
Bucher Municipal A/S

Lillehøjvej 15, DK-8600 Silkeborg

Annual Report for 2023

CVR No. 20 01 00 88

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 29/4 2024

Per Stougaard Lovring
Chairman of the
general meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company information	4
Financial Highlights	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	16
Balance sheet 31 December	17
Statement of changes in equity	19
Notes to the Financial Statements	20

Management's statement

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

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

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

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

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

Silkeborg, 29 April 2024

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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

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

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

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

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

Aalborg, 29 April 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Rasmus Møllergaard Stenskrøge
State Authorised Public Accountant
mne34161

Ane Hørbye Karlsen
State Authorised Public Accountant
mne50648

Company information

The Company	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: 27th financial year Municipality of reg. office: Silkeborg
Board of Directors	Aurelio Lemos Villanueva, chairman Jörg Hüchting Thomas Walter Brustio
Executive Board	Per Stougaard Lovring Per Rahbech Pedersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A DK-9000 Aalborg

Financial Highlights

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	492,033	579,544	619,323	597,693	537,932
Gross profit	129,523	163,755	197,461	207,533	150,437
Profit/loss of primary operations	-29,233	-3,736	37,607	33,714	11,623
Profit/loss of financial income and expenses	-5,680	-2,078	-1,782	23,265	-3,441
Net profit/loss for the year	-26,586	1,603	28,142	50,158	6,539
Balance sheet					
Balance sheet total	404,268	432,943	326,609	327,198	267,572
Investment in property, plant and equipment	20,065	2,577	2,400	2,016	7,489
Equity	97,810	123,948	152,068	136,067	60,010
Number of employees	254	268	281	305	248
Ratios					
Gross margin	26.3%	28.3%	31.9%	34.7%	28.0%
Profit margin	-5.9%	0.7%	6.1%	5.6%	2.2%
Return on assets	-7.2%	0.9%	11.5%	10.3%	4.4%
Solvency ratio	24.2%	28.6%	46.6%	41.6%	22.4%
Return on equity	-24.4%	1.2%	19.5%	51.2%	11.5%

Management's review

Main 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. During the periods with heavy rain during 2023, our machines played a significant role in cleaning and clearance of roads and places.

Development during the year

2023 was a challenging year for Bucher Municipal. Despite positive market trends and conditions, the market situation was difficult, driven by high inflation and raising interest rates. To finance the products became an increasingly problem for our customers, and especially in UK, where impacts from Brexit and a general weak economy, impacted the demand significantly. The same picture was observed in the Nordic region, where the devaluation of Swedish and Norway currency also impacted the demand.

The supply chain issues, that dominated in the previous finance year continued into the financial year but have become less dominant during 2023. Bucher Municipal have relevant goods at safety stock, and at the same time, the lead time in the supply chain have been shortened. Further, material prices that increased significantly last year, seems to have stabilized during the year, but still with large impact for the business.

Because of the weakened market conditions, and increased capital bindings it was necessary to raise the Bucher Municipals credit facilities accordingly, by joining a group cash flow program and raising an intercompany loan from the group. Beside this, the company have initiated a couple of net working capital initiatives, to reduce the capital binding in the company.

In addition, the company had focus on adapting the cost basis to the current activity level, by reducing headcount and the company also implemented a string of cost saving activities during the year.

Bucher Municipal DK are not impacted by the ongoing war in Ukraine, nor the war in Israel as well, as the company directly or indirectly not have any customers or suppliers in the regions.

The electrical transformation continued in 2023, and we saw a new generation of battery packages with larger capacity, creating new opportunities for the larger of Bucher municipals products already this year.

The company are still confident that the trend goes toward electrification of our products but admits that the transformation will occur over a couple of years.

The company have also continued the development of the GullyFlex C80. A product that was launched for the market in UK, but also are available for the remaining European market. 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. Management expects that the demand will continue to rise for this new product.

Management's review

During 2023, the company have worked intensively with an upgrade of the existing ERP platform. The project has been comprehensive and Bucher Municipal DK have allocated a huge part of resources into the project. Despite a huge effort from all employees who have been involved, go live was postponed into 2024. It is the management expectations that the go live will take place during the first half year of 2024.

