BITZER Electronics A/S

Kærvej 77
6400 Sønderborg

CVR no. 21 34 00 06

Annual report for 2023

Adopted at the annual general
meeting on 25 June 2024

Christian Jürgen Wehrle
chairman

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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 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 company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023.

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, 25 June 2024

Executive board

Michael Kousgård Snerling Managing Director	Ulf Kretschmer 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 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 are prepared under 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 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.

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 suficient 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 arefree 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 suficient 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 todraw 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 andevents 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.

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, we conclude that 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 of management's review.

Odense, 25 June 2024

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

The company	BITZER Electronics A/S Kærvej 77 6400 Sønderborg	
	CVR no.:	21 34 00 06
	Reporting period:	1 January - 31 December 2023
	Financial year:	26th financial year
	Domicile:	Sønderborg
Supervisory board	Christian Jürgen Wehrle, chairman Frank Hartmann Rainer Meinhard Grosse-Kracht Hans Martin Büchsel	
Executive board	Michael Kousgård Snerling Ulf Kretschmer	
Subsidiaries	OJ Electronics A/S	
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Tværkajen 5 5000 Odense C	
Bankers	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:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	81.137	112.896	109.843	119.772	111.573
Profit/loss before net financials	-352	28.592	30.521	39.113	33.688
Net financials	-35.655	-369	4.616	-7.303	865
Profit/loss for the year	-33.627	22.319	28.010	24.830	26.937
Balance sheet					
Balance sheet total	1.398.960	124.873	132.795	119.417	164.566
Investment in property, plant and equipment	-3.039	-2.867	-3.438	-1.139	-3.371
Equity	32.045	65.672	43.353	35.343	76.664
Number of employees	124	120	122	116	117
Financial ratios					
Return on assets	0,0%	22,2%	24,2%	27,5%	21,5%
Solvency ratio	2,3%	52,6%	32,6%	29,6%	46,6%
Return on equity	-68,8%	40,9%	71,2%	44,3%	36,6%

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 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 2023 and the results of its operations and cash flows for the financial year ended 31 December 2023 are affected by the acquisition of OJ Electronics A/S during the year and its financing.

Financial review

The company's income statement for the year ended 31 December 2023 shows a loss of TDKK 33.627, and the balance sheet at 31 December 2023 shows equity of TDKK 32.045.

The financial statements for 2023 includes R&D projects capitalized as assets under construction amounting to the value of TDKK 27.816.

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

Uncertainty has been prevalent throughout the year, both in terms of sales and cost prices. Sales was under pressure throughout the year. Cost prices remained higher than expected and thereby overall a negative impact on EBIT.

Headcount and development activities was kept on the same level as previous year, as expected.

Knowledge resources

The company's activities require know-how resources from employees and technologies. Thus, it is important that the company can recruit and keep employees with a high level of education.

The environment

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

Management's review

Research and development

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

Expectation to the coming year

We expect to deliver increased sales in 2024 compared to 2023. The beginning of the year is expected to have increased incoming orders than the average of 2023, then steadily increase throughout the spring, to stabilize for the rest of 2024.

We expect to increase the profitability during the year enabling us to deliver a positive development in EBIT for 2024.

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. Fluctuations to exchange rates, especially USD/DKK, are monitored at BITZER Electronics. The BITZER Group furthermore monitors exchange risks from a global, group perspective and handles measures to reduce risk and exposure, if necessary.

Income statement 1 January - 31 December

	Note	2023 TDKK	2022 TDKK
Gross profit		**81.137**	**112.896**
Staff expenses	1	-78.448	-81.023
Profit/loss before amortisation/depreciation and impairment losses		**2.689**	**31.873**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-3.041	-3.281
Profit/loss before net financials		**-352**	**28.592**
Financial income	3	901	2.106
Financial costs	4	-36.556	-2.475
Profit/loss before tax		**-36.007**	**28.223**
Tax on profit/loss for the year	5	2.380	-5.904
Profit/loss for the year		**-33.627**	**22.319**
Distribution of profit	6		

Balance sheet 31 December

	Note	2023	2022
		TDKK	TDKK
Assets			
Development projects		0	0
Software		92	68
Development projects in progress		27.816	0
Intangible assets	7	**27.908**	**68**
Other fixtures and fittings, tools and equipment		3.975	6.165
Leasehold improvements		796	983
Property, plant and equipment in progress		2.783	435
Property, plant and equipment	8	**7.554**	**7.583**
Investments in subsidiaries	9	1.059.737	0
Fixed asset investments		**1.059.737**	**0**
Total non-current assets		**1.095.199**	**7.651**
Raw materials and consumables		104.231	70.323
Work in progress		141	434
Finished goods and goods for resale		23.056	22.309
Inventories		**127.428**	**93.066**

