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# *Bucher Municipal A/S*

Lillehøjvej 15, DK-8600 Silkeborg

## Annual Report for 2022

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CVR No. 20 01 00 88

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 17/4 2023

Per Stougaard Lovring  
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 Bucher Municipal 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.

Silkeborg, 17 April 2023

## Executive Board

Per Stougaard Lovring  
Executive Officer

Per Rahbech Pedersen  
Executive Officer

## Board of Directors

Aurelio Lemos Villanueva  
Chairman

Jörg Hüchting

Thomas Walter Brustio

# Independent Auditor's report

To the shareholder of Bucher Municipal 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 Bucher Municipal 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.

Aarhus C, 17 April 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Michael Nielsson

State Authorised Public Accountant

mne15151

Rasmus Møllergaard Stenskrøg

State Authorised Public Accountant

mne34161

## Company information

<b>The Company</b>	Bucher Municipal A/S Lillehøjvej 15 DK-8600 Silkeborg  CVR No: 20 01 00 88 Financial period: 1 January - 31 December Incorporated: 24 March 1997 Financial year: 26th financial year Municipality of reg. office: Silkeborg
<b>Supervisory Board</b>	Aurelio Lemos Villanueva, chairman Jörg Hüchting Thomas Walter Brustio
<b>Executive board</b>	Per Stougaard Lovring Per Rahbech Pedersen
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

# 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
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	579,544	619,323	597,693	537,932	490,295
Gross profit/loss	163,755	197,461	207,533	150,437	130,752
Profit/loss of ordinary primary operations	3,736	37,607	30,714	11,723	13,350
Profit/loss before financial income and expenses	3,865	37,535	33,709	11,792	9,047
Profit/loss of financial income and expenses	-2,078	-1,782	23,265	-3,441	54
Net profit/loss	1,603	28,142	50,158	6,539	7,319
<b>Balance sheet</b>					
Balance sheet total	432,943	326,609	327,198	267,572	229,961
Investment in property, plant and equipment	2,577	2,400	2,016	7,489	12,200
Equity	123,948	152,068	136,067	60,010	53,727
Number of employees	268	281	305	248	224
<b>Ratios</b>					
Gross margin	28.3%	31.9%	34.7%	28.0%	26.7%
Profit margin	0.7%	6.1%	5.6%	2.2%	1.8%
Return on assets	0.9%	11.5%	10.3%	4.4%	3.9%
Solvency ratio	28.6%	46.6%	41.6%	22.4%	23.4%
Return on equity	1.2%	19.5%	51.2%	11.5%	14.6%

# Management's review

## Key activities

Bucher Municipal A/S manufactures truck-mounted sewer cleaning units, and special truck mounted sweeping and pressure water cleaning machines. The systems are built to stand up to the heavy daily use year after year with maximum working time and minimum fuel consumption to benefit both the environment and the end-user's operating economy.

To develop the business and create the best customer experience, the company also provides a substantial global service and spare parts business supporting the customers in getting the best possible benefit from their sewer cleaning or sweeper unit.

The sewer cleaning units and the special truck mounted sweepers are sold primarily on the market in Europe but suited globally all over the world.

The business is positive influenced by several global trends, as the Bucher Municipal products are supporting the world-wide urbanization and pressure on infrastructure. Climate changes and environmental responsibility also calls for cleaning and clearing, which is supported by our products.

## Development in the year

2022 was a challenging year for Bucher Municipal. Despite positive market trends and conditions, there was heavy global supply chain issues, with long lead times and material delay in the supply chain. On top of that, the rising inflation became a challenge for the company and together with the rising energy prices, the company was heavily impacted by those circumstances during 2022.

Throughout 2022, Bucher Municipal have managed the supply chain situation by building up inventories, and increased stock of semi-finished goods. By this way, the company prepared itself in the best possible way to deliver products to our customers on time. However, despite the building up of safety stock, the company was still impacted by shortage and delay in the supply chain, and it negatively impacted the ability to deliver specific orders for the year.

Bucher Municipal are not directly influenced by the war in Ukraine. The company do not currently have customers in Ukraine or Russia. Bucher Municipal do also not have any suppliers from the affected areas. However important raw material suppliers, like for example steel mills, reacted on the market uncertainties that occurred when the conflict escalated, and down adjusted their capacity during 2022. This intensified the supply chain delivery issues and the price spiral further, both for important materials and for energy.

