
EagleBurgmann KE A/S

Odinsvej 1, DK-6950 Ringkøbing

Annual Report for 2022

CVR No. 13 43 66 81

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 30/6 2023

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 Financial Statements of EagleBurgmann KE A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Ringkøbing, 30 June 2023

Executive Board

Frank Steen Sumborg

Board of Directors

Dr. Andreas Klaus Oswald Raps

Dominik Thoma

Martin Pitsch

Bo Hagde Nielsen

Kristian Maegaard

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 2022, 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, 30 June 2023

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

Financial Highlights

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

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	84,776	81,743	72,878	98,092	124,048
Operating profit/loss	-16,388	-14,449	-11,992	-4,939	32,219
Profit/loss of financial income and expenses	16,849	15,780	15,290	-1,084	-963
Net profit/loss	20,545	29,906	19,179	94,547	30,933
Balance sheet					
Balance sheet total	146,149	155,272	178,187	211,684	203,126
Investment in property, plant and equipment	2,494	-620	0	-30,712	0
Equity	107,179	118,397	131,958	160,928	128,032
Number of employees	126	112	119	161	174
Ratios					
Return on assets	3.1%	10.1%	10.8%	0.0%	0.0%
Solvency ratio	73.3%	76.3%	74.1%	76.0%	63.0%
Return on equity	18.2%	23.9%	13.1%	65.4%	48.3%

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 2020-2023 has been agreed with the shareholders and under implementation.

The expectation for 2023 is TDKK 22.464, which is 2,4% higher 3rd party revenue compared to 2022.

Development in the year

The income statement of the Company for 2022 shows a profit of TDKK 20,545, and at 31 December 2022 the balance sheet of the Company shows positive equity of TDKK 107,179.

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

The year 2022 was above budget in both revenue and profit, this is considered acceptable.

Capital resources

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

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	2022 TDKK	2021 TDKK
Gross profit		84,776	81,743
Staff expenses	1	-76,929	-62,608
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-3,330	-3,466
Profit/loss before financial income and expenses		4,517	15,669
Income from investments in subsidiaries		18,885	16,696
Financial income		49	23
Financial expenses	2	-2,085	-939
Profit/loss before tax		21,366	31,449
Tax on profit/loss for the year	3	-821	-1,543
Net profit/loss for the year	4	20,545	29,906

Balance sheet 31 December

Assets

	Note	2022 TDKK	2021 TDKK
Goodwill		51	90
Intangible assets	5	51	90
Land and buildings		17,017	18,058
Plant and machinery		2,118	2,931
Other fixtures and fittings, tools and equipment		1,826	812
Property, plant and equipment	6	20,961	21,801
Investments in subsidiaries	7	37,190	48,988
Fixed asset investments		37,190	48,988
Fixed assets		58,202	70,879
Raw materials and consumables		17,102	8,738
Work in progress		5,346	7,324
Finished goods and goods for resale		6,564	5,247
Inventories		29,012	21,309
Trade receivables		42,015	23,873
Receivables from group enterprises		11,853	35,357
Other receivables		1,871	893
Deferred tax asset	8	1,031	1,752
Corporation tax		620	0
Corporation tax receivable from group enterprises		167	167
Prepayments	9	1,350	1,015
Receivables		58,907	63,057
Cash at bank and in hand		28	27
Current assets		87,947	84,393
Assets		146,149	155,272

Balance sheet 31 December

Liabilities and equity

	Note	2022 TDKK	2021 TDKK
Share capital	10	16,000	16,000
Reserve for net revaluation under the equity method		32,660	37,400
Other reserves		-2,121	-850
Retained earnings		48,720	65,847
Proposed dividend for the year		11,920	0
Equity		107,179	118,397
Other provisions	11	887	1,445
Provisions		887	1,445
Lease obligations		1,034	978
Long-term debt	12	1,034	978
Lease obligations	12	919	1,090
Trade payables		14,367	10,063
Payables to group enterprises		7,132	6,156
Corporation tax		0	469
Other payables		14,631	16,674
Short-term debt		37,049	34,452
Debt		38,083	35,430
Liabilities and equity		146,149	155,272
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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	37,400	-850	65,847	0	118,397
Exchange adjustments	0	0	-1,271	0	0	-1,271
Extraordinary dividend paid	0	0	0	-30,492	0	-30,492
Net profit/loss for the year	0	-4,740	0	13,365	11,920	20,545
Equity at 31 December	16,000	32,660	-2,121	48,720	11,920	107,179

