
EagleBurgmann KE A/S

Odinsvej 1, DK-6950 Ringkøbing

Annual Report for 2023

CVR No. 13 43 66 81

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 5/7 2024

Adam Mezody
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of EagleBurgmann KE A/S for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ringkøbing, 5 July 2024

Executive Board

Frank Steen Sumborg

Board of Directors

Jason Clay Kollatschny
Chairman

Martin Pitsch

Charlotte Tabanda Leong

Steffan Grosmann Bayer

Monika Noesgaard

Independent Auditor's report

To the shareholders of EagleBurgmann KE A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of EagleBurgmann KE A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the 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 Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

Trekantområdet, 5 July 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen

State Authorised Public Accountant

mne30224

Company information

The Company	EagleBurgmann KE A/S Odinsvej 1 6950 Ringkøbing CVR No: 13 43 66 81 Financial period: 1 January - 31 December Municipality of reg. office: Ringkøbing
Board of Directors	Jason Clay Kollatschny, chairman Martin Pitsch Charlotte Tabanda Leong Steffan Grosmann Bayer Monika Noesgaard
Executive Board	Frank Steen Sumborg
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	87,685	83,015	81,743	72,878	98,092
Operating profit/loss	-17,126	-16,388	-14,449	-11,992	-4,939
Profit/loss of financial income and expenses	19,433	16,849	15,780	15,290	-1,084
Net profit/loss for the year	22,130	20,545	29,906	19,179	94,547
Balance sheet					
Balance sheet total	154,460	146,183	155,446	178,187	211,684
Investment in property, plant and equipment	8,013	2,494	-620	0	-30,712
Equity	113,210	107,179	118,397	131,958	160,928
Number of employees	132	126	112	119	161
Ratios					
Solvency ratio	73.3%	73.3%	76.2%	74.1%	76.0%
Return on equity	20.1%	18.2%	23.9%	13.1%	65.4%
Return on assets	1.9%	3.1%	10.1%	10.8%	0.0%

The ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts. We refer to accounting policies for a description of the applied methods.

Management's review

Key activities

The Company's business segment comprises two divisions:

Expansion Joints Division

The division supplies total solutions, which compensate for thermic expansions, vibrations and assembling imbalances in pipes, ducts and other systems, primarily within the energy sector. The solutions are based on compensator technology within fabric, rubber, elastomers and special compensators with steel parts, sealing products and engineering. Focus is on customised quality, design, engineering, installation and after sales service.

Mechanical Seals Division

The Seals division sells sealing products, including mechanical axial sealings, braided and static sealings for the industry.

Development in the year

The income statement of the Company for 2023 shows a profit of TDKK 22,130, and at 31 December 2023 the balance sheet of the Company shows a positive equity of TDKK 113,210.

The past year and follow-up on development expectations from last year

The year 2023 was a bit below of budget in regards to Net Sales (-2.1%), however the operating result was above the expectation (by 2.4 mDKK). The improvement in efficiency was mainly due to the higher gross profit and cost awareness.

The year 2023 was also a bit below of 2022 in regards to Net Sales (-3.6%), which was due to the fact that after COVID the company received a lot of orders to be delivered within the year (2022). This was not a repeatable situation. But similar to budget the company achieved a bit higher profit in 2023 than a year before.

In 2023 the material prices went back almost on 2021 level. There was a significant peak in 2022 which was due to the war in Ukraine. The purchasing department handled this critical situation very professionally.

Management was satisfied with the result of 2023 and focusing to keep the actual trend in the received orders and improve the productions and the production efficiencies.

Capital resources

The Company's capital structure is considered to be sufficient.

Targets and expectations for the year ahead

The strategy for 2024-2026 has been agreed with the shareholders. Management expects a CAGR on sales in 7-8% which will also have a slightly positive impact on profitability.

The expectation for 2024 is a 3.3 % increase in sales (200 mDKK in total) compared to 2023. GP 1 is also expected to increase by around 3 % which is due to the product mix. Profitability is expected to drop due to the fact that the company will start the roll out of SAP, furthermore the allocated group management fees are also increased in 2024 compared to 2023.

Management expects an operating result of DKK 560k.

Management's review

Unusual events

Regarding the Ukraine war started at 24, February 2022, the management assessed that the entity's financial position and cash flow has not been significantly affected by this.

Due to global regulations, we stopped our sales activity (and all kind of sales support) in Russia. Due to the fact that our intercompany sales towards Russia was insignificant in the past, we didn't have any measurable negative impact.