One of the main trends for sweeper and sewer cleaner market is the change from the current diesel driven units to electrical driven units, to achieve sustainable solutions for the future. In 2022, Bucher Municipal developed one of the world's first electrical sewer cleaner, produced on an OEM chassis, in close corporation with a strategic supplier. The new product – a Cityflex C40e – was presented at international fairs and exhibitions with great success, and the first deliveries to our customers have taken place. The electrification of the Cityflex is the first electrical unit in Bucher Municipals sewer cleaner portfolio. This will be followed up by further electrification of our portfolio.



# Management's review

Another important product development is the GullyFlex C80. This product is developed for the UK market, but is also expected to be sold on other markets. The GullyFlex is a simple, easy to manage sewer cleaner. The product is a combination unit, with both suction and jetting, prepared for all types of chassis.

With the development of this product, Bucher Municipal has broadened the product program to the gain of our customers.

The management expects solid demand for this new product, which was also introduced at fairs and exhibitions in 2022.

In 2022, the company started up a project of upgrading existing ERP platform. The project is scheduled to be completed during summer 2023 and will become an important element in the digitalization journey for Bucher Municipal.

In 2022 revenue decreased with 6,4 % to DKK 580 million, and below of the expected turnover range between DKK 620-630 million for the year. The decrease in sales should be seen in the light of delays of components from suppliers, and difficult market conditions at the main markets.

EBIT amounts to DKK 4 million in 2022, which is a decrease of 34 million compared to 2021.

The decrease in EBIT was driven by higher material and energy prices, and reduced sales due to delay in components from suppliers.

Net profit of DKK 2 million in 2022 is significantly lower than net profit of DKK 28 million in 2021.

The net profit was below expectations, as the company expected a result for the year in the range of DKK 30-34 million. The result was unsatisfying.

## Income statement

Revenue in 2022 amounts to DKK 580 million which is a decrease of 6,4 % compared to DKK 619 million in 2021.

Gross profit in 2022 has decreased to DKK 164 million compared to DKK 197 million in 2021. The decrease in gross profit is led by material price increases, shortage of components, and difficult market conditions because of the more uncertain world economy. In Great Britain, which remain to be the company`s biggest single market, there was a lot of turmoil, related to a difficult political situation in the country, and economic impacts from Brexit.

Staff expenses in 2022 amounts to DKK 153 million, which is at the same level compared to DKK 153 million in 2021. At the same time, the average number of full-time employees have decreased to 268 employees, compared to 281 employees in 2021.

EBIT amounts to DKK 4 million in 2022, compared to DKK 38 million in 2021. The company forecasted EBIT in the range of DKK 40-42 million, but also expected more smooth market conditions than we actually observed.

Net profit before tax amounts to DKK 2 million, compared to DKK 36 million in 2021. The result is reflecting the difficult market conditions.

Management considers the 2022 result as unsatisfactory.

## Balance sheet

The balance sheet amounts to DKK 433 million which is an increase of DKK 106 million compared to previous year. Working capital was impacted by an increase in inventory, due to the build-up of safety stock. The company have also build-up inventory components for the launched Cityflex C40e during 2022.

# Management's review

## Targets and expectations for 2023

The company operates in a market, with difficult market conditions. The outlook is unclear, and 2023 is expected also to be challenging. However, the management trust the company will improve the results for the coming period.

The company continue to work with strategic initiatives that will support the financial development for the company. This includes increased sales activities at new markets and review of the current cost structure of our products. Further it is expected that the material backlog will ease up during 2023, reducing lead time for our products.

The company expects the activity level during 2023 will become at same level as in 2022, and revenue is forecasted in the range of DKK 570-600 million.

The company expect that the company's profitability in 2023 will increase from this year, and the company estimates EBIT in the range of DKK 30-35 million.

## Supply Risks

The company uses several suppliers on significant raw materials and components to mitigate the risk of being dependent of single suppliers. However, for some key components there is a high degree of supplier dependency mitigated by strong and close cooperation with these suppliers. The company also operates strategic with safety stocks, to avoid shortages of components, due to the global backlog issues.

## Currency

Majority of trade is settled in DKK, EUR, USD and GBP.

Management reviews the currency exposure frequently and significant transactions in other currencies than DKK and EUR are hedged. Hedging is carried out based on the yearly budget to cover risks of the expected cash flow during the coming year. If the cash flow expectations changes during the year the hedging is updated accordingly.

