EPOKE A/S

Vejenvej 50, DK-6600 Vejen

Annual Report for 1 March 2021 - 28 February 2022

CVR No 14 12 53 45

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/08 2022

Anders Møberg Eriksen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of EPOKE A/S for the financial year 1 March 2021 - 28 February 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 28 February 2022 of the Company and of the results of the Company operations for 2021/22.

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

Vejen, 15 August 2022

Executive Board

Peter Bjørn Bertelsen
Executive Officer

Board of Directors

Søren Klarskov Vilby Chairman	Thomas Marstrand Deputy Chairman	Johanne Christiane Frazer Riegels Østergård
Kristian la Cour	Dan Johannsen	Gert Kristensen

Independent Auditor's Report

To the Shareholder of EPOKE A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 28 February 2022 and of the results of the Company's operations for the financial year 1 March 2021 - 28 February 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of EPOKE A/S for the financial year 1 March 2021 - 28 February 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 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.

Independent Auditor's Report

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.

Independent Auditor’s Report

- 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.

Odense, 15 August 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikael Johansen	Brian Petersen
Statsautoriseret revisor	statsautoriseret revisor
mne23318	mne33722

Company Information

The Company	EPOKE A/S Vejenvej 50 DK-6600 Vejen CVR No: 14 12 53 45 Financial period: 1 March - 28 February Incorporated: 1 May 1990 Financial year: 32nd financial year Municipality of reg. office: Vejen
Board of Directors	Søren Klarskov Vilby, Chairman Thomas Marstrand Johanne Christiane Frazer Riegels Østergård Kristian la Cour Dan Johannsen Gert Kristensen
Executive Board	Peter Bjørn Bertelsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Munkebjergvænget 1, 3. og 4. sal DK-5230 Odense M

Financial Highlights

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

	2021/22 TDKK	2020/21 TDKK	2019/20 TDKK	2018/19 TDKK	2017/18 TDKK
Key figures					
Profit/loss					
Revenue	198.846	198.761	195.737	227.257	212.242
Gross profit/loss	77.159	77.492	87.156	86.352	79.154
Operating profit/loss	12.349	11.165	16.986	13.707	7.762
Profit/loss before financial income and expenses	12.349	11.165	16.986	13.707	7.762
Net financials	-2.670	-1.844	-856	-1.750	-2.302
Net profit/loss for the year	7.268	7.068	7.862	9.298	-1.650
Balance sheet					
Balance sheet total	139.554	181.295	168.007	166.609	180.711
Equity	73.136	110.103	103.797	95.800	86.160
Investment in property, plant and equipment	0	1.382	1.810	2.588	3.594
Number of employees	135	131	134	230	223
Ratios					
Gross margin	38,8%	39,0%	44,5%	38,0%	37,3%
Profit margin	6,2%	5,6%	8,7%	6,0%	3,7%
Return on assets	8,8%	6,2%	10,1%	8,2%	4,3%
Solvency ratio	52,4%	60,7%	61,8%	57,5%	47,7%
Return on equity	7,9%	6,6%	7,9%	10,2%	-3,8%

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Management's Review

Key activities

The primary activities of Epoke A/S are to develop, manufacture, market and sell Epoke, Brodd and Snowline machinery.

The Group's products are sold through own companies in Denmark, Germany and Poland. Sales and marketing in other markets are based on partnerships with dealers and the subsidiaries based in the respective countries.

Focusing on the customer and in co-operation with dealers, Epoke Group markets Epoke winter road maintenance products together with Snowline snow removal equipment and Brodd sweepers. Epoke Group aims tobecome the industry's best-known brand and to be a market leader in selected segments.

Epoke Group develops and manufactures state-of-the-art salt and liquid spreaders together with Snowline snowremoval equipment and Brodd sweepers that meet the customers' requirements in terms of service, quality and economic life costs.

Development in the year

The income statement of the Company for 2021/22 shows a profit of TDKK 7,268 against TDKK 7,068 in prior year, the main share of which attributale to exports.

Management expects improved financial performance for the next financial year and expects profit for the year to be between TDKK 7,500 and TDKK 8,500.

Profit for the year before net financials is TDKK 12,349 against TDKK 11,165 for last year.

Epoke is a firmly based enterprise with a solvency ratio of 52,4% at 28 February 2022.

Use of financial instruments

Epoke A/S' receivables and loans are primarily denominated in DKK. Epoke A/S does not apply financial instruments for the purpose of speculating.

Excess liquidity is deposited in money market accounts or the like. Therefore Epoke A/S is exposed to no material financial risks.