The war does not have significant impact on our supply chain.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Gross profit		87,685	83,015
Staff expenses	1	-80,787	-75,168
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-3,908	-3,330
Profit/loss before financial income and expenses		2,990	4,517
Income from investments in subsidiaries		19,780	18,885
Financial income	2	468	49
Financial expenses	3	-815	-2,085
Profit/loss before tax		22,423	21,366
Tax on profit/loss for the year	4	-293	-821
Net profit/loss for the year	5	22,130	20,545

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Goodwill		13	51
Intangible assets	6	13	51
Land and buildings		14,466	17,017
Plant and machinery		2,604	2,118
Other fixtures and fittings, tools and equipment		6,104	1,826
Property, plant and equipment	7	23,174	20,961
Investments in subsidiaries	8	46,387	37,190
Fixed asset investments		46,387	37,190
Fixed assets		69,574	58,202
Raw materials and consumables		12,845	17,102
Work in progress		4,690	5,346
Finished goods and goods for resale		9,058	6,564
Inventories		26,593	29,012
Trade receivables		19,178	42,015
Receivables from group enterprises	9	32,481	12,020
Other receivables		4,410	1,900
Deferred tax asset	10	1,465	1,031
Corporation tax		0	620
Prepayments	11	734	1,350
Receivables		58,268	58,936
Cash at bank and in hand		25	28
Current assets		84,886	87,976
Assets		154,460	146,178

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital	12	16,000	16,000
Reserve for net revaluation under the equity method		41,858	32,660
Other reserves		-6,295	-2,121
Retained earnings		50,468	48,720
Proposed dividend for the year		11,179	11,920
Equity		113,210	107,179
Other provisions	13	1,137	887
Provisions		1,137	887
Lease obligations		2,997	1,034
Long-term debt	14	2,997	1,034
Lease obligations	14	1,972	919
Trade payables		18,778	17,913
Payables to group enterprises		4,226	7,132
Corporation tax		55	0
Payables to group enterprises relating to corporation tax		298	0
Other payables		11,076	9,215
Deferred income	15	711	1,899
Short-term debt		37,116	37,078
Debt		40,113	38,112
Liabilities and equity		154,460	146,178
Contingent assets, liabilities and other financial obligations	16		
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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Other reserves	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	16,000	32,660	-2,121	48,720	11,920	107,179
Exchange adjustments	0	0	-4,174	0	0	-4,174
Ordinary dividend paid	0	0	0	0	-11,920	-11,920
Other equity movements	0	0	0	-4	0	-4
Net profit/loss for the year	0	9,198	0	1,752	11,179	22,129
Equity at 31 December	16,000	41,858	-6,295	50,468	11,179	113,210

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	73,155	68,827
Pensions	6,389	5,124
Other social security expenses	1,243	1,217
	80,787	75,168

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	132	126
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	2023	2022
	TDKK	TDKK
2. Financial income		
Interest received from group enterprises	257	48
Exchange adjustments	211	1
	468	49

	2023	2022
	TDKK	TDKK
3. Financial expenses		
Interest paid to group enterprises	265	574
Other financial expenses	550	271
Exchange loss	0	1,240
	815	2,085

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
4. Income tax expense		
Current tax for the year	828	-606
Deferred tax for the year	-210	721
Adjustment of tax concerning previous years	-101	706
Adjustment of deferred tax concerning previous years	-224	0
	<u>293</u>	<u>821</u>

	2023	2022
	TDKK	TDKK
5. Profit allocation		
Extraordinary dividend paid	0	30,492
Proposed dividend for the year	11,179	11,920
Reserve for net revaluation under the equity method	9,199	-4,740
Retained earnings	1,752	-17,127
	<u>22,130</u>	<u>20,545</u>

6. Intangible fixed assets

	Goodwill
	TDKK
Cost at 1 January	19,810
Cost at 31 December	<u>19,810</u>
Impairment losses and amortisation at 1 January	19,759
Amortisation for the year	38
Impairment losses and amortisation at 31 December	<u>19,797</u>
Carrying amount at 31 December	<u>13</u>

