



Techtronic Industries Nordic ApS

Stamholmen 147, 1.
2650 Hvidovre
CVR No. 27976255

Annual report 2022

The Annual General Meeting adopted the
annual report on 31.05.2023

Per Ulf Thomas Jacobsson

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2022	12
Balance sheet at 31.12.2022	13
Statement of changes in equity for 2022	15
Notes	16
Accounting policies	21

Entity details

Entity

Techtronic Industries Nordic ApS

Stamholmen 147, 1.

2650 Hvidovre

Business Registration No.: 27976255

Registered office: Hvidovre

Financial year: 01.01.2022 - 31.12.2022

Executive Board

Per Ulf Thomas Jakobsson

Bent Plougmand Andersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Executive Board has today considered and approved the annual report of Techtronic Industries Nordic ApS for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hvidovre, 31.05.2023

Executive Board

Per Ulf Thomas Jakobsson

Bent Plougmand Andersen

Independent auditor's report

To the shareholder of Techtronic Industries Nordic ApS

Opinion

We have audited the financial statements of Techtronic Industries Nordic ApS for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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.

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.

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 the management commentary 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.

Copenhagen, 31.05.2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Jan Larsen

State Authorised Public Accountant

Identification No (MNE) mne16541

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	2,368,937	2,182,600	1,631,311	1,270,559	1,072,008
Gross profit/loss	143,237	135,082	92,677	84,209	65,108
Operating profit/loss	37,612	39,275	23,146	27,816	21,830
Net financials	(2,867)	222	(5,783)	(7,221)	(5,175)
Profit/loss for the year	26,958	30,602	13,591	16,015	15,310
Total assets	663,996	1,004,240	709,364	522,572	440,347
Investments in property, plant and equipment	19,290	19,113	28,118	14,079	0
Equity	78,735	103,777	73,175	59,584	43,929
Ratios					
Gross margin (%)	6.05	6.19	5.68	6.63	6.07
EBIT margin (%)	1.59	1.80	1.42	2.19	2.04
Net margin (%)	1.14	1.40	0.83	1.26	1.43
Return on equity (%)	29.54	34.59	20.47	30.94	42.19
Equity ratio (%)	11.86	10.33	10.32	11.40	9.98

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

Gross margin (%):

Gross profit/loss * 100

Revenue

EBIT margin (%):

Operating profit/loss * 100

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

The primary activities of Techtronic Industries Nordic ApS (TTI Nordic) are the wholesale trade of power tools, garden tools, and accessories. Trading takes place through distributors in Denmark, Sweden, Norway, Finland, Estonia, Lithuania, Latvia, and Iceland. Moreover, the affiliated companies in Norway, Sweden, and Finland provide sales support to TTI Nordic.

About the company

At TTI Nordic, we are proud of our iconic brands: MILWAUKEE and RYOBI, which we market in the Nordic and Baltic regions. Each of these premium brands has a rich history that we build on daily. Our customers are our partners, and we do everything possible to support their business. Our cutting-edge brands and products are recognised on the market for their deep heritage, superior quality, outstanding performance, and user-driven innovation. TTI Nordic consistently delivers exciting new solutions that enhance customer satisfaction and productivity through an ongoing company-wide commitment to cordless technology, innovation, and strong customer partnerships. This focus and drive provide a strong platform for sustainable leadership and growth.

TTI Nordic is part of Techtronic Industries Company Limited (TTI Group), which is a fast-growing world leader in power tools, accessories, hand tools, outdoor power equipment, and floorcare & cleaning for do-it-yourself (DIY)/consumer and professional and industrial users in the home improvement, repair, maintenance, construction, and infrastructure industries. TTI Group is committed to accelerating the transformation of these industries through superior, environmentally friendly, cordless technology. The TTI Group brands like MILWAUKEE, RYOBI, and HOOVER are recognised worldwide for their deep heritage and cordless product platforms of superior quality, outstanding performance, safety, productivity, and compelling innovation. Founded in 1985 and listed on the Stock Exchange of Hong Kong ("SEHK") in 1990, TTI Group is included in the Hang Seng Index as one of their constituent stocks. TTI Group maintains a powerful brand portfolio, global manufacturing and product development footprint, and healthy financial position with record 2022 worldwide sales of US\$13.3 billion and over 44,000 employees.

