



DAS HERZ DER FRISCHE

# ANNUAL REPORT FOR 2021

Adopted at the annual general meeting on 24 June 2022

Chairman: *Christi Albrecht*

BITZER Electronics A/S

CVR no.: 21340006



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## Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of BITZER Electronics A/S for the financial year 1. januar - 31. december 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31. december 2021 and of the results of the company's operations and cash flows for the financial year 1. januar - 31. december 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Sønderborg, 24 June 2022

### Executive board



Henning Højberg Kristensen  
Managing Director



Peter Westergaard  
Managing Director

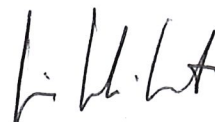
### Supervisory board



Christian Jürgen Wehrle  
chairman



Frank Hartmann



Rainer Meinhard Grosse-Kracht



Hans Martin Büchsel

## **Independent auditor's report**

*To the shareholders of BITZER Electronics A/S*

### **Opinion**

We have audited the financial statements of BITZER Electronics A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

### **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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## Independent auditor's report

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.

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in 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, we conclude that the management commentary 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 of the management commentary.

Odense, 24 June 2022

Deloitte Statsautoriseret Revisionspartnerselskab  
CVR no. 33 96 35 56



Bo Damgaard Hansen  
State Authorised Public Accountant  
MNE no. mne34543



Abdul Wahab Ashraf  
State Authorised Public Accountant  
MNE no. mne46664

## Company details

<b>The company</b>	BITZER Electronics A/S Kærvej 77 6400 Sønderborg  CVR no.: 21 34 00 06  Reporting period: 1. januar - 31. december 2021 Financial year: 24th financial year  Domicile: Sønderborg
<b>Supervisory board</b>	Christian Jürgen Wehrle, chairman Frank Hartmann Rainer Meinhard Grosse-Kracht Hans Martin Büchsel
<b>Executive board</b>	Henning Højberg Kristensen Peter Westergaard
<b>Auditors</b>	Deloitte Statsautoriseret Revisionspartnerselskab Tværkajen 5 5000 Odense C
<b>Bankers</b>	Sydbank A/S

## Financial highlights

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

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
Gross profit/loss	109.843	119.772	111.573	96.609	116.701
Profit/loss before net financials	30.521	39.113	33.688	25.422	49.411
Net financials	4.616	-7.303	865	2.466	-10.538
Profit/loss for the year	28.010	24.830	26.937	21.729	30.286
<b>Balance sheet</b>					
Balance sheet total	132.795	119.417	164.566	148.415	193.853
Equity	43.353	35.343	76.664	70.727	83.165
<b>Cash flows from:</b>					
- operating activities	18.521	73.470	13.585	13.541	60.032
- investing activities	-3.430	-1.201	-3.371	-6.645	-3.283
- including investment in property, plant and equipment	-3.438	-1.139	-3.371	-6.577	-3.230
- financing activities	-20.000	-66.150	-22.615	-36.985	-27.901
The year's changes in cash and cash equivalents	-4.910	6.119	-12.402	-30.089	28.848
Number of employees	122	116	117	113	102
<b>Financial ratios</b>					
Return on assets	24,2%	27,5%	21,5%	14,9%	27,6%
Solvency ratio	32,6%	29,6%	46,6%	47,7%	42,9%
Return on equity	71,2%	44,3%	36,6%	28,2%	36,1%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..



## **Management's review**

### **Business review**

The Company's main objective is to act as business partner for the industry in connection with innovation, development, production, marketing and sales of customer specific electronics and system solutions within cooling, heating and ventilation.

### **Recognition and measurement uncertainties**

The recognition and measurement of items in the annual report is not associated with any uncertainty.

### **Unusual matters**

The company's financial position at 31. december 2021 and the results of its operations and cash flows for the financial year ended 31. december 2021 are not affected by any unusual matters.

### **Financial review**

The company's income statement for the year ended 31 December 2021 shows a profit of DKK 28.009.985, and the balance sheet at 31. december 2021 shows equity of DKK 43.353.310.

### **Significant events occurring after the end of the financial year**

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

### **The year at a glance and follow-up on expectations expressed last year**

Sales and EBIT for the year was met, as results at the same level as previous year were achieved.