## Interest rate risks

The company is exposed to interest rate risk on credit facility from both external lenders and from the parent company. The risk is considered low.

## Credit risks

Credit risk is assessed customer by customer. The company use credit evaluation on regular basis, to understand any potential trading risk. Prepayment is used frequently for sales of our products, and according to the standard contract the company has ownership of the unit, until the full amount has been paid. Further, a major part of sales is traded within group companies, hence reducing the credit risk for Bucher Municipal A/S significantly.

## Statement of corporate social responsibility

Bucher Municipal A/S takes responsibility for its products and production, also when it comes to social aspects, which is in line with the company's CSR policy and core values.

## Business model

Please refer to description of key activities on page 6.

# Management's review

## *Risk assessment*

Risk assessment is an essential part of the daily operations at Bucher Municipal A/S. An identified risk is considered an opportunity to improve, thus the company actively uses risk analysis to be able to proactively contribute to preventing impact on the environment and climate. This gives an opportunity to optimize products and processes to reduce negative impact on the environment and climate, social and employee matters, human rights, and anti-corruption.

Risks on health, safety, environment, and climate apply to the entire value chain from product development to suppliers, production, and service. The production is carried out in Denmark where the company sets the local laws and regulations as a minimum requirement in relation to health, safety, environment, and climate but also towards our suppliers.

On social and employee matters the company follows both local legislation as well as basic conventions on employee rights as defined by the International Labor Organization. The company takes responsibility for the well-being of the employees and is considered a safe workplace. This is done by creating specific safety target to be achieved, and at the same time analyzing all lost time injuries thoroughly, to improve all critical work processes where injuries appear to happen. The company is also monitoring the workplace to mitigate if any risks should be identified.

The company acknowledge the importance of knowledge and competences in the company. To continue the positive journey of the company, we are fully dependent on our skilled employees. Therefore, the company are working with leadership for all our leaders, and competence development for all employees.

Bucher Municipal A/S has zero tolerance for all forms of bribery, corruption, extortion, or embezzlement, both in relation to its own employees, but also in relation to all external stakeholders. The company's strategic plan has an ambition on growth and expansion into new markets, therefore the corruption risk is continuously assessed. The company mainly operates in countries where the level of prosperity and welfare is high and social norms and cultures focus on respecting human rights. Further, the company is a part of an international business group, who has defined high ethical standards no matter where in the world business are made.

The company's strategic plan has an ambition on growth and expansion into new markets, therefore risks of corruption and human rights violations is continuously assessed.

It is a management priority to follow-up on risks in respect of the business model. This is done by E-learning, training, and CSR focus on management meetings. The appointment in 2021 of Head of Human Resource into management group keep focus on CSR progresses as well.

# Management's review

## *Environment and climate*

Sewer cleaning units and sweeper machines play a key role in safeguarding the environment around the world. An investment in our products from Bucher Municipal A/S is also an investment in the environment. Currently the company develops electric solutions for Citiflex products, supporting market demands for sustainable and environmentally friendly products.

Product development has a constant focus on developing and improving our products to become the most environment friendly and energy efficient in the market. It is the ambition to continue the development of products of low emission products, supporting sustainability in our offerings.

Our RECyler® unit continuously cleans the jetting water, which makes it immediately available for reuse. This reduces refilling and transportation time making it more environmentally friendly than its competitors. In addition, it is an advantage for the customer as it increases flexibility and operating hours and decreases fuel consumption.

Bucher Municipal A/S has an ongoing focus on environment and the company has implemented an environment policy that focus on efficient use of water, raw materials, and other natural resources.

Market trends is about increasing focus on electrification and by Internet of Things (IoT) to increase monitoring of unit performance that can lead to reduced energy consumption and better utilization of our products.

The company sees itself as being among the main drivers in leading the change, to fulfil the ambitious UN Sustainable Development Goals by 2030. The company works on developing sustainability actions plans to help the world moving in a better and more sustainable direction.

Bucher Municipal A/S considers CSR and sustainability the core of the business. The company's CSR and sustainability agenda, objectives and targets are aligned with the UN Sustainable Development Goals (SDGs). The most relevant SDGs have been mapped to the business and objectives:

SDG11 Sustainable cities and communities

SDG12 Responsible consumption and production

SDG13 Climate action

In 2022 the company has continuously achieved strong results within the environmental targets. Focus on waste materials reused from production have been a strong priority for management and is showing positive trends.