Epoke A/S follows a board-approved fiscal policy that operates with a low risk profile so that exchange rates, interest rates and credit risks only occur based on commercial conditions. Epoke A/S has an interest rate swap in order to hedge the interest risk involved in bank loans until maturity.

Epoke A/S is among other things using steel and stainless steel as raw material in its products; thus, Epoke A/S is exposed to the development in steel and stainless steel prices.

Management's Review

Research and development

The Group is among the absolute market leaders when it comes to spreaders for winter road clearance. The Group has won this position through persistent and targeted development efforts as regards spreaders and related electronic products.

The Group protects its development projects by taking out patents, if appropriate. The group intends to sustain its position by continuously adding the resources required and staying focused on road clearance.

The product portfolio is characterized by high performance, low service costs, high quality of products and in particular innovative solutions.

External environment

Epoke A/S holds a clean environment approval dated 7th April 2022 and is ISO 14001 certified. Epoke A/S is compliant with applicable environmental law etc. and has not received any complaints or claims relating to non-compliance with environmental rules on the part of its foreign subsidiaries.

Intellectual capital resources

Epoke Group aims to be an attractive workplace with motivated and committed staff. To ensure continued motivation and strong commitment on the part of staff, work at Epoke A/S is performed based on corporate values enabling the individual staff member to make his or her own decisions. The management philosophy is freedom with responsibility.

Epoke Group has formulated a senior policy and is locally known for its efforts to retain senior staff as well as other social activities.

Subsequent events

The Russian invasion of Ukraine has affected a disruption of the supply chain due to a high content of sub supply from Polish sub supplier's dependency on Russian steel for steel-based components. The war has had an impact on increased price on purchased components and raw material in general.

The group further face long lead times on certain components.

Income Statement 1 March - 28 February

	Note	2021/22	2020/21
		TDKK	TDKK
Revenue		**198.846**	**198.761**
Expenses for raw materials and consumables		-103.715	-108.394
Other external expenses		-17.972	-12.875
Gross profit/loss		**77.159**	**77.492**
Staff expenses	1	-61.325	-62.709
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-3.485	-3.618
Profit/loss before financial income and expenses		**12.349**	**11.165**
Income from investments in subsidiaries		-1.596	-795
Financial income	3	822	1.436
Financial expenses	4	-1.896	-2.485
Profit/loss before tax		**9.679**	**9.321**
Tax on profit/loss for the year	5	-2.411	-2.253
Net profit/loss for the year		**7.268**	**7.068**

Balance Sheet 28 February

Assets

	Note	2021/22	2020/21
		TDKK	TDKK
Completed development projects		0	0
Goodwill		834	1.083
Intangible assets	6	**834**	**1.083**
Land and buildings		4.735	5.754
Plant and machinery		3.240	4.690
Other fixtures and fittings, tools and equipment		1.552	2.320
Leasehold improvements		0	0
Property, plant and equipment	7	**9.527**	**12.764**
Investments in subsidiaries	8	4.107	6.233
Deposits	9	61	61
Fixed asset investments		**4.168**	**6.294**
Fixed assets		**14.529**	**20.141**
Raw materials and consumables		27.767	22.254
Work in progress		15.010	11.774
Finished goods and goods for resale		18.604	25.854
Inventories		**61.381**	**59.882**
Trade receivables		20.733	26.458
Receivables from group enterprises		32.218	30.383
Other receivables		3	41.130
Corporation tax		360	360
Prepayments	10	1.268	911
Receivables		**54.582**	**99.242**
Cash at bank and in hand		**9.062**	**2.030**
Currents assets		**125.025**	**161.154**
Assets		**139.554**	**181.295**

Balance Sheet 28 February

Liabilities and equity

	Note	2021/22	2020/21
		TDKK	TDKK
Share capital	11	15.000	15.000
Revaluation reserve		-770	-813
Reserve for hedging transactions		51	51
Retained earnings		58.855	95.865
Equity		**73.136**	**110.103**
Other provisions	13	2.809	2.931
Provisions		**2.809**	**2.931**
Mortgage loans		0	6.624
Other payables		5.941	6.305
Long-term debt	14	**5.941**	**12.929**
Mortgage loans	14	0	959
Credit institutions		84	20
Prepayments received from customers		2.718	2.909
Trade payables		16.897	11.329
Payables to group enterprises		13.208	15.052
Corporation tax		0	3.180
Payables to group enterprises relating to corporation tax		7.859	2.267
Other payables	14	16.902	19.616
Short-term debt		**57.668**	**55.332**
Debt		**63.609**	**68.261**
Liabilities and equity		**139.554**	**181.295**
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Revaluation reserve	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 March	15.000	-813	51	95.865	110.103
Exchange adjustments	0	43	0	0	43
Extraordinary dividend paid	0	0	0	-45.000	-45.000
Other equity movements	0	0	0	722	722
Net profit/loss for the year	0	0	0	7.268	7.268
Equity at 28 February	**15.000**	**-770**	**51**	**58.855**	**73.136**