Bucher Municipal DK are located at three locations around Silkeborg. In 2023 it was decided to start a project of moving the sites together at one site. A land plot was acquired, and the detailed project planning started. The project is scheduled to last between 2-3 years.

In 2023 revenue decreased with 15 % to DKK 492 million, and below the expected turnover in the range of DKK 570-600 million. The decrease in sales is much related to difficult market conditions in especially UK, where the high interest rates, and the impacts from Brexit have impacted the demand negatively.

EBIT amounts to DKK -25.6 million in 2023, which is a decrease of 29.5 million compared to 2022. The EBIT was expected in the range of DKK 30-35 million, why the result was unsatisfying for the company.

The decrease in EBIT was naturally impacted by the reduced activity level during the year. Beside this it was driven by continuous higher materials prices that was not fully covered by sales price increases. On top of that the company have struggled with efficiency because of low production volumes in the year. Finally inventory counting and valuation have also impacted EBIT for the year.

Net profit before tax amounts to DKK -34,8 million, compared to DKK 1,8 million in 2022.

Income statement

Revenue in 2023 amounts to DKK 492 million which is a decrease of 15 % compared to DKK 580 million in 2022.

Gross profit in 2023 has decreased to DKK 129 million compared to DKK 164 million in 2022. The decrease in gross profit is led by decrease in sales, especially in the UK market. In addition, there was material price increases and lower efficiency because of lower volumes than expected. Bucher Municipal also started up production of new products, where there was a low efficiency during the ramping up.

Staff expenses in 2023 amounts to DKK 151 million, which is a decrease from previous year of DKK 2 million.

At the same time, the average number of full time employee has decreased to 254, compared to 268 employees in 2022.

EBIT in 2023 amounts to DKK -25,6 million, compared to DKK 3,9 million in 2022. The company forecasted EBIT in the range of DKK 30-35 million, but also expected more smooth market conditions than we actually phased.

Net profit of DKK -26,6 million in 2023 is significantly lower than net profit of DKK 1,6 million in 2022. The result is reflecting the difficult market conditions

Management considers the 2023 result as unsatisfactory.

Management's review

Balance sheet

The balance sheet amounts to DKK 404 million which is a decrease of 29 compared to previous year.

Inventory decreased during the year but was still at high level.

The company raised the debt to group companies with 25 million DKK, and the debt now amounts to 200 million DKK.

Targets and expectations for 2024

The company expects growth in 2024. Although market conditions are still difficult, there is an increase in market activity, driven by among other things climate changes. The significantly changes in climate and the transformation into electrification are both important market trends for 2024.

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 material prices have reached a top, and that Bucher Municipal can benefit from lower prices in the supply chain.

The company expects the activity level during 2024 will increase, and revenue is forecasted in the range of DKK 570-600 million.

The company expect that the company's profitability in 2023 will increase significantly from this year, and the company estimates EBIT in the range of DKK 20 -25 million.

Risks

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 Risk

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.

Management's review

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 main activities on page 7.

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 in management meetings.

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 2023 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 maintained its 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.

The main risks in relation to the Environment and to the Climate are the unforeseen changes in by nature and by our consumption for manufacturing. The main environmental aspects and impacts are identified in an internal analysis. All identifies aspects are a part of the company focus areas in reducing such all impacts on the environment.

Management's review

Another main risk is the continued availability of energy sources to being able to continue the production. Until now the local supply of energy has been stable and sufficient without any shutdown periods. The supply of energy sources is a main risk as the energy sources may vary due to e.g. wars and changes in climate. The company strives towards using sustainable energy sources and continuously improve and reduce our CO2 footprint.

The company environmental goals are met in 2023 and the focus on recycling more waste continues as the methods for recycling evolves rapidly.

The energy sources available in 2023 made the CO2 footprint for 2023 slightly higher than anticipated and a plan for reducing the CO2 footprint is implemented.

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 2023 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 forthcoming, managing any potential risk.

The main risk of violation of human rights and working conditions, would influence the company's reputation. It is therefore the aim of the company, to keep high standards within human rights and working conditions at all our sites.