The company also achieved ISO9001, ISO14001 and ISO45001 certifications. These certifications supported the company in the aim of achieving increased focus on energy management and work environment. By continued and strong focus on environment and climate, the company have not identified any major risks.

The company will in the coming years increase focus within environment and climate, reduce emissions and produce products that support our climate goals within the company.

# Management's review

## *Human rights and working conditions*

The company continues to focus on employee satisfaction, as the ability to attract qualified labor is crucial for the company's competitiveness. A performance and development interview are carried out once a year for all employees. The company's occupational health and safety committee works to continuously improve the collaboration across functions, departments, and seniority.

Bucher Municipal A/S has implemented an occupational health and safety policy named "Our Responsibility". "Our responsibility" is implemented to ensure that employees are well cared for and enjoy a safe work environment.

Respect for human right is firmly rooted in core values, and Bucher Municipal A/S has implemented an employee policy, where human rights according to OECD guidelines have been implemented.

The targets of the working environment policy are beside achieving the certification after ISO45001, the following:

- Zero accidents at work
- Compliance with working environment legislation
- Careful work planning
- Continuously improving occupational health and safety
- Following up on working environment as a management task
- Focus on well-being and employee attendance to work

In general, management focus on and prioritize health and safety, by monitoring and measuring incidents at the company. Further, in 2022 actions are taken to reduce incidents to secure a safe working place for all employees.

In addition, the company have introduced human rights policies in the management system. These policies are available for all employees and introduced to new employees through the employee handbook.

The company intends to complete employee survey on yearly basis.

On yearly basis, E-learning exercises are distributed and mandatory for employees to fulfill. The company also have a zero tolerance regarding violations of human rights, and any upcoming issues are discussed and solved at management meetings. Management will sustain focus on this activity forthgoing, managing any potential risk.

# Management's review

## *Business Ethics and Compliance*

Within Bucher Group a Code of Conduct has been established.

The Code of Conduct is a general guideline on how to do business on a daily basis as a member of Bucher Group. Amongst others this includes;

- Compliance with laws and regulations
- Health, Safety and environment
- Anti-bribery
- Employment relations
- IT and data protection
- Whistleblower policy and reporting tool

Bucher Municipal A/S complies with the Code of Conduct and is doing business within this framework. Employees are requested to undergo yearly training to ensure compliance in this respect, and all new employees must read and sign an agreement that they will act according to the principles.

Bucher Municipal A/S also takes responsibility within the supply chain and therefore strategic suppliers are reviewed and requested to sign and comply with the code of conduct.

The company have procedures in place in respect of trade compliance, and most customers, suppliers and components have been screened. In 2022, The company did not find any critical incidents, as a part of the screening. The trade compliance check has been implemented as an operational procedure hence customers, suppliers and components will be screened on a temporary basis.

## *Data ethics*

Data protection is the most important data ethical matter for Bucher Municipal. The company do not actively collect, analyze, and process market data as a part of its business processes. The company are currently developing IoT solutions and have delivered the first units with such features this year. In the IoT solution, all data are kept confidential, to keep high standards on data ethics.

The company will implement legal and ethical solutions as part of go to market strategy. Customer and supplier data are threatened confidential, and the company operates with a high level of data security, to the benefit of both Bucher Municipal and its stakeholders. The company do not offer access to IT systems, hence reducing data ethical issues in that respect. The company's code of conduct includes policies regarding data ethics and data protection, where correct IT behavior within Bucher Group have been described. Further digital communication politics have been described and implemented as well, and the group have also described rules and politics in respect of correct GDPR behavior.

## *Anti-corruption*

Bucher Municipal A/S complies with the Bucher anti-corruption directive. The directive includes general descriptions of corruption and bribery, how to ensure not to engage into corrupt business and procedures to be followed in case of bribery or corruption.

Employees are requested to undergo yearly training to ensure compliance with the directive and all new employees must read and sign an agreement that they act and comply accordingly. By training, it is the company's opinion that it has the necessary protection against anti-corruption issues and such. The company will maintain the yearly training and follow-up to keep the high implemented standards.

# Management's review

## Human rights

The policy of Human rights within Bucher Municipal A/S is formalized in the code of conduct, which all employees are requested to sign and comply with as mentioned above. There has not been registered any single cases in 2022, in respect of not living up to human rights. Management trust that by setting high ethical standards discussed at management meetings, together with mandatory E-learning programs for all employees, that it has taken all necessary steps to reduce any risks in respect of the principles regarding human rights.

