	0
Carrying amount as at 31.12.20	0	0	638	0

11. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Foreign currency translation adjustment of foreign enterprises	-1,546
Net profit/loss from equity investments	1,402
Fair value adjustment of hedging instruments	144
Revaluations as at 31.12.20	0
Carrying amount as at 31.12.20	0
Cost as at 01.01.20	65,485
Additions during the year	5,000
Cost as at 31.12.20	70,485
Revaluations as at 01.01.20	127,732
Foreign currency translation adjustment of foreign enterprises	-16,764
Net profit/loss from equity investments	23,233
Dividend relating to equity investments	-19,252
Fair value adjustment of hedging instruments	-1,130
Changes in intra-group profit from inventories	739
Revaluations as at 31.12.20	114,558
Depreciation and impairment losses as at 01.01.20	-14,807
Depreciation and impairment losses as at 31.12.20	-14,807
Carrying amount as at 31.12.20	170,236

Name and registered office:	Ownership interest	Equity DKK '000	Net profit/loss for the year DKK '000	Recognised value DKK '000
Subsidiaries:				
Trepko S.A., Gniezno, Poland	72%	151,000	21,523	109,335
Trepko (UK) Limited, Gainsborough, England	100%	20,556	-3,224	20,556
Trepko INC, Tampa, USA	100%	18,282	2,720	18,282
Filmatic Packaging Systems LTD, Cape Town, South Africa	52%	15,103	5,734	7,854
Trepko do Brasil Ltd, Curitiba, Brazil	100%	9,465	840	9,465
Energivej 30 ApS, Ballerup	100%	7,212	2,212	7,212
Regulation to Group Practice, Ballerup	100%	-2,468	954	-2,468

12. Other non-current financial assets

Figures in DKK '000	Deposits	Other receivables
Group:		
Cost as at 01.01.20	65	17,590
Additions relating to mergers and acquisition of enterprises	-65	0
Foreign currency translation adjustment of foreign enterprises	0	-1,224
Disposals during the year	0	-15,123
Cost as at 31.12.20	0	1,243
Carrying amount as at 31.12.20	0	1,243
Parent:		
Cost as at 01.01.20	66	0
Additions during the year	1	0
Cost as at 31.12.20	67	0
Carrying amount as at 31.12.20	67	0

	Group		Parent	
	31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000
13. Work in progress for third parties				
Work in progress for third parties	43,422	58,343	12,118	20,821
On-account invoicing	-45,996	-51,446	-6,277	-14,009
Work in progress for third parties	-2,574	6,897	5,841	6,812
Work in progress for third parties	24,921	46,247	7,548	8,725
Prepayments received from work in progress for third parties, short-term payables	-27,495	-39,350	-1,707	-1,913
Total	-2,574	6,897	5,841	6,812

14. Prepayments

Prepayments consist of payments received from customers on long term projects.

15. Receivables

Receivables which fall due for payment more than 1 year after the end of the financial year	3,768	2,637	490	637

16. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	100,000	50

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

17. Non-controlling interests

Non-controlling interests, beginning of year	53,193	48,095	0	0
Foreign currency translation adjustment of foreign enterprises	-5,024	847	0	0
Dividend paid	-8,197	-5,399	0	0
Other changes in equity	529	19	0	0
Net profit/loss for the year (distribution of net profit)	9,268	9,631	0	0
Total	49,769	53,193	0	0

18. Provisions for pensions and similar obligations

The provision for pension obligations only concerns the group companies in Poland as the other 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.

	Group		Parent	
	31.12.20 DKK '000	31.12.19 DKK '000	31.12.20 DKK '000	31.12.19 DKK '000
19. Deferred tax				
Deferred tax as at 01.01.20	755	2,320	958	1,151
Deferred tax recognised in the income statement	687	-1,565	157	-193
Deferred tax as at 31.12.20	1,442	755	1,115	958
Deferred tax is recognized in the balance sheet as:				
Deferred tax asset	-1,355	0	0	0
Deferred tax liability	2,797	755	1,115	958
Total	1,442	755	1,115	958

As at 31.12.20, the company has recognised a deferred tax asset of DKK 1,355. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

20. Other provisions

Other provisions consist of warranty commitments only.

21. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.20	Total payables at 31.12.19
Group:				
Mortgage debt	716	10,200	13,831	0
Payables to other credit institutions	4,668	6,076	35,012	35,657
Total	5,384	16,276	48,843	35,657

22. Fair value information

Figures in DKK '000	Investment properties	Derivative financial instruments
Group:		
Fair value as at 31.12.20	28,800	0
Changes for the year of fair value recognised in the income statement	1,105	0

The calculation of the fair value of the investment property is based on a normalized operating profit, an expected occupancy rate of 100% and a required return of 6.0%.

The required rate of return is determined taking into account the property's location, state of maintenance and occupancy rate, including terms and conditions in leases. The property is used for commercial rental.

Leases are entered into on the usual terms of the Lease Act.

On the balance sheet date, leases have been entered into on all leases.

23. 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.

Group companies: 0-12 months DKK 88.956 Mill.

Parent:0-12 months DKK 44.376 Mill.

