EagleBurgmann KE A/S

Odinsvej 1, DK-6950 Ringkøbing

Annual Report for 1 January - 31 December 2021

CVR No 13 43 66 81

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 20/6 2022

Adam Mezody
Chairman of the General Meeting

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Contents

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 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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

Ringkøbing-Skjern, 20 June 2022

Executive Board

Frank Steen Sumborg

Board of Directors

Dr. Andreas Klaus Oswald Raps Chairman	Dominik Thoma	Martin Pitsch
Kristian Maegaard	Bo Hagde Nielsen	

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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 2021, 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 Financials 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.

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

Independent Auditor’s Report

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, 20 June 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen
statsautoriseret revisor
mne30224

Company Information

The Company	EagleBurgmann KE A/S Odinsvej 1 DK-6950 Ringkøbing CVR No: 13 43 66 81 Financial period: 1 January - 31 December Municipality of reg. office: Ringkøbing
Board of Directors	Andreas Klaus Oswald Raps, Chairman Dominik Thoma Martin Pitsch Kristian Maegaard Bo Hagde Nielsen
Executive Board	Frank Steen Sumborg
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

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

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	80,498	72,878	98,092	124,048	129,106
Operating profit/loss	-14,449	-11,992	-4,939	32,219	836
Net financials	15,780	15,290	-1,084	-963	-1,736
Net profit/loss for the year	29,906	19,179	94,547	30,933	19,743
Balance sheet					
Balance sheet total	155,272	178,187	211,684	203,126	153,079
Equity	118,397	131,958	160,928	128,032	98,109
Investment in property, plant and equipment	-620	0	-30,712	0	0
Number of employees	112	119	161	174	177
Ratios					
Return on assets	10.1%	1.6%	-2.4%	18.1%	0.5%
Solvency ratio	76.3%	74.1%	76.0%	63.0%	64.1%
Return on equity	23.9%	13.1%	65.4%	27.4%	20.7%

There has been an intra group merger between EagleBurgmann KE A/S, EBI Atlantic A/S and EBI Middle East A/S, effective 1 January 2019, with EagleBurgmann KE A/S as the surviving company. The book value method has been applied to the intra group business combination. The comparative figures for 2018 and previous years have therefore not been restated in accordance with the book value method.

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.

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

Market overview

The strategy for 2021-2023 has been agreed with the shareholders and under implementation.
The expectation for 2022 is 4,8% higher revenue compared to 2021.

Development in the year

The income statement of the Company for 2021 shows a profit of TDKK 29,906, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 118,397.

Capital resources

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

Unusual events

Regarding the world wide Covid-19 outbreak, the management assesses that the entity's financial position and cash flow has not been significantly affected by this. On one hand the Metal Expansion Joints sales volume was only EUR 527 thousand less in 2021 than a year before but on the other side the order volume increased by EUR 2.126 thousand compared to 2020, which is a good indicator of the increasing sales in 2022.
The Covid-19 outbreak has meant that the company has had to adapt a number of work routines to ensure the health of employees and thus the company's operations so that deliveries of goods could be maintained in this extraordinary situation. The result of these adjustments has generally had a satisfactory effect and meant that deliveries have been able to be maintained.

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	2021	2020
		TDKK	TDKK
Gross profit/loss		**80,498**	**72,878**
Staff expenses	1	-61,363	-65,479
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-3,466	-4,503
Profit/loss before financial income and expenses		**15,669**	**2,896**
Income from investments in subsidiaries		16,696	16,248
Financial income		23	32
Financial expenses	3	-939	-990
Profit/loss before tax		**31,449**	**18,186**
Tax on profit/loss for the year	4	-1,543	993
Net profit/loss for the year		**29,906**	**19,179**

Proposed distribution of profit

	2021	2020
Extraordinary dividend paid	44,616	0
Reserve for net revaluation under the equity method	4,966	870
Retained earnings	-19,676	18,309
	29,906	**19,179**

Balance Sheet 31 December

Assets

	Note	2021	2020
		TDKK	TDKK
Goodwill		90	128
Intangible assets	5	**90**	**128**
Land and buildings		18,058	19,291
Plant and machinery		2,931	3,913
Other fixtures and fittings, tools and equipment		812	1,405
Property, plant and equipment	6	**21,801**	**24,609**
Investments in subsidiaries	7	48,988	44,022
Fixed asset investments		**48,988**	**44,022**
Fixed assets		**70,879**	**68,759**
Raw materials and consumables		8,738	5,389
Work in progress		7,326	3,939
Finished goods and goods for resale		5,245	5,468
Inventories		**21,309**	**14,796**
Trade receivables		23,873	22,842
Receivables from group enterprises		35,357	64,011
Other receivables		893	296
Deferred tax asset	8	1,752	3,603
Corporation tax receivable from group enterprises		167	3,398
Prepayments	9	1,015	455
Receivables		**63,057**	**94,605**
Cash at bank and in hand		**27**	**27**
Currents assets		**84,393**	**109,428**
Assets		**155,272**	**178,187**

Balance Sheet 31 December

Liabilities and equity

	Note	2021	2020
		TDKK	TDKK
Share capital	10	16,000	16,000
Reserve for net revaluation under the equity method		37,400	32,434
Other reserves		-850	-1,999
Retained earnings		65,847	85,523
Equity		**118,397**	**131,958**
Other provisions	12	1,445	1,863
Provisions		**1,445**	**1,863**
Lease obligations		978	2,238
Long-term debt	13	**978**	**2,238**
Lease obligations	13	1,090	828
Trade payables		10,062	6,972
Payables to group enterprises		6,156	7,459
Corporation tax		469	604
Other payables		16,675	26,265
Short-term debt		**34,452**	**42,128**
Debt		**35,430**	**44,366**
Liabilities and equity		**155,272**	**178,187**
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Statement of Changes in Equity