The following principles apply:

- We promote a working culture that fosters mutual respect, openness and individual integrity.
- We respect local standards of occupational safety and health regulations.
- We base access to employment and promotion on personal skills, abilities and performance, not on gender, race or other discriminatory factors.
- We encourage employee/management communication.
- We do not use forced, compulsory or child labor.
- We do not tolerate workplace violence including threats, threatening behavior, harassment, intimidation and similar conduct.
- We protect employees' personal data and privacy.

## Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

The company is working on complying with provisions of the law for the underrepresented gender in the upper management body and on other management levels.

### *Targets for Board of Directors*

The Board of Directors consists of three members. All Board of Directors are gender males, appointed on annual meeting.

Bucher Municipal A/S has targets and a policy for the gender composition in management. The target for female representation on the board of directors elected by the general meeting was 33 percent by 2022. The shareholders have not succeeded in finding a female candidate for the board of directors within 2022 and therefore the target has been extended for another year until the end of 2023.

### *Diversity in other management levels*

The company is also considering diversity in other management levels than the Board of Directors.

The long-term aim is that the company reflects the surrounding society and especially the company's customers, not only in terms of gender, but also in terms of nationality and ethnicity. This reflection of the surrounding society is to contribute to the company being an attractive choice for customers as well as present and future employees, and in this way enabling the company to achieve its long-term business goals.

The policy of the company states that women are encouraged equal as men to apply for vacant positions in the company. The company strives to present a field of mixed gender candidates when filling an open position.

Women are also guaranteed the same rights and conditions during their employment as men. In connection to this, personnel are ensured good conditions regarding maternity leave, flexible working hours and the possibility to work from home.

Management acknowledges that women are still underrepresented and will continue to attract women in all levels of the organization.

In 2022 the management group consisted of 7 members, including 1 female manager.

## Income statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Revenue	1	579,544	619,323
Other operating income		129	14
Expenses for raw materials and consumables		-365,522	-376,509
Other external expenses		-50,396	-45,367
<b>Gross profit</b>		<b>163,755</b>	<b>197,461</b>
Staff expenses	2	-153,104	-152,590
<b>Earnings Before Interest Taxes Depreciation and Amortization</b>		<b>10,651</b>	<b>44,871</b>
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-6,786	-7,250
Other operating expenses		0	-86
<b>Profit/loss before financial income and expenses</b>		<b>3,865</b>	<b>37,535</b>
Financial income		928	1,970
Financial expenses	4	-3,006	-3,752
<b>Profit/loss before tax</b>		<b>1,787</b>	<b>35,753</b>
Tax on profit/loss for the year	5	-184	-7,611
<b>Net profit/loss for the year</b>	6	<b>1,603</b>	<b>28,142</b>



## Balance sheet 31 December

### Assets

	Note	2022 TDKK	2021 TDKK
Completed development projects		1,340	0
Acquired licenses		92	482
Development projects in progress		0	0
<b>Intangible assets</b>	7	<u>1,432</u>	<u>482</u>
Land and buildings		34,350	36,875
Plant and machinery		3,955	4,581
Other fixtures and fittings, tools and equipment		1,317	1,202
Leasehold improvements		5,578	6,290
Property, plant and equipment in progress		454	276
<b>Property, plant and equipment</b>	8	<u>45,654</u>	<u>49,224</u>
Investments in subsidiaries	9	54	54
Deposits	10	39	39
<b>Fixed asset investments</b>		<u>93</u>	<u>93</u>
<b>Fixed assets</b>		<u>47,179</u>	<u>49,799</u>
Raw materials and consumables		93,888	53,028
Work in progress		83,186	47,327
Finished goods and goods for resale		59,225	21,181
<b>Inventories</b>		<u>236,299</u>	<u>121,536</u>
Trade receivables		25,387	31,430
Receivables from group enterprises		85,306	52,103
Other receivables	11	1,579	10,020
Prepayments	12	2,157	1,324
<b>Receivables</b>		<u>114,429</u>	<u>94,877</u>
<b>Cash at bank and in hand</b>		<u>35,036</u>	<u>60,397</u>
<b>Current assets</b>		<u>385,764</u>	<u>276,810</u>
<b>Assets</b>		<u>432,943</u>	<u>326,609</u>