24. Charges and security

Group:

The group has issued mortgage deeds registered to the mortgagor in the total amount of DKK 14.192 Mill secured upon investment properties with a carrying amount of DKK 28.800 Mill.

Parent:

The company has not provided any security over assets.

25. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of total DKK 5.963 Mill.

Recourse 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:

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 43.860 Mill.

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 jointlywith the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

26. Related parties

Controlling influence	Basis of influence
H.C. Holding Investeringsaktieselskab, Ballerup, Denmark	Parent company
Hans Christian Hansen, Freeport, The Bahamas	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 course of business at arms’ length.

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 of the parent and group have changed which is stated in the 'Change in accounting policies' section.

Change in accounting policies

The company has implemented amendments to the Danish Financial Statements Act, see act no. 1716 amending the Danish Financial Statements Act of 27 December 2018 (lov nr. 1716 om ændring af årsregnskabsloven m.v. af 27. december 2018). This includes new and amended disclosure and presentation requirements and amendments to provisions on recognition, measurement and classification. recognition, measurement and classification. Amendments to provisions on recognition, measurement and classification are as follows:

Foreign currency translation reserve

In future, unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities must be recognised in equity under the foreign currency translation reserve rather than under retained earnings. The reserve is distributable. The reserve is dissolved when the independent foreign entities are disposed of. In accordance with section 6(2) of act no. 1716 amending the Danish Financial Statements Act of 27 December 2018, foreign currency translation adjustments are recognised prospectively under the reserve, with initial recognition in the balance sheet as from 01.01.20. The change in accounting policy has no impact on the net profit/loss for the year, balance sheet total or equity.

Cash flow hedging reserve

In future, unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) must be recognised in equity under the cash flow hedging reserve rather than under retained earnings. The reserve is distributable. The reserve is measured less deferred tax and is dissolved when the hedged transaction occurs, or it is no longer expected to occur. In accordance with section 6(2) of act no. 1716 amending the Danish Financial Statements Act of 27 December 2018, gains and losses are recognised prospectively under the reserve, with initial recognition in the balance sheet as from 01.01.20. The change in accounting policy has no impact on the net profit/loss for the year, balance sheet total or equity.

Comparative figures for 2019 have been restated in accordance with the new accounting policies in the income statement, balance sheet, cash flow statement and notes to the extent that transitional provisions have not been applied in the implementation of act no. 1716 amending the Danish Financial Statements Act of 27 December 2018. The accumulated effect of the change in accounting policies at the beginning of the financial year have been recognised in equity. The tax effect of the change has also been recognised directly in equity.

The total changes in accounting policies have no impact on the profit or loss before or after tax for 2020. For the equity and balance sheet total the changes in accounting policies have no impact.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous 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.
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.

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 changes in 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 independent foreign 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 under the foreign currency translation reserve.
Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. 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 under the cash flow hedging reserve. 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 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.
Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.
Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement 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).
Income from the rental of properties is recognised in the income statement for the relevant period. Revenue is measured at fair value and determined exclusive of VAT and discounts.

Change in inventories of finished goods and work in progress

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.

Property costs
Property costs comprise costs relating to property management, including repair and maintenance costs, real property taxes, insurance, overhead costs and other costs.

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
Acquired rights	3-10	-
Goodwill	3-10	-
Buildings	30	0-70
Leasehold improvements		0
	3-10	0

Land is not depreciated.
Investment properties are 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.

Write-downs of current assets exceeding normal write-downs
Fair value adjustment of investment properties
Unrealised value adjustments of investment properties and realised gains and losses on the sale of assets are recognised in the fair value adjustment of investment properties.
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 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.
Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as financial expenses.
Dividends from other equity investments are recognised as income in the financial year in which the dividend is declared.

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
Development projects in progress
Development projects 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.

Acquired rights

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

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

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

Investment properties

Investment properties comprise investments in land and buildings for the purpose of earning a return on such investments in the form of regular operating income and capital gains on sale. Investment properties are recognised at cost at the date of acquisition. Cost comprises the purchase price plus expenses resulting directly from the purchase until the asset is ready for use. Investment properties are subsequently measured at fair value with value adjustments in the income statement. The fair value is calculated by applying an individually determined discount rate to the capitalisation of a market-based operating income from the property. A valuer has not been used to determine the fair value.

Other property, plant and equipment

Other property, plant and equipment comprise land and buildings, leasehold improvements as well as other fixtures and fittings, tools and equipment.

Other 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.

Other property, plant and equipment 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

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

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

Gains and losses on the disposal of property, plant and equipment

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 recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, 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 goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

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.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. 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

Equity investments that are not classified as group enterprises, associates or participating interests and which are not traded in an active market are measured in the balance sheet at cost. Other equity investments classified as current assets are written down to the lower of cost and net realisable value.

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 measured according to the equity method is recognized 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.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

Funds in the nature of loans, security or other financial assistance subject to the rules of the Danish Companies Act on the company's legal financing of the purchase of company shares, granted by the company to shareholders and management, are recognised in the financial statements of the parent in equity under reserve for loans and security provided. The reserve is reduced or dissolved to the extent that the loan, security or other financial assistance is reduced or terminated.

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 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

Deposits recognised under liabilities comprise deposits received from lessees under the company's leases.

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

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

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 repay ment of long-term payables.

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

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.