Management's review

Another risk of violating working conditions could impact working injuries, damaging the safety of the work force.

The company believes 2023 was another year where it moved itself in the right direction. The work environment committee defined goals and meet regularly to follow up and initiate new initiatives, to improve working conditions.

Further, in 2023 there was a reduced number of work injuries in all areas of the company.

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 daily 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 2023, 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.

Management's review

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 previous 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.

It is the company's goal, to become a thrust worthy, reliable partner that works seriously with data ethics to the advantage of all stakeholders of the company. Bucher Municipal have high standards in respect of monitoring and control network by sufficient and up-to-date software in that matter. The company also train the employees in understanding how eventual data leak can appear and how to avoid it. In addition, the company also have prepared an IT contingency plan that ensures a robust company in all situations.

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.

Thanks to the high standards, there was no issues in 2023 in respect of anti- corruption. The work done in 2023 was hence seen as sufficient in order to avoid any kinds of anticorruption.

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 2023, 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 99 b 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 25 percent by 2023. The shareholders have not succeeded in finding a female candidate for the board of directors within 2023, hence there were 0 % percent female representation in the board in 2023 (2022: 0 %) and therefore the target has been extended. The shareholders have extended the period until the end of 2027. The company have an ongoing dialog with the ultimate owners, of how to achieve the target of female representation in the board.

Management's review

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. The target is to have a fair share (33,3 %) of women at all management level.

In 2023 the management group and middle management consisted of 29 members, including 3 female managers, corresponding to 10 %. (2022: 8,1 %). The target for women representation in the management group and middle management are 20,0 %. The Company have in 2023, through the yearly people review, focused and worked on how to recruit women into all management levels in order to achieve the target of 20,0 % representation, in 2025. In addition, there was increased focus on recruitments of females when recruiting new employees at management level.

The actual data and targets for the board and management, can se summarized as in the below scheme.

	2023
Board	
Board of directors	3
Underrepresented gender (%)	0
target for underrepresented gender (%)	25
target, year	2027
management	
management members	29
underrepresented gender (%)	10%
target for underrepresented gender	20%
target, year	2025

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Revenue	1	492,033	579,544
Other operating income		85	129
Expenses for raw materials and consumables		-314,767	-365,522
Other external expenses		-47,828	-50,396
Gross profit		129,523	163,755
Staff expenses	2	-151,473	-153,104
Earnings Before Interest Taxes Depreciation and Amortization		-21,950	10,651
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-7,198	-6,786
Profit/loss before financial income and expenses		-29,148	3,865
Income from investments in subsidiaries	4	3,513	0
Financial income		462	928
Financial expenses	5	-9,655	-3,006
Profit/loss before tax		-34,828	1,787
Tax on profit/loss for the year	6	8,242	-184
Net profit/loss for the year	7	-26,586	1,603

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Completed development projects		1,801	1,340
Acquired licenses		0	92
Intangible assets	8	1,801	1,432
Land and buildings		32,087	34,350
Plant and machinery		15,084	3,955
Other fixtures and fittings, tools and equipment		966	1,317
Leasehold improvements		3,502	5,578
Property, plant and equipment in progress		7,560	454
Property, plant and equipment	9	59,199	45,654
Investments in subsidiaries	10	0	54
Deposits	11	39	39
Fixed asset investments		39	93
Fixed assets		61,039	47,179
Inventories	12	222,729	236,299
Trade receivables		27,993	25,387
Receivables from group enterprises		72,879	85,306
Other receivables	13	0	1,579
Deferred tax asset	14	4,645	0
Corporation tax		195	0
Prepayments	15	1,987	2,157
Receivables		107,699	114,429
Cash at bank and in hand		12,801	35,036
Current assets		343,229	385,764
Assets		404,268	432,943