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	68,827	56,228
Pensions	5,124	4,481
Other social security expenses	1,217	1,160
Other staff expenses	1,761	739
	<u>76,929</u>	<u>62,608</u>

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	<u>126</u>	<u>112</u>
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	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
2. Financial expenses		
Interest paid to group enterprises	574	292
Other financial expenses	271	647
Exchange loss	1,240	0
	<u>2,085</u>	<u>939</u>

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
3. Income tax expense		
Current tax for the year	-606	2,002
Deferred tax for the year	721	1,364
Adjustment of tax concerning previous years	706	-1,866
Adjustment of deferred tax concerning previous years	0	43
	<u>821</u>	<u>1,543</u>

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
4. Profit allocation		
Extraordinary dividend paid	30,492	44,616
Proposed dividend for the year	11,920	0
Reserve for net revaluation under the equity method	-4,740	4,966
Retained earnings	-17,127	-19,676
	<u>20,545</u>	<u>29,906</u>

5. Intangible fixed assets

	<u>Goodwill</u>
	TDKK
Cost at 1 January	19,810
Cost at 31 December	<u>19,810</u>
Impairment losses and amortisation at 1 January	19,721
Amortisation for the year	38
Impairment losses and amortisation at 31 December	<u>19,759</u>
Carrying amount at 31 December	<u>51</u>

Notes to the Financial Statements

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	32,614	55,909	7,351
Additions for the year	272	382	1,841
Disposals for the year	0	-396	-230
Cost at 31 December	<u>32,886</u>	<u>55,895</u>	<u>8,962</u>
Impairment losses and depreciation at 1 January	14,556	52,978	6,539
Depreciation for the year	1,313	1,153	827
Impairment and depreciation of sold assets for the year	0	-354	-230
Impairment losses and depreciation at 31 December	<u>15,869</u>	<u>53,777</u>	<u>7,136</u>
Carrying amount at 31 December	<u>17,017</u>	<u>2,118</u>	<u>1,826</u>
Including assets under finance leases amounting to	<u>926</u>	<u>0</u>	<u>1,019</u>

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
7. Investments in subsidiaries		
Cost at 1 January	11,588	11,588
Disposals for the year	-7,059	0
Cost at 31 December	<u>4,529</u>	<u>11,588</u>
Value adjustments at 1 January	37,400	32,434
Exchange adjustment	-1,271	1,725
Net profit/loss for the year	13,298	16,696
Dividend to the Parent Company	-16,718	-13,455
Reversals for the year of revaluations in previous years	-48	0
Value adjustments at 31 December	<u>32,661</u>	<u>37,400</u>
Carrying amount at 31 December	<u>37,190</u>	<u>48,988</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%

	2022	2021
	TDKK	TDKK
8. Deferred tax asset		
Deferred tax asset at 1 January	1,752	3,603
Amounts recognised in the income statement for the year	-721	-1,364
Amounts recognised in equity for the year	0	-487
Deferred tax asset at 31 December	<u>1,031</u>	<u>1,752</u>

9. Prepayments

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

Notes to the Financial Statements

10. 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.

11. Other provisions

Other provisions are claims for customers. Based on previous experience other provisions of TDKK 887 have been recognised for expected claims.

12. 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:

	<u>2022</u> TDKK	<u>2021</u> TDKK
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	1,034	978
Long-term part	1,034	978
Within 1 year	919	1,090
	<u>1,953</u>	<u>2,068</u>

13. Contingent assets, liabilities and other financial obligations

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 3.258. 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

14. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Freudenberg & Co. KG	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.

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

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 may be obtained at the following address:

Freudenberg Group
Hoehnerweg 2-4
D-469469 Weinheim, Germany

15. Subsequent events

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

Notes to the Financial Statements

16. Accounting policies

The Annual Report of EagleBurgmann KE A/S for 2022 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 2022 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 2022 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. 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.

Income statement

Net sales

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. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

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.

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
Leasehold improvements	7 years

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.

Notes to the Financial Statements

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 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.

Notes to the Financial Statements

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.

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