Balance sheet 31 December (continued)

	Note	2023	2022
		TDKK	TDKK
Assets			
Trade receivables		66.300	5.881
Receivables from intercompany		91.409	3.124
Other receivables		8.823	8.883
Deferred tax asset	10	7.665	5.752
Corporation tax		1.835	0
Prepayments		254	209
Receivables		**176.286**	**23.849**
Cash at bank and in hand		**47**	**307**
Total current assets		**303.761**	**117.222**
Total assets		**1.398.960**	**124.873**

Balance sheet 31 December

	Note	2023	2022
		TDKK	TDKK
Equity and liabilities			
Share capital		25.000	25.000
Reserve for development expenditure		21.697	0
Retained earnings		-14.652	40.672
Equity		**32.045**	**65.672**
Warranty provisions	11	36.080	29.777
Total provisions		**36.080**	**29.777**
Bank liabilities		6.034	193
Trade payables		34.331	13.502
Payables to intercompany		1.282.130	462
Corporation tax		0	1.956
Other payables		8.340	13.311
Total current liabilities		**1.330.835**	**29.424**
Total liabilities		**1.330.835**	**29.424**
Total equity and liabilities		**1.398.960**	**124.873**
Contingent liabilities	12		
Related parties and ownership structure	13		

Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Total
Equity at 1 January 2023	25.000	0	40.672	65.672
Net profit/loss for the year	0	21.697	-55.324	-33.627
Equity at 31 December 2023	**25.000**	**21.697**	**-14.652**	**32.045**

	Share capital	Retained earnings	Total
Equity at 1 January 2022	25.000	18.353	43.353
Net profit/loss for the year	0	22.319	22.319
Equity at 31 December 2022	**25.000**	**40.672**	**65.672**

Notes

		2023	2022
		TDKK	TDKK
1	**Staff expenses**		
	Wages and salaries	70.703	72.855
	Pensions	6.722	6.391
	Other social security costs	1.023	1.777
		78.448	**81.023**
	Including remuneration to the executive board:		
	Executive board	4.701	4.921
		4.701	**4.921**
	Number of fulltime employees on average	124	120

No remuneration has been paid to the supervisory board. 2023 includes three managing directors.

		2023	2022
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Depreciation intangible assets	36	37
	Depreciation tangible assets	3.005	3.244
		3.041	**3.281**
	which breaks down as follows:		
	Software	36	37
	Other fixtures and fittings, tools and equipment	2.820	3.043
	Leasehold improvements	185	201
		3.041	**3.281**

Notes

		2023	2022
		TDKK	TDKK
3	**Financial income**		
	Interest received from intercompany	532	0
	Other financial income	369	62
	Exchange adjustments	0	2.044
		901	**2.106**

4	**Financial costs**		
	Interest paid to intercompany	34.537	2.377
	Other financial costs	196	98
	Exchange adjustments	1.823	0
		36.556	**2.475**

5	**Tax on profit/loss for the year**		
	Current tax for the year	0	7.523
	Deferred tax for the year	-1.913	-1.337
	Adjustment of tax concerning previous years	-467	-282
		-2.380	**5.904**

6	**Distribution of profit**		
	Transferred to reserve for development expenditure	21.697	0
	Retained earnings	-55.324	22.319
		-33.627	**22.319**

Notes

7 Intangible assets

	Development projects	Software	Development projects in progress
Cost at 1 January 2023	8.987	1.358	0
Additions for the year	0	0	27.816
Disposals for the year	-6.849	-165	0
Transfers for the year	0	60	0
Cost at 31 December 2023	2.138	1.253	27.816
Impairment losses and amortisation at 1 January 2023	8.987	1.290	0
Amortisation for the year	0	36	0
Reversal of impairment and amortisation of sold assets	-6.849	-165	0
Impairment losses and amortisation at 31 December 2023	2.138	1.161	0
Carrying amount at 31 December 2023	**0**	**92**	**27.816**

Capitalized development projects comprise the researching of new concepts and technologies, and development of new hardware and software products or mechanisms within our key segments and will be sold to our clients. Development projects in progress is expected to be completed during 2024 and 2025 and the projects develop as planned.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
Cost at 1 January 2023	28.733	6.454	435
Additions for the year	610	0	2.429
Disposals for the year	-371	-46	0
Transfers for the year	21	0	-81
Cost at 31 December 2023	28.993	6.408	2.783
Impairment losses and depreciation at 1 January 2023	22.570	5.473	0
Depreciation for the year	2.819	185	0
Reversal of impairment and depreciation of sold assets	-371	-46	0
Impairment losses and depreciation at 31 December 2023	25.018	5.612	0
Carrying amount at 31 December 2023	**3.975**	**796**	**2.783**

Notes

		2023	2022
		TDKK	TDKK
9	**Investments in subsidiaries**		
	Cost at 1 January 2023	0	0
	Additions for the year	1.059.737	0
	Cost at 31 December 2023	1.059.737	0
	Carrying amount at 31 December 2023	**1.059.737**	**0**

Goodwill regognised during the financial year DKK 875.590 thousands.