TTI is a global strategy-based organisation. We have diligently researched and refined the key concepts for ongoing sustainability and growth. Early on, leadership identified four strategic areas that would drive our success: Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence. The synergy in our four strategic drivers creates a culture of disruptive innovation and execution, resulting in world-class, powerful brands. This dynamic structure of interconnectivity not only maximises growth and improvement in every area of our company but also delivers the innovative, high-quality-driven products needed by consumers and professionals worldwide.

Development in activities and finances

TTI Nordic net sales increased by 9% compared to 2021, with strong growth in both the professional channels and the consumer/retail channels benefitting from continued commercial, customer, and marketing investments. TTI Nordic outpaced the competition by accelerating the transition to cordless tools and equipment, delivering organic growth while consistently generating gross margin improvement and profit growth. The profit for the year amounts to DKK 27 million.

Profit/loss for the year in relation to expected developments

The TTI Nordic development was in line with expectations and market conditions in 2022. The inflation increased more than expected, being reflected in operational costs.

Uncertainty relating to recognition and measurement

According to note 15, warranty commitments have been recognised by DKK 43.9 million regarding expected

demands based on the previous experience of the level of repairs and returns. Based on future expectations, these warranty commitments include a significant element of uncertainty.

Unusual circumstances affecting recognition and measurement

No unusual circumstances that might have affected recognition and measurement occurred in 2022.

Outlook

Operating in the challenging and volatile environment of recent years has reinforced the importance of our Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence. Significant uncertainties will occur in 2023, which will be another challenging year.

Due to our and our suppliers' rolling hedging, last year's commodity and energy price increases will significantly impact our 2023 cost of sales and operating costs. We intend to offset the higher costs in absolute terms through pricing and a tight focus on non-strategic costs. TTI Nordic will continue to invest in sales and customer activities, as well as employees, to support the strong stream of innovative new product launches in 2023. We remain highly confident in continuing to drive gross margin improvement by introducing margin-accretive new products.

TTI Nordic is well-positioned to outperform the market in 2023. Consequently, the 2023 guidance is operating profit development of approximately +/- 5%.

Environmental performance

Responsible sustainability practices are embedded deeply in our culture at TTI Nordic but are especially engrained in our product development processes. The selection of environmentally friendly raw materials, responsibly mined natural elements, and vendors with impeccable safety standards are all required. Even more importantly, we believe we are leading the industry in cleantech cordless products that lower the end user's carbon emission output and noise pollution and improve the end user's safety.

Research and development activities

TTI Nordic does not have any research and development activities as these are managed by the TTI Group, where we, as a company, rely on introducing high-quality, margin-accretive new products, and our drive for advancing cordless technology only continues to intensify. We are a leader in recruiting highly sought-after software, electrical, and other technical engineers to accelerate the pace of our technological advancements. In 2022, we added another 879 engineers to our distinguished research and development system. Breakthrough products like the 4th Generation MILWAUKEE M18 FUEL Drill Driver launched in 2022 would not have been possible without the contributions of this advanced talent. Not only are these 4th generation tools more powerful, faster, quieter, cooler, lighter, more compact, and equipped with electronics to charge faster and extend battery life cycle, but they are also the first in the industry to utilise machine learning. The advanced electronics within the tool leverage a combination of real-life and machine data points, allowing it to react to situations where it needs to shut down its motor to prevent over-rotation and potential injuries to users. The future of this machine learning technology within the cordless power tool, light equipment, battery-powered outdoor, and cleaning categories is fascinating.

Group relations

Techtronic Industries comments on the group structure in the annual report of the Group. For further details, we refer to TTI Group.