Headcount and development activities maintained at the same level as previous year, as expected.

Sales, EBIT and headcount are expected at the same level next year.

### **Knowledge resources**

The company's activities particular requires know-how resources from employees and technologies. Thus it is important tat the company is able to recruit and keep employees with a high level of education.

### **The environment**

The company develops energy-saving products and seeks to comply with energy optimisation in all respects, including our facilities etc.

### **Research and development**

The company develops customized products. Furthermore the company participates in technology projects in cooperation with Danish universities and institutes.

## **Management's review**

### **Special risks apart from generally occurring risks in industry**

#### ***The company's exposure to price, credit, liquidity and cash flow risks***

Primary activities abroad imply that the profit, cash flow and equity are influenced by the exchange rates, especially for the USD.

Production and delivery requires free flow of goods throughout the world. Hence, events obstructing the supply chain influences cost and the ability to produce and deliver to customers.

### **Statutory corporate social responsibility report**

The company focus on being social responsible in relation to developing and producing energy-saving products, supporting human rights and selecting suppliers with high ethical standards.

In order to ensure continued focus and initiatives the company joined the UN Global Compact in 2012. Please refer to our CSR report.

## Income statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
<b>Gross profit</b>		<b>109.843.398</b>	<b>119.772.359</b>
Staff expenses	1	<u>-75.785.265</u>	<u>-75.485.059</u>
<b>Profit/loss before amortisation/depreciation and impairment losses</b>		<b>34.058.133</b>	<b>44.287.300</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-3.537.594	-5.153.188
Other operating costs		<u>0</u>	<u>-21.374</u>
<b>Profit/loss before net financials</b>		<b>30.520.539</b>	<b>39.112.738</b>
Financial income	3	5.022.772	86.630
Financial costs	4	<u>-406.642</u>	<u>-7.389.827</u>
<b>Profit/loss before tax</b>		<b>35.136.669</b>	<b>31.809.541</b>
Tax on profit/loss for the year	5	<u>-7.126.684</u>	<u>-6.979.789</u>
<b>Profit/loss for the year</b>		<b><u>28.009.985</u></b>	<b><u>24.829.752</u></b>
Distribution of profit	6		

## Balance sheet 31 December

	Note	2021 DKK	2020 DKK
<b>Assets</b>			
Development projects		0	0
Software		22.611	43.483
<b>Intangible assets</b>	7	<u>22.611</u>	<u>43.483</u>
Other fixtures and fittings, tools and equipment		6.219.429	7.043.570
Leasehold improvements		1.438.502	646.975
Property, plant and equipment in progress		298.737	344.491
<b>Property, plant and equipment</b>	8	<u>7.956.668</u>	<u>8.035.036</u>
<b>Total non-current assets</b>		<u>7.979.279</u>	<u>8.078.519</u>
Raw materials and consumables		80.043.191	64.157.016
Work in progress		381.103	487.536
Finished goods and goods for resale		17.291.126	14.751.403
<b>Inventories</b>		<u>97.715.420</u>	<u>79.395.955</u>
Trade receivables		9.887.128	13.716.792
Receivables from intercompany		5.008.647	2.891.662
Other receivables		4.460.913	2.498.299
Deferred tax asset	9	4.415.199	5.833.301
Corporation tax		1.374.676	0
Prepayments		113.276	252.900
<b>Receivables</b>		<u>25.259.839</u>	<u>25.192.954</u>
<b>Cash at bank and in hand</b>		<u>1.840.239</u>	<u>6.749.911</u>
<b>Total current assets</b>		<u>124.815.498</u>	<u>111.338.820</u>
<b>Total assets</b>		<u><u>132.794.777</u></u>	<u><u>119.417.339</u></u>