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
OJ Electronics A/S	Denmark	100%	180.636	31.770
OJ Electronics Ltd.	England	100%	143	-2
OJ Electronics Inc	The US	100%	798	2.954

		2023	2022
		TDKK	TDKK
10	**Deferred tax asset**		
	Provisions for deferred tax at 1 January 2023	-5.752	-4.415
	Deferred tax recognised in income statement	-1.913	-1.337
	Provisions for deferred tax at 31 December 2023	**-7.665**	**-5.752**

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

Deferred tax asset comprise DKK 1.501 thousands from non-current assets (DKK 674 thousands in 2022) and DKK 6.164 thousands from warranty provisions (DKK 5.078 thousands in 2022).

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.

Notes

	2023	2022
	TDKK	TDKK

11 Warranty provisions

The Company provides 1-7 years warranty on certain products and thereby undertakes to repair or replace goods that are not satisfactory. Other provisions of DKK 36.080 thousands (2022: DKK 29.777 thousands) have been included for expected warranty claims based on previous experience regarding the level of repairs and returns, which are estimated as follows:

	2023 TDKK	2022 TDKK
Balance at beginning of year at 1 January 2023	29.777	28.312
Provision in year	6.303	1.465
Balance at 31 December 2023	**36.080**	**29.777**

12 Contingent liabilities

Other contingent liabilities not recognised in balance sheet

The Company has entered into tenancy agreements, leases and other agreements for a period up to and including 2027. Rent, lease and other payments for the period total DKK 8.611 thousands.

Rent, lease and other payments for the period comprise DKK 6.601 thousands from rent agreements, DKK 626 thousands from lease agreements and DKK 1.384 thousands from IT and sponsorship agreements.

13 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, Eschenbrünnlestrasse 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

14 Accounting policies

The annual report of BITZER Electronics A/S for 2023 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 2023 is presented in TDKK

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

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.

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.

Recognition and measurement of business combinations

Recently acquired entities are recognised in the financial statements from the date of acquisition. Sold entities are recognised in the financial statements until the date of disposal. Comparative figures are not restated in respect of recently acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the time when the company actually gains control over the acquiree.

14 Accounting policies

The acquisition method is applied to the acquisition of new entities where the company gains control over the acquiree. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or emanate from a contractual right. Deferred tax on the revaluations made is recognised.

Positive differences (goodwill) between, on the one side, the purchase consideration, the value of non-controlling interests in the acquiree and the fair value of any previously acquired investments and, on the other side, the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under ‘Intangible assets’. Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of its useful life.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

On acquisition, goodwill is ascribed to / classed with the cash-generating unit, which subsequently forms a basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than the group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and are translated on initial recognition into the foreign entity's functional currency using the exchange rate at the date of the transaction.

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the purchase consideration is conditional upon future events or the fulfilment of agreed conditions, this part of the purchase consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of conditional purchase consideration are recognised in the income statement.

Expenses defrayed in connection with acquisitions are recognised in the income statement in the year in which they are defrayed.

If, at the date of acquisition, the identification or measurement of acquired assets, liabilities and/or contingent liabilities or the size of the purchase consideration are associated with uncertainty, initial recognition will be based on preliminarily calculated amounts. If it subsequently turns out that the identification or measurement of the purchase consideration, acquired assets, liabilities and/or contingent liabilities was not correct on initial recognition, the calculation will be adjusted with retrospective effect, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments made will be recognised as error.

Notes

14 Accounting policies

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.

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.

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

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

Income from investments in subsidiaries

Dividend from investments is recognised in the reporting year in which the dividend is declared.

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.

14 Accounting policies

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 indentifiable and in respect of which the technological feasibility, sufficient ressources 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 assests 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.

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:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	2-10 years	0 %
Leasehold improvements	3-10 years	0 %

14 Accounting policies

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under 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'.

Investments in subsidiaries, associates and participating interests

Investment in subsidiaries, associates and participating interests are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

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.

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.

Notes

14 Accounting policies

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.

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.

Notes

14 Accounting policies

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

No cash flow statement has been prepared for the parent company, as the parent company's cash flows are included in the consolidated cash flow statement, see section 86(4) of the Danish Financial Statements Act.

Financial Highlights

Definitions of financial ratios.

Return on assets $$\frac{\text{Profit/loss before financials x 100}}{\text{Average assets}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total assets}}$$

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