Notes to the Financial Statements

	2021/22	2020/21
	TDKK	TDKK

1 Staff expenses

Wages and salaries	56.369	57.364
Pensions	4.071	4.493
Other social security expenses	885	852
	61.325	**62.709**
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board		1.579
Board of Directors		360
	1.860	**1.939**
Average number of employees	**135**	**131**

2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	250	250
Depreciation of property, plant and equipment	3.235	3.368
	3.485	**3.618**

3 Financial income

Interest received from group enterprises	647	822
Other financial income	175	614
	822	**1.436**

4 Financial expenses

Interest paid to group enterprises	516	547
Other financial expenses	1.380	1.938
	1.896	**2.485**

Notes to the Financial Statements

	2021/22	2020/21
	TDKK	TDKK
5 Tax on profit/loss for the year		
Current tax for the year	2.411	2.253
	2.411	**2.253**

6 Intangible assets

	Completed development projects	Goodwill
	TDKK	TDKK
Cost at 1 March	759	2.400
Cost at 28 February	759	2.400
Impairment losses and amortisation at 1 March	759	1.316
Impairment losses for the year	0	250
Impairment losses and amortisation at 28 February	759	1.566
Carrying amount at 28 February	**0**	**834**

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 March	33.666	40.350	12.041	83
Disposals for the year	0	0	-55	0
Cost at 28 February	33.666	40.350	11.986	83

Notes to the Financial Statements

7 Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Impairment losses and depreciation at 1 March	27.913	35.660	9.722	83
Depreciation for the year	1.018	1.450	767	0
Reversal of impairment and depreciation of sold assets	0	0	-55	0
Impairment losses and depreciation at 28 February	28.931	37.110	10.434	83
Carrying amount at 28 February	**4.735**	**3.240**	**1.552**	**0**

8 Investments in subsidiaries

	2021/22	2020/21
	TDKK	TDKK
Cost at 1 March	27.687	27.687
Cost at 28 February	27.687	27.687
Value adjustments at 1 March	-23.701	-24.186
Exchange adjustment	43	-813
Net profit/loss for the year	-276	-403
Amortisation of goodwill	-546	-546
Change in intercompany profit on inventories	-776	155
Other adjustments	-840	2.092
Value adjustments at 28 February	-26.096	-23.701
Equity investments with negative net asset value amortised over receivables	2.516	2.247
Carrying amount at 28 February	**4.107**	**6.233**

Notes to the Financial Statements

8 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Afred Thomsen GmbH	Eichenzell, Germany	100%
Epoke Machinenbau GmbH & Co. KG	Eichenzell, Germany	100%
Epoke Sp. z.o.o.	Warzawa, Poland	100%
Brodd Sweden AB	Sweden	100%
Brodd Polonia Sp. z.o.o.	Poland	100%

9 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 March	61
Cost at 28 February	61
Carrying amount at 28 February	**61**

10 Prepayments

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

11 Share capital

The share capital consists of 1,500 shares of a nominal value of TDKK 15,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

		2021/22	2020/21
		TDKK	TDKK
12	**Distribution of profit**		
	Extraordinary dividend paid	45.000	0
	Retained earnings	-37.732	7.068
		7.268	**7.068**

		2021/22	2020/21
		TDKK	TDKK
13	**Other provisions**		
	Provision for service liability	1.504	1.626
	Provision for warranties	1.150	1.150
	Other provisions	155	155
		2.809	**2.931**

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:

Mortgage loans		
After 5 years	0	2.847
Between 1 and 5 years	0	3.777
Long-term part	0	6.624
Within 1 year	0	959
	0	**7.583**
Other payables		
After 5 years	5.941	5.800
Between 1 and 5 years	0	505
Long-term part	5.941	6.305
Other short-term payables	16.902	19.616
	22.843	**25.921**

Notes to the Financial Statements

15 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 is disclosed in the Annual Report of Epoke Investment II A/S, which is the management company of the joint taxation purposes. 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.

16 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of EPOKE A/S for 2021/22 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 2021/22 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 Epoke Investment II A/S, 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.

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.

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.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the

17 Accounting Policies (continued)

basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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.

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 and foreign subsidiaries. The tax effect of the joint taxation is allocated to 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 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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:

Production buildings	7-33	years
Plant and machinery	3-10	years
Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	7	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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 mortgage loans and 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

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$

Notes to the Financial Statements

17 Accounting Policies (continued)

Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$