## Balance sheet 31 December

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
<b>Equity and liabilities</b>			
Share capital		25.000.000	25.000.000
Retained earnings		18.353.310	10.343.325
<b>Equity</b>		<b><u>43.353.310</u></b>	<b><u>35.343.325</u></b>
Warranty provisions		28.312.534	32.258.455
<b>Total provisions</b>		<b><u>28.312.534</u></b>	<b><u>32.258.455</u></b>
Other payables		2.044.640	0
<b>Total non-current liabilities</b>		<b><u>2.044.640</u></b>	<b><u>0</u></b>
Trade payables		43.281.811	33.821.185
Payables to intercompany		1.024.346	1.249.622
Corporation tax		0	161.604
Other payables		14.778.136	16.583.148
<b>Total current liabilities</b>		<b><u>59.084.293</u></b>	<b><u>51.815.559</u></b>
<b>Total liabilities</b>		<b><u>61.128.933</u></b>	<b><u>51.815.559</u></b>
<b>Total equity and liabilities</b>		<b><u>132.794.777</u></b>	<b><u>119.417.339</u></b>
Contingent liabilities	10		
Related parties and ownership structure	11		



## Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2021	25.000.000	10.343.325	35.343.325
Net profit/loss for the year	0	8.009.985	8.009.985
<b>Equity at 31 December 2021</b>	<b><u>25.000.000</u></b>	<b><u>18.353.310</u></b>	<b><u>43.353.310</u></b>

	<u>Share capital</u>	<u>Reserve for development expenditure</u>	<u>Retained earnings</u>	<u>Proposed dividend for the year</u>	<u>Total</u>
Equity at 1 January 2020	25.000.000	466.222	25.047.351	26.150.000	76.663.573
Ordinary dividend paid	0	0	0	-26.150.000	-26.150.000
Net profit/loss for the year	0	-466.222	-14.704.026	0	-15.170.248
<b>Equity at 31 December 2020</b>	<b><u>25.000.000</u></b>	<b><u>0</u></b>	<b><u>10.343.325</u></b>	<b><u>0</u></b>	<b><u>35.343.325</u></b>

## Cash flow statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Net profit/loss for the year		28.009.985	24.829.752
Adjustments	12	2.094.228	21.962.462
Change in working capital	13	<u>-8.954.798</u>	<u>42.091.176</u>
<b>Cash flows from operating activities before financial income and expenses</b>		<b>21.149.415</b>	<b>88.883.390</b>
Interest income and similar income		5.022.772	86.630
Interest expenses and similar charges		<u>-406.642</u>	<u>-7.389.822</u>
<b>Cash flows from ordinary activities</b>		<b>25.765.545</b>	<b>81.580.198</b>
Corporation tax paid		<u>-7.244.862</u>	<u>-8.109.986</u>
<b>Cash flows from operating activities</b>		<b><u>18.520.683</u></b>	<b><u>73.470.212</u></b>
Purchase of intangible assets		0	-62.616
Purchase of property, plant and equipment		-3.438.355	-1.138.735
Sale of property, plant and equipment		<u>8.000</u>	<u>0</u>
<b>Cash flows from investing activities</b>		<b><u>-3.430.355</u></b>	<b><u>-1.201.351</u></b>
Dividend paid		<u>-20.000.000</u>	<u>-66.150.000</u>
<b>Cash flows from financing activities</b>		<b><u>-20.000.000</u></b>	<b><u>-66.150.000</u></b>
<b>Change in cash and cash equivalents</b>		<b>-4.909.672</b>	<b>6.118.861</b>
Cash and cash equivalents		<u>6.749.911</u>	<u>631.050</u>
<b>Cash and cash equivalents</b>		<b><u>1.840.239</u></b>	<b><u>6.749.911</u></b>
Analysis of cash and cash equivalents:			
Cash at bank and in hand		<u>1.840.239</u>	<u>6.749.911</u>
<b>Cash and cash equivalents</b>		<b><u>1.840.239</u></b>	<b><u>6.749.911</u></b>

## Notes

	<u>2021</u>	<u>2020</u>
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	68.301.323	68.249.635
Pensions	6.286.264	6.213.596
Other social security costs	<u>1.197.678</u>	<u>1.021.828</u>
	<b><u>75.785.265</u></b>	<b><u>75.485.059</u></b>
Including remuneration to the executive board:		
Executive board	<u>2.732.818</u>	<u>4.598.716</u>
	<b><u>2.732.818</u></b>	<b><u>4.598.716</u></b>
Average number of employees	<u>122</u>	<u>116</u>
No remuneration has been paid to the supervisory board.		
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation intangible assets	20.872	1.058.424
Depreciation tangible assets	<u>3.516.722</u>	<u>4.094.764</u>
	<b><u>3.537.594</u></b>	<b><u>5.153.188</u></b>
which breaks down as follows:		
Development projects	0	1.016.647
Software	20.872	41.777
Other fixtures and fittings, tools and equipment	3.218.067	3.806.174
Leasehold improvements	<u>298.655</u>	<u>288.590</u>
	<b><u>3.537.594</u></b>	<b><u>5.153.188</u></b>