## Balance sheet 31 December

### Liabilities and equity

	Note	2022 TDKK	2021 TDKK
Share capital		6,500	6,500
Reserve for development costs		1,045	0
Reserve for hedging transactions		-864	859
Retained earnings		117,267	116,709
Proposed dividend for the year		0	28,000
<b>Equity</b>		<b>123,948</b>	<b>152,068</b>
Provision for deferred tax	13	3,275	3,610
Other provisions	14	3,439	3,397
<b>Provisions</b>		<b>6,714</b>	<b>7,007</b>
Payables to group enterprises		175,000	45,000
Other payables		9,561	9,364
<b>Long-term debt</b>	15	<b>184,561</b>	<b>54,364</b>
Prepayments received from customers		5,159	5,603
Trade payables		80,444	69,811
Payables to group enterprises		10,154	6,359
Corporation tax		0	7,432
Other payables	15, 11	21,963	23,965
<b>Short-term debt</b>		<b>117,720</b>	<b>113,170</b>
<b>Debt</b>		<b>302,281</b>	<b>167,534</b>
<b>Liabilities and equity</b>		<b>432,943</b>	<b>326,609</b>
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Fee to auditors appointed at the general meeting	18		
Subsequent events	19		
Accounting Policies	20		

## Statement of changes in equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	6,500	0	859	116,709	28,000	152,068
Ordinary dividend paid	0	0	0	0	-28,000	-28,000
Fair value adjustment of hedging instruments, end of year	0	0	-2,209	0	0	-2,209
Tax on adjustment of hedging instruments for the year	0	0	486	0	0	486
Development costs for the year	0	1,045	0	-1,045	0	0
Net profit/loss for the year	0	0	0	1,603	0	1,603
<b>Equity at 31 December</b>	<b>6,500</b>	<b>1,045</b>	<b>-864</b>	<b>117,267</b>	<b>0</b>	<b>123,948</b>

# Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
<b>1. Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	204,947	0
Export sales, EU	74,075	93,568
Export sales, non-EU	300,522	343,737
	<u>579,544</u>	<u>619,323</u>
<b>Business segments</b>		
Sale of sewer cleaning units	406,188	411,490
Sale of sweeper units	82,584	106,166
Sale of spare parts and service	69,068	79,587
Other sales	21,704	22,080
	<u>579,544</u>	<u>619,323</u>
	2022	2021
	TDKK	TDKK
<b>2. Staff Expenses</b>		
Wages and salaries	132,010	131,872
Pensions	17,359	17,285
Other social security expenses	3,735	3,433
	<u>153,104</u>	<u>152,590</u>
<b>Including remuneration to the Executive Board:</b>		
Executive board	2,899	2,943
	<u>2,899</u>	<u>2,943</u>
<b>Average number of employees</b>	<u>268</u>	<u>281</u>

The warrant program for the managing director includes the option to be remunerated with shares in the ultimate parent company Bucher Industries Ltd. The remuneration will only take place if the entire group achieves a certain result for the financial year, and there is a requirement that the shares may not be sold within the first 3 years. The remuneration time is at the ordinary general meeting in Bucher Industries Ltd. after the financial year end date. In 2022, a total of 80 shares in Bucher Industries Ltd. were remunerated to the managing director (2021: 0) with a market value of a total of DKK 215k.

## Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	725	761
Depreciation of property, plant and equipment	<u>6,061</u>	<u>6,489</u>
	<u><b>6,786</b></u>	<u><b>7,250</b></u>

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>4. Financial expenses</b>		
Interest paid to group enterprises	1,533	1,224
Other financial expenses	<u>1,473</u>	<u>2,528</u>
	<u><b>3,006</b></u>	<u><b>3,752</b></u>

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>5. Income tax expense</b>		
Current tax for the year	0	7,481
Deferred tax for the year	-335	372
Adjustment of tax concerning previous years	<u>33</u>	<u>0</u>
	<u><b>-302</b></u>	<u><b>7,853</b></u>
thus distributed:		
Income tax expense	184	7,611
Tax on equity movements	<u>-486</u>	<u>242</u>
	<u><b>-302</b></u>	<u><b>7,853</b></u>

## Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
<b>6. Profit allocation</b>		
Proposed dividend for the year	0	28,000
Retained earnings	1,603	142
	<u>1,603</u>	<u>28,142</u>