Statutory report on corporate social responsibility

TTI is committed to operating its business in line with Environmental, Social and Governance (ESG) best practices

and in compliance with all applicable laws and regulations. We understand that a large measure of our ability to grow, innovate, and prosper depends on our ESG performance. We have a robust risk management system in place, allowing us to identify and address issues in an appropriate and timely manner and mitigate risks to our business. We have identified legal and regulatory requirements related to ESG practices that have the potential to impact our operations and performance significantly. We had no reports of material ESG-related non-compliance in 2022. In 2022, we continued to develop our Sustainability Strategy and Implementation Plan to align our actions and goals globally with the United Nations Sustainable Development Goals. In terms of governance, the ESG Working Committee, with the guidance of the ESG Executive Committee and the Board of Directors, has continued to implement our sustainability strategy and monitor activities and ESG performance against our goals. TTI understands the importance of continuous engagement with our stakeholders to monitor and address their expectations, as well as the evolving legal and industry requirements. We have various communication channels with key stakeholders, including employees, customers, shareholders, and suppliers. Communication occurs via regular meetings, focus group discussions, and training sessions. Details on our ESG commitments, relevant policies, standards, specific ESG key performance results, and initiatives of 2022 are shared in the TTI Group ESG Report.

Statutory report on the underrepresented gender

TTI Nordic takes the issue of gender equality and representation seriously, although a gender imbalance typically characterises our industry, with 85% males and 15% females. TTI Nordic will continue to take decisive steps to ensure that TTI Nordic fosters an environment equally open and attractive to everyone. This view is consistent with the commitment to employees stated in the TTI Group's Code of Ethics. Management of the Company consists of two people of the same gender (male). For further details, please see the TTI Group annual report 2022.

Statutory report on data ethics policy

TTI Nordic acknowledges that data is a valuable asset and should be treated with sensitivity and respect. We commit to the following data ethics principles:

- (1) Transparency: Individuals must be able to understand how their personal data is used;
- (2) Autonomy: Respect individuals' privacy, protect their rights, and honour confidentiality;
- (3) Responsible data sharing: Data must be shared on a need-to-know basis only, and processes for sharing data must actively and consistently consider and protect individuals' rights;
- (4) Ethics by design: Controls must be built into the architecture to prevent harm and risks to individuals;
- (5) Accountability: All data collection involves human decisions. Therefore, we strive to implement mechanisms to control the context in which data is collected, the systems used for data processing, and the methods for ensuring data quality. We acknowledge that data and systems can be misused or used for unintended purposes. We assess and document permissible use of our data and systems and take measures to avoid impermissible use; and
- (6) Processes and policies: We will develop additional policies and procedures to ensure that we comply with the principles mentioned above.

Income statement for 2022

		2022	2021
	Notes	DKK'000	DKK '000
Revenue	2	2,368,937	2,182,600
Cost of sales		(1,720,915)	(1,682,883)
Other external expenses	3	(504,785)	(364,635)
Gross profit/loss		143,237	135,082
Staff costs	4	(88,589)	(81,307)
Depreciation, amortisation and impairment losses	5	(17,036)	(14,500)
Operating profit/loss		37,612	39,275
Other financial income	6	761	2,889
Other financial expenses	7	(3,628)	(2,667)
Profit/loss before tax		34,745	39,497
Tax on profit/loss for the year	8	(7,787)	(8,895)
Profit/loss for the year	9	26,958	30,602

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Land and buildings		11,706	14,084
Other fixtures and fittings, tools and equipment		28,029	24,394
Leasehold improvements		545	798
Property, plant and equipment	10	40,280	39,276
Other receivables		1,875	1,717
Deferred tax	12	145	403
Financial assets	11	2,020	2,120
Fixed assets		42,300	41,396
Raw materials and consumables		7,313	0
Inventories		7,313	0
Trade receivables		458,350	418,058
Receivables from group enterprises		23,433	99,783
Tax receivable		0	16,000
Prepayments	13	5,013	3,161
Receivables		486,796	537,002
Cash		127,587	425,842
Current assets		621,696	962,844
Assets		663,996	1,004,240