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		6,500	6,500
Reserve for development costs		1,405	1,045
Reserve for hedging transactions		-416	-864
Retained earnings		90,321	117,267
Equity		97,810	123,948
Provision for deferred tax	14	0	3,275
Other provisions	16	2,834	3,439
Provisions		2,834	6,714
Payables to group enterprises		150,000	175,000
Other payables		9,741	9,561
Long-term debt	17	159,741	184,561
Prepayments received from customers		7,957	5,159
Trade payables		52,658	80,444
Payables to group enterprises	17	62,622	10,154
Other payables	17	20,646	21,963
Short-term debt		143,883	117,720
Debt		303,624	302,281
Liabilities and equity		404,268	432,943
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Fee to auditors appointed at the general meeting	21		
Subsequent events	22		
Accounting Policies	23		

Statement of changes in equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	6,500	1,045	-864	117,267	123,948
Fair value adjustment of hedging instruments, beginning of year	0	0	1,108	0	1,108
Fair value adjustment of hedging instruments, end of year	0	0	-534	0	-534
Tax on adjustment of hedging instruments for the year	0	0	-126	0	-126
Development costs for the year	0	360	0	-360	0
Net profit/loss for the year	0	0	0	-26,586	-26,586
Equity at 31 December	6,500	1,405	-416	90,321	97,810

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
1. Revenue		
Geographical segments		
Revenue, Denmark	198,349	204,947
Export sales, EU	48,363	74,075
Export sales, non-EU	245,321	300,522
	492,033	579,544
Business segments		
Sale of sewer cleaning units	310,954	406,188
Sale of sweeper units	83,906	82,584
Sale of spare parts and service	80,399	69,068
Other sales	16,774	21,704
	492,033	579,544
	2023	2022
	TDKK	TDKK
2. Staff Expenses		
Wages and salaries	130,122	132,010
Pensions	17,725	17,359
Other social security expenses	3,626	3,735
	151,473	153,104
Including remuneration to the Executive Board:		
Executive board	3,419	2,881
	3,419	2,881
Average number of employees	254	268

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. It 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. For 2023, the remuneration in shares in Bucher Industries Ltd. to the managing director, is expected to have a market value of DKK 200k. In 2022 a total of 64 shares were remunerated with a market value of a total of DKK 197k.

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	958	725
Depreciation of property, plant and equipment	6,240	6,061
	<u>7,198</u>	<u>6,786</u>
	2023	2022
	TDKK	TDKK
4. Income from investments in subsidiaries		
Gain from shares in subsidiaries	3,513	0
	<u>3,513</u>	<u>0</u>
	2023	2022
	TDKK	TDKK
5. Financial expenses		
Interest paid to group enterprises	8,213	1,533
Other financial expenses	1,442	1,473
	<u>9,655</u>	<u>3,006</u>
	2023	2022
	TDKK	TDKK
6. Income tax expense		
Deferred tax for the year	-7,920	-335
Adjustment of tax concerning previous years	-196	33
	<u>-8,116</u>	<u>-302</u>
thus distributed:		
Income tax expense	-8,242	184
Tax on equity movements	126	-486
	<u>-8,116</u>	<u>-302</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
7. Profit allocation		
Retained earnings	-26,586	1,603
	<u>-26,586</u>	<u>1,603</u>
8. Intangible fixed assets		
	Completed development projects	Acquired licenses
	TDKK	TDKK
Cost at 1 January	9,608	8,714
Additions for the year	1,327	0
Cost at 31 December	<u>10,935</u>	<u>8,714</u>
Impairment losses and depreciation at 1 January	8,268	8,622
Depreciation for the year	866	92
Impairment losses and depreciation at 31 December	<u>9,134</u>	<u>8,714</u>
Carrying amount at 31 December	<u>1,801</u>	<u>0</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 2023. However, the Company expect a higher profit contribution from the new products in 2024, and accordingly when entering new markets the products will contribute further over the next couple of years.