## 7. Intangible fixed assets

	Completed development projects	Acquired licenses	Develop- ment projects in progress
	TDKK	TDKK	TDKK
Cost at 1 January	7,933	9,285	0
Additions for the year	0	0	1,675
Disposals for the year	0	-1,075	0
Transfers for the year	1,675	504	-1,675
Cost at 31 December	<u>9,608</u>	<u>8,714</u>	<u>0</u>
Impairment losses and amortisation at 1 January	7,933	8,803	0
Amortisation for the year	335	390	0
Reversal of amortisation of disposals for the year	0	-1,075	0
Transfers for the year	0	504	0
Impairment losses and amortisation at 31 December	<u>8,268</u>	<u>8,622</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<u>1,340</u>	<u>92</u>	<u>0</u>
Amortised over	<u>5 years</u>	<u>3-7 years</u>	

Completed development projects consists of development of two new products into Bucher Municipals product program (Ecityflex and GullyFlex). Both products are strategic important products for the company, with significant opportunities to strengthening the market position. Over the next couple of years, there will be zero tolerance on emissions in large cities around the globe, supporting the development of electric and zero-emission solutions. Also smaller sewer cleaner units (like GullyFlex) will support the request of reduced emissions and increased urbanization, which is why also the GullyFlex will support the market position for the company.

It is assumed that the products will be supplied into existing markets, but also demanded at new markets. The new products contributed limited with profit in 2022. However, the company expect a higher profit contribution from the new products in 2023, and accordingly when entering new markets the products will contribute further over the next couple of years.

## Notes to the Financial Statements

### 8. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	76,133	22,604	4,704	11,878	276
Additions for the year	9	1,118	775	411	273
Disposals for the year	0	-2,052	-305	-595	-95
Transfers for the year	0	1,387	-2,181	0	0
Cost at 31 December	76,142	23,057	2,993	11,694	454
Impairment losses and depreciation at 1 January	39,258	18,023	3,502	5,588	0
Depreciation for the year	2,534	2,020	384	1,123	0
Reversal of impairment and depreciation of sold assets	0	-2,052	-305	-595	0
Transfers for the year	0	1,111	-1,905	0	0
Impairment losses and depreciation at 31 December	41,792	19,102	1,676	6,116	0
<b>Carrying amount at 31 December</b>	<b>34,350</b>	<b>3,955</b>	<b>1,317</b>	<b>5,578</b>	<b>454</b>
Amortised over	10-50 years	3-7 years	3-7 years	3-15 years	

## Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
<b>9. Investments in subsidiaries</b>		
Cost at 1 January	54	54
Cost at 31 December	54	54
<b>Carrying amount at 31 December</b>	<b>54</b>	<b>54</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
J. Hvidtved Larsen US Inc.	USA	100%	3,097	-15
			<b>3,097</b>	<b>-15</b>

## 10. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	39
Cost at 31 December	39
<b>Carrying amount at 31 December</b>	<b>39</b>

## 11. Derivative financial instruments

Derivative financial instruments contracts in the form of have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2022	2021
	TDKK	TDKK
Assets/liabilities	-2,396	1,454

Forward exchange contracts have been concluded to hedge, purchase of goods in GBP and future expected purchase in GBP.

At the balance sheet date the fair value of derivative financial instruments regarding purchase of goods in GBP amounts to DKK -1,288k and future expected purchase in GBP amounts to DKK -1,108k.

Hedge for purchase of goods in GBP amounts to GBP 4,600k and hedge for future expected purchase in GBP amounts to GBP 5,100k. The forward exchange contracts have a term of 0-12 months.



# Notes to the Financial Statements

## 12. Prepayments

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

## 13. Provision for deferred tax

	2022	2021
	TDKK	TDKK
Deferred tax liabilities at 1 January	3,610	3,238
Amounts recognised in the income statement for the year	151	130
Amounts recognised in equity for the year	-486	242
<b>Deferred tax liabilities at 31 December</b>	<b>3,275</b>	<b>3,610</b>
Intangible/fixed tangible assets	1,930	2,092
Inventories	1,847	1,383
Amortization	-5	-11
Provisions and prepayment etc.	-356	146
Tax loss carry-forward	-141	0
	<b>3,275</b>	<b>3,610</b>

Deferred tax has been provided at 22% corresponding to the current tax rate.