Notes to the Financial Statements

7. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK	TDKK
Cost at 1 January	32,886	55,920	8,963
Additions for the year	450	1,637	5,927
Disposals for the year	-1,688	0	-2,756
Cost at 31 December	<u>31,648</u>	<u>57,557</u>	<u>12,134</u>
Impairment losses and depreciation at 1 January	15,870	53,778	7,135
Depreciation for the year	1,312	1,175	1,350
Impairment and depreciation of sold assets for the year	0	0	-2,455
Impairment losses and depreciation at 31 December	<u>17,182</u>	<u>54,953</u>	<u>6,030</u>
Carrying amount at 31 December	<u>14,466</u>	<u>2,604</u>	<u>6,104</u>
Including assets under finance leases amounting to	<u>572</u>	<u>0</u>	<u>4,335</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
8. Investments in subsidiaries		
Cost at 1 January	4,529	11,588
Disposals for the year	0	-7,059
Cost at 31 December	<u>4,529</u>	<u>4,529</u>
Value adjustments at 1 January	32,661	37,400
Exchange adjustment	-3,903	-1,271
Net profit/loss for the year	19,780	13,298
Dividend to the Parent Company	-6,680	-16,718
Reversals for the year of revaluations in previous years	0	-48
Value adjustments at 31 December	<u>41,858</u>	<u>32,661</u>
Carrying amount at 31 December	<u>46,387</u>	<u>37,190</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
EagleBurgmann KE Pte. Ltd.	Singapore	100%
EagleBurgmann Pvt. Ltd.	India	100%
EagleBurgmann Poland Sp. z.o.o.	Poland	100%

	2023	2022
	TDKK	TDKK
9. Receivables from group enterprises		
Cash Pool arrangement	21,145	0
Other receivables	11,336	12,020
	<u>32,481</u>	<u>12,020</u>

Burgmann Internation GmbH has entered into a cash pool arrangement agreement with SEB AG, in which Burgmann Internation GmbH is the account holder and EAGLEBURGMANN KE A/S is the sub-account holder together with the Group's other affiliated companies. The terms of the cash pool scheme grant SEB AG the right to settle withdrawals and deposits with each other, whereby only the net balance of the total cash pool accounts constitute Burgmann Internation GmbH 's balance with SEB AG. EAGLEBURGMANN KE A/S's accounts in the cash pool scheme.

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
10. Deferred tax asset		
Deferred tax asset at 1 January	1,031	3,603
Amounts recognised in the income statement for the year	210	-721
Amounts recognised in equity for the year	224	-1,851
Deferred tax asset at 31 December	<u>1,465</u>	<u>1,031</u>

Deferred Tax assets, consists in its majority of Write-down on stock, lease and provisions. The recognition is based on an expectation, that the tax asset will be utilised within the next five years.

11. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

12. Share capital

The share capital consists of 16,000,100 shares of a nominal value of TDKK 1. No shares carry any special rights.

In 2019 the Share capital was increased from DKK 16,000,000 to DKK 16,000,100.

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
13. Other provisions		
Other provisions are claims for customers. Based on previous experience other provisions of TDKK 887 have been recognised for expected claims.		
Other provisions	<u>1,137</u>	<u>887</u>
	<u>1,137</u>	<u>887</u>

The provisions are expected to mature as follows:

After 5 years	<u>1,137</u>	<u>887</u>
	<u>1,137</u>	<u>887</u>

Other provisions are claims for customers. Based on previous experience other provisions of TDKK 1.137 have been recognised for expected claims.

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK

14. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Lease obligations

After 5 years	0	0
Between 1 and 5 years	<u>2,997</u>	<u>1,034</u>
Long-term part	2,997	1,034
Within 1 year	<u>1,972</u>	<u>919</u>
	<u>4,969</u>	<u>1,953</u>

15. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

16. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 54,694. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

Notes to the Financial Statements

17. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Freudenberg & Co. KG	Ultimate parent
Other related parties	
Burgmann Internation GmbH	Parent company

Transactions

Completed transactions with related parties during the year were entered into on normal market terms. It is therefore given with reference to the Danish Financial Statements Act. section 98 c, subsection 7 no further information on transactions with related parties.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Freudenberg & Co. KG	Hoehnerweg 2-4, D-69469 Weinheim, Germany

The Group Annual Report of Freudenberg & Co. KG may be obtained at the following address:
www.freudenberg.com

18. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

19. Accounting policies

The Annual Report of EagleBurgmann KE A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Freudenberg & Co. KG, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Freudenberg & Co. KG, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries of the Freudenberg Group. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 7 year.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	10-50 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

Notes to the Financial Statements

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial liabilities

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$
Return on assets	$\text{Net profit for the year} \times 100 / \text{Total assets at year end}$