## Notes

	<u>2021</u>	<u>2020</u>
	DKK	DKK
<b>3 Financial income</b>		
Interest received from intercompany	0	39.734
Other financial income	427	46.896
Exchange adjustments	<u>5.022.345</u>	<u>0</u>
	<b><u>5.022.772</u></b>	<b><u>86.630</u></b>
<b>4 Financial costs</b>		
Interest paid to intercompany	311.705	0
Other financial costs	94.937	64.962
Exchange adjustments	<u>0</u>	<u>7.324.865</u>
	<b><u>406.642</u></b>	<b><u>7.389.827</u></b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	6.297.324	8.007.604
Deferred tax for the year	1.418.102	-996.267
Adjustment of tax concerning previous years	<u>-588.742</u>	<u>-31.548</u>
	<b><u>7.126.684</u></b>	<b><u>6.979.789</u></b>
<b>6 Distribution of profit</b>		
Extraordinary dividend for the year	20.000.000	40.000.000
Transferred to other statutory reserves	0	-466.222
Retained earnings	<u>8.009.985</u>	<u>-14.704.026</u>
	<b><u>28.009.985</u></b>	<b><u>24.829.752</u></b>

## Notes

### 7 Intangible assets

	Development projects	Software	Total
Cost at 1 January 2021	8.986.993	1.276.105	10.263.098
Additions for the year	0	0	0
Disposals for the year	0	0	0
Cost at 31 December 2021	<u>8.986.993</u>	<u>1.276.105</u>	<u>10.263.098</u>
Impairment losses and amortisation at 1 January 2021	8.986.993	1.232.622	10.219.615
Amortisation for the year	<u>0</u>	<u>20.872</u>	<u>20.872</u>
Impairment losses and amortisation at 31 December 2021	<u>8.986.993</u>	<u>1.253.494</u>	<u>10.240.487</u>
<b>Carrying amount at 31 December 2021</b>	<b><u>0</u></b>	<b><u>22.611</u></b>	<b><u>22.611</u></b>

Development projects in general comprise further development of customized controllers for heating and refrigeration. Development project comprise both hardware and software development within several segments. All projects have been completed and the customized solutions are in service and part of the current products sold to customers. Since 2018 no further capitalisation has been made.



## Notes

### 8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2021	23,511,956	5,621,179	344,491	29,477,626
Additions for the year	2,049,435	1,090,182	298,737	3,438,354
Disposals for the year	-160,375	0	0	-160,375
Transfers for the year	344,491	0	-344,491	0
Cost at 31 December 2021	<u>25,745,507</u>	<u>6,711,361</u>	<u>298,737</u>	<u>32,755,605</u>
Impairment losses and depreciation at 1 January 2021	16,468,386	4,974,204	0	21,442,590
Depreciation for the year	3,218,067	298,655	0	3,516,722
Reversal of impairment and depreciation of sold assets	-160,375	0	0	-160,375
Impairment losses and depreciation at 31 December 2021	<u>19,526,078</u>	<u>5,272,859</u>	<u>0</u>	<u>24,798,937</u>
<b>Carrying amount at 31 December 2021</b>	<b><u>6,219,429</u></b>	<b><u>1,438,502</u></b>	<b><u>298,737</u></b>	<b><u>7,956,668</u></b>

## Notes

	<u>2021</u>	<u>2020</u>
	DKK	DKK
<b>9 Provision for deferred tax</b>		
Provisions for deferred tax at 1 January 2021	-5.833.301	-4.837.034
Deferred tax recognised in income statement	<u>1.418.102</u>	<u>-996.267</u>
<b>Provisions for deferred tax at 31 December 2021</b>	<u><b>-4.415.199</b></u>	<u><b>-5.833.301</b></u>

Deferred tax is capitalised by 22% of the basis of deferred tax.