## 14. Other provisions

	2022	2021
	TDKK	TDKK
Warranty provisions	3,439	3,397
	<b>3,439</b>	<b>3,397</b>

The provisions are expected to mature as follows:

Within 1 year	3,162	3,061
Between 1 and 5 years	277	336
After 5 years	0	0
	<b>3,439</b>	<b>3,397</b>

The Company provides warranties of basically 1 year on sewer cleaning units and sweeper units.

# Notes to the Financial Statements

## 15. 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>	<u>2021</u>
	TDKK	TDKK
<b>Payables to group enterprises</b>		
After 5 years	0	0
Between 1 and 5 years	175,000	45,000
Long-term part	<u>175,000</u>	<u>45,000</u>
Within 1 year	0	0
Other short-term debt to group enterprises	10,154	6,359
Short-term part	<u>10,154</u>	<u>6,359</u>
	<b><u>185,154</u></b>	<b><u>51,359</u></b>
<b>Other payables</b>		
After 5 years	9,053	7,566
Between 1 and 5 years	508	1,798
Long-term part	<u>9,561</u>	<u>9,364</u>
Within 1 year	0	0
Other short-term payables	21,963	23,965
	<b><u>31,524</u></b>	<b><u>33,329</u></b>

2022

TDKK

2021

TDKK

## 16. Contingent assets, liabilities and other financial obligations

### Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings with a carrying amount of	14,836	16,120
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## Notes to the Financial Statements

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	4,106	3,733
Between 1 and 5 years	3,679	2,158
	<u>7,785</u>	<u>5,891</u>

At 31 December 2022, the Company has assumed rental obligations, which are non-terminable for 18 months, and which total: DKK 2,615k

### Guarantee obligations

The Company's bank has provided bank guarantees to the Company's customers of a total amount of	1,821	1,485
The Company's bank has provided a bank guarantees to the Company's landlord of a total amount of	609	609

### Other contingent liabilities

Buy-back guarantees totalling DKK 5,135k have been provided for sewer cleaning units at 31 December 2022. At 31 December 2021 the buy-back guarantees amounted to DKK 10,736k.

The Danish 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/receivable is disclosed in the Annual Report of Bucher Industries Danmark A/S, which is the management company of the joint taxation purposes. Moreover, the Danish 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

## 17. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
<b>Controlling interest</b>	
Bucher Industries AG	Ultimate Parent
Bucher Industries Danmark ApS	Immediate Parent

### Other 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. No such transactions have occurred.

#### Consolidated Financial Statements

Bucher Municipal A/S and its subsidiaries is included in the consolidated financial statements of Bucher Industries AG, Niederweningen, Switzerland, ISIN CH0002432174. The consolidated financial statements of Bucher Industries AG can be downloaded at the Company's website [www.bucherindustries.com](http://www.bucherindustries.com).

<u>Name</u>	<u>Place of registered office</u>
Bucher Industries AG	Niederweningen Switzerland

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>18. Fee to auditors appointed at the general meeting</b>		
<b>PricewaterhouseCoopers</b>		
Audit fee	411	497
Tax advisory services	51	97
Non-audit services	32	205
	<u>494</u>	<u>799</u>

## 19. Subsequent events

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

# Notes to the Financial Statements

## 20. Accounting policies

The Annual Report of Bucher Municipal A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large 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 Bucher Industries AG, ISIN: CH0002432174, 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 Bucher Industries AG, ISIN: CH0002432174, 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

### 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.

# Notes to the Financial Statements

## 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, see below.

## Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

## Segment information on revenue

Information on business segments and geographical segments is based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## 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.

# Notes to the Financial Statements

## 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 expenses for premises, sales and distribution as well as office expenses, etc.

## 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.

## 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

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

## 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 Danish group companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

# Notes to the Financial Statements

## Balance sheet

### Intangible fixed assets

#### *Development projects*

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

#### *Other intangible fixed assets*

Patents, licences and rights are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 3-7 years. Software licences and rights are amortised over the period of the agreements, which is 3-7 years and 3-7 years, respectively.

### 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:

Land & buildings	10-50 years
Plant and machinery	3-7 years
Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	3-15 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.



# Notes to the Financial Statements

## Impairment of fixed assets

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

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

## Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

## Other fixed asset investments

Other fixed asset investments consist of deposits, which are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

## 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 and subscriptions.

## 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 basically 1 year. 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, including the tax base of tax loss carry-forwards, 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

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit before financials} \times 100 / \text{Revenue}$
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	$\text{Net profit for the year} \times 100 / \text{Average equity}$