	Share capital	Reserve for net revalua-tion under the equity method	Other reserves	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
2021						
Equity at 1 January	16,000	32,434	-1,999	85,523	0	131,958
Exchange adjustments	0	0	1,149	0	0	1,149
Extraordinary dividend paid	0	0	0	-44,616	0	-44,616
Net profit/loss for the year	0	4,966	0	24,940	0	29,906
Equity at 31 December	**16,000**	**37,400**	**-850**	**65,847**	**0**	**118,397**
2020						
Equity 1. januar	16,000	31,564	0	67,214	46,150	160,928
Exchange adjustments	0	0	-1,999	0	0	-1,999
Ordinary dividend paid	0	0	0	0	-46,150	-46,150
Net profit/loss for the year	0	870	0	18,309	0	19,179
Equity at 31 December	**16,000**	**32,434**	**-1,999**	**85,523**	**0**	**131,958**

Notes to the Financial Statements

		2021	2020
		TDKK	TDKK
1	**Staff expenses**		
	Wages and salaries	54,983	58,939
	Pensions	4,481	4,643
	Other social security expenses	1,160	928
	Other staff expenses	739	969
		61,363	**65,479**
	Average number of employees	**112**	**119**
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	38	38
	Depreciation of property, plant and equipment	3,428	4,465
		3,466	**4,503**
3	**Financial expenses**		
	Interest paid to group enterprises	292	360
	Other financial expenses	647	630
		939	**990**
4	**Tax on profit/loss for the year**		
	Current tax for the year	2,002	656
	Deferred tax for the year	1,364	-443
	Adjustment of tax concerning previous years	-1,866	-1,206
	Adjustment of deferred tax concerning previous years	43	0
		1,543	**-993**

Notes to the Financial Statements

5 Intangible assets

	Goodwill
	TDKK
Cost at 1 January	19,810
Cost at 31 December	19,810
Impairment losses and amortisation at 1 January	19,682
Amortisation for the year	38
Impairment losses and amortisation at 31 December	19,720
Carrying amount at 31 December	**90**

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK	TDKK
Cost at 1 January	32,329	55,679	7,246
Additions for the year	285	230	105
Cost at 31 December	32,614	55,909	7,351
Impairment losses and depreciation at 1 January	13,038	51,766	5,841
Depreciation for the year	1,518	1,212	698
Impairment losses and depreciation at 31 December	14,556	52,978	6,539
Carrying amount at 31 December	**18,058**	**2,931**	**812**
Including assets under finance leases amounting to	1,417	0	652

Notes to the Financial Statements

	2021	2020
	TDKK	TDKK
7 Investments in subsidiaries		
Cost at 1 January	11,588	11,588
Cost at 31 December	11,588	11,588
Value adjustments at 1 January	32,434	31,564
Exchange adjustment	1,725	-1,998
Net profit/loss for the year	16,696	15,693
Dividend to the Parent Company	-13,455	-12,825
Value adjustments at 31 December	37,400	32,434
Carrying amount at 31 December	**48,988**	**44,022**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
EagleBurgmann KE Pte. Ltd.	Singapore	100%
EagleBurgmann Pvt. Ltd.	India	100%
KE-Burgmann UK Ltd.	United Kingdom	100%
EagleBurgmann Poland Sp. z.o.o.	Poland	100%

8 Deferred tax asset

	2021	2020
Deferred tax asset at 1 January	3,603	3,160
Amounts recognised in the income statement for the year	-1,364	443
Amounts recognised in previous years	-487	0
Deferred tax asset at 31 December	**1,752**	**3,603**

9 Prepayments

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

Notes to the Financial Statements

10 Equity

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

The share capital has developed as follows:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	16,000	16,000	16,000	16,000	16,000
Capital increase	0	0	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	**16,000**	**16,000**	**16,000**	**16,000**	**16,000**

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

11 Distribution of profit

	2021	2020
	TDKK	TDKK
Extraordinary dividend paid	44,616	0
Reserve for net revaluation under the equity method	4,966	870
Retained earnings	-19,676	18,309
	29,906	**19,179**

12 Other provisions

Other provisions are claims for customers. Based on previous experience other provisions of t.DKK 1.445 have been recognised for expected claims.

	2021	2020
	TDKK	TDKK
Other provisions	1,445	1,863
	1,445	**1,863**

Notes to the Financial Statements

13 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

Between 1 and 5 years	978	2,238
Long-term part	978	2,238
Within 1 year	1,090	828
	2,068	**3,066**

14 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 TDKK 9.497. 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 Company's liability.

Notes to the Financial Statements

15 Related parties

	Basis
Controlling interest	
Freudenberg & Co. KG	Parent company

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Freudenberg & Co. KG
Consolidated Financial Statements

Name	Place of registered office
Freudenberg & Co. KG	Hoehnerweg 2-4, D69469 Weinheim, Germany

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

Freudenberg Group
Hoehnerweg 2-4
469469 Weinheim, Germany

16 Subsequent events

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

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of EagleBurgmann KE A/S for 2021 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 2021 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements 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 , 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Notes to the Financial Statements

17 Accounting Policies (continued)

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/loss

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 expenses comprise wages and salaries as well as payroll expenses.

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

17 Accounting Policies (continued)

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 are recognised in the income statement at the amounts relating to the financial year.

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 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 years.

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
Leasehold improvements	7	years

Notes to the Financial Statements

17 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment 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.

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. 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 equity 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 . 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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 debts

Loans, such as loans from credit institutions, 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$