Notes to the Financial Statements

9. 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	76,142	23,057	2,993	11,694	454
Additions for the year	0	12,680	0	0	7,385
Disposals for the year	0	0	0	0	-279
Cost at 31 December	76,142	35,737	2,993	11,694	7,560
Impairment losses and depreciation at 1 January	41,792	19,102	1,676	6,116	0
Depreciation for the year	2,263	1,551	351	2,076	0
Impairment losses and depreciation at 31 December	44,055	20,653	2,027	8,192	0
Carrying amount at 31 December	32,087	15,084	966	3,502	7,560

10. Investments in subsidiaries

	2023	2022
	TDKK	TDKK
Cost at 1 January	54	54
Disposals for the year	-54	0
Cost at 31 December	0	54
Carrying amount at 31 December	0	54

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%	0	3,513
			0	3,513

Notes to the Financial Statements

11. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	39
Cost at 31 December	39
Carrying amount at 31 December	39

12. Inventories

	2023	2022
	TDKK	TDKK
Raw materials and consumables	77,869	93,888
Work in progress	70,160	83,186
Finished goods and goods for resale	74,700	59,225
	222,729	236,299

13. Derivative financial instruments

	2023	2022
	TDKK	TDKK
Liabilities	-500	-2,396

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

At the balance sheet date the fair value of derivative financial instruments regarding recognized purchase of goods in GBP amounts to GBP 34k and future purchase in GBP amounts to GBP -534k.

Recognized purchase of goods in GBP of GBP 470k and future purchase in GBP of GBP 6,800k has been hedged. The forward exchange contracts have a term of 0-15 months.

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
14. Deferred tax asset		
Deferred tax asset at 1 January	-3,275	-3,610
Amounts recognised in the income statement for the year	8,046	-151
Amounts recognised in equity for the year	-126	486
Deferred tax asset at 31 December	4,645	-3,275

The company have calculated a deductible tax asset of DKK 4,6 mill. The asset is expected to apply in connection with Bucher Municipal's operational activities. In addition, the company have managed restructurings and changes, that contribute to the companies result, likewise new business opportunities also have a positive impact on the business

15. Prepayments

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

	2023	2022
	TDKK	TDKK
16. Other provisions		
Warranty provisions	2,834	3,439
	2,834	3,439
The provisions are expected to mature as follows:		
Within 1 year	2,672	3,162
Between 1 and 5 years	162	277
After 5 years	0	0
	2,834	3,439

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

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
17. 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:		
Payables to group enterprises		
After 5 years	100,000	0
Between 1 and 5 years	<u>50,000</u>	<u>175,000</u>
Long-term part	150,000	175,000
Other short-term debt to group enterprises	<u>62,622</u>	<u>10,154</u>
	<u>212,622</u>	<u>185,154</u>
Other payables		
After 5 years	8,888	9,053
Between 1 and 5 years	<u>853</u>	<u>508</u>
Long-term part	9,741	9,561
Other short-term payables	<u>20,646</u>	<u>21,963</u>
	<u>30,387</u>	<u>31,524</u>

18. Deferred income

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

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
19. 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	12,679	14,836

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
19. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2,050	4,106
Between 1 and 5 years	2,299	3,679
	4,349	7,785
Rental obligations, period of interminability 12 months (2022: 18 months)	2,120	2,615
Guarantee obligations		
The Company's bank has provided bank guarantees to the Company's customers of a total amount of	2,689	1,821
The Company's bank has provided a bank guarantee to the Company's landlord of a total amount of	609	609
Buy-back guarantees have been provided for sewer cleaning units of a total amount of	4,154	5,135
Other contingent liabilities		
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

20. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Bucher Industries AG	Ultimate Parent
Bucher Industries Danmark ApS	Immediate Parent

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.

Name	Place of registered office
Bucher Industries AG	Niederweningen Switzerland

21. Fee to auditors appointed at the general meeting

PricewaterhouseCoopers

	2023 TDKK	2022 TDKK
Audit fee	492	411
Tax advisory services	193	51
Non-audit services	50	32
	735	494

22. Subsequent events

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

Notes to the Financial Statements

23. Accounting policies

The Annual Report of Bucher Municipal A/S for 2023 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 2023 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of 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.

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.

Notes to the Financial Statements

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

Translation policies

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

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

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

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.

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

Revenue

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

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

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. In accordance with the provisions of the Danish Financial Statements Act assets defined as "Land" are not depreciated

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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

Buildings	10-50 years
Plant and machinery	3-7 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 liabilities

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.

Deferred income

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$