Deferred tax asset comprise DKK 705 thousands from non-current assets (DKK 501 thousands in 2020) and DKK 3.710 thousands from warranty provisions (DKK 5.332 thousands in 2020).

Deferred tax asset is recognised in the balance sheet, as it is considered very likely that the tax asset can be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

## 10 Contingent liabilities

### Other contingent liabilities not recognised in balance sheet

The Company has entered into tenancy agreements and leases for a period up to and including 2024. Rent at lease payments for the period total DKK 9.880 thousands.

## 11 Related parties and ownership structure

### Controlling interest

Related party having a controlling interest is the parent BITZER SE, Sindelfingen, Germany, due to this company's ownership of the entire share capital in the company.

The annual report is incorporated in the Group Consolidated Accounts of BITZER SE, Eschenbrunnlestrasse 15, 71065 Sindelfingen, Germany.

In accordance with sector 98c (7) of the Danish Financial Statements Act, the company has not disclosed any related party transactions as they were conducted on an arm's length basis.

## Notes

	<u>2021</u>	<u>2020</u>
	DKK	DKK
<b>12 Cash flow statement - adjustments</b>		
Financial income	-5.022.772	-86.630
Financial costs	406.642	7.389.827
Depreciation, amortisation and impairment losses, including losses and gains on sales	3.529.595	5.174.563
Tax on profit/loss for the year	7.126.684	6.979.789
Change in other provisions	-3.945.921	2.504.913
	<u><u>2.094.228</u></u>	<u><u>21.962.462</u></u>
<b>13 Cash flow statement - change in working capital</b>		
Change in inventories	-18.319.465	-8.120.171
Change in receivables	-110.311	56.410.548
Change in trade payables, etc	9.474.978	-6.199.201
	<u><u>-8.954.798</u></u>	<u><u>42.091.176</u></u>

## 14 Accounting policies

The annual report of BITZER Electronics A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2021 is presented in DKK

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

## Notes

### 14 Accounting policies

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

#### **Income statement**

##### **Gross profit**

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

##### **Revenue**

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

##### **Other operating income**

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment.

##### **Other operating expenses**

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and items of property, plant and equipment.

##### **Staff costs**

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.

## Notes

### 14 Accounting policies

#### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

#### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

#### **Tax on profit/loss for the year**

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

#### **Balance sheet**

##### **Intangible assets**

Software are measured at the lower of cost less accumulated amortisation and recoverable losses. Software are amortised on a straight-line basis over a period of 3 years.

Development projects that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated, and where the intention is to produce, market or use the project or the process, are recognised as intangible assets provided, that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the aggregate development costs. Other development costs are expensed in the income statement as incurred.

Development costs are measured at direct costs and a portion of the costs that can be related indirectly to the individual development projects.

Development projects are amortised over a period of 3 years.

##### **Property, plant and equipment**

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.



## Notes

### 14 Accounting policies

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, and the individual component is a significant part of the total cost, the cost is divided into separate components, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	<b>Useful life</b>
Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	3-10 years

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

#### **Leases**

All leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies liabilities'.

#### **Inventories**

Inventories are measured at cost using the weighted average method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

## Notes

### 14 Accounting policies

#### Receivables

Receivables are measured at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

#### Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

#### Equity

##### Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

##### Provisions

Provisions comprise expected expenses relating to warranty commitments, restructuring, etc. Provisions are recognised when, as a result of a past event, the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

##### Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement. For the current year the tax rate is 22%.

Deferred tax assets are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. Any deferred net tax assets are measured at net realisable value.

##### Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

## Notes

### 14 Accounting policies

#### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

#### Cash flow statement

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

#### Cash flows from operating activities

Cash flows from operating activities are stated as the company's profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

#### Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of intangible assets, property, plant and equipment and investments.

#### Cash flows from financing activities

Cash flows from financing activities comprise cash flow from raising and repayment of long term debts as well as payments to and from shareholders.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash.

The cash flow statement cannot be immediately derived from the published financial records.

## Notes

### 14 Accounting policies

#### Financial highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary operations after tax} \times 100}{\text{Average equity}}$