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	14	125	125
Retained earnings		18,610	51,652
Proposed dividend		60,000	52,000
Equity		78,735	103,777
Other provisions	15	43,870	40,480
Provisions		43,870	40,480
Lease liabilities		24,113	26,490
Non-current liabilities other than provisions	16	24,113	26,490
Current portion of non-current liabilities other than provisions	16	16,120	13,582
Bank loans		60,007	0
Trade payables		31,636	24,284
Payables to group enterprises		162,029	539,133
Tax payable		579	19,955
Other payables	17	246,907	236,539
Current liabilities other than provisions		517,278	833,493
Liabilities other than provisions		541,391	859,983
Equity and liabilities		663,996	1,004,240
Events after the balance sheet date	1		
Related parties with controlling interest	18		
Transactions with related parties	19		
Group relations	20		

Statement of changes in equity for 2022

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	125	51,652	52,000	103,777
Ordinary dividend paid	0	0	(52,000)	(52,000)
Profit/loss for the year	0	(33,042)	60,000	26,958
Equity end of year	125	18,610	60,000	78,735

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

Disclosures of revenue broken down by activities and geographical areas are omitted for competitive reasons; see section 96(1) of the Danish Financial Statements Act.

3 Fees to the auditor appointed by the Annual General Meeting

	2022 DKK'000	2021 DKK'000
Statutory audit services	382	400
Other services	67	63
	449	463

4 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	78,678	73,369
Pension costs	6,631	5,286
Other social security costs	1,263	1,105
Other staff costs	2,017	1,547
	88,589	81,307

Average number of full-time employees	131	106
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	Remuneration of Management 2022 DKK'000	Remuneration of Management 2021 DKK'000
Executive Board	7,203	6,218
	7,203	6,218

5 Depreciation, amortisation and impairment losses

	2022	2021
	DKK'000	DKK'000
Depreciation of property, plant and equipment	17,036	14,500
	17,036	14,500

6 Other financial income

	2022	2021
	DKK'000	DKK'000
Other interest income	761	1,391
Exchange rate adjustments	0	1,498
	761	2,889

7 Other financial expenses

	2022	2021
	DKK'000	DKK'000
Other interest expenses	2,376	2,667
Exchange rate adjustments	1,252	0
	3,628	2,667

8 Tax on profit/loss for the year

	2022	2021
	DKK'000	DKK'000
Current tax	7,589	9,242
Change in deferred tax	258	(345)
Adjustment concerning previous years	(60)	(2)
	7,787	8,895

9 Proposed distribution of profit and loss

	2022	2021
	DKK'000	DKK'000
Ordinary dividend for the financial year	60,000	52,000
Retained earnings	(33,042)	(21,398)
	26,958	30,602

10 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	19,006	41,697	1,261
Additions	0	19,290	0
Disposals	(107)	(10,117)	0
Cost end of year	18,899	50,870	1,261
Depreciation and impairment losses beginning of year	(4,922)	(17,303)	(463)
Depreciation for the year	(2,271)	(14,512)	(253)
Reversal regarding disposals	0	8,974	0
Depreciation and impairment losses end of year	(7,193)	(22,841)	(716)
Carrying amount end of year	11,706	28,029	545

Carrying amount end of year of Right of use assets amounts to tDKK 11,706 for Land and buildings and tDKK 28,029 for Other fixtures and fittings, tools and equipment.

11 Financial assets

	Other receivables DKK'000	Deferred tax DKK'000
Cost beginning of year	1,717	403
Additions	158	(258)
Cost end of year	1,875	145
Carrying amount end of year	1,875	145

12 Deferred tax

	2022 DKK'000	2021 DKK'000
Changes during the year		
Beginning of year	403	58
Recognised in the income statement	(258)	345
End of year	145	403

Deferred tax assets

As it is expected to generate taxable income within the next couple of years we have recognized a deferred tax asset.

13 Prepayments

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

14 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	125	1000	125,000
	125		125,000

15 Other provisions

The Company provides a warranty of up to three years on some products and, in so doing, is committed to repair or reimburse products, which are not satisfactory. Warranty commitments are recognised by DKK 43,870 thousand (2021: DKK 40,480 thousand) regarding expected repairs based on the previous volume of repairs and returns.

16 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000
Lease liabilities	16,120	13,582	24,113
	16,120	13,582	24,113

17 Other payables

	2022 DKK'000	2021 DKK'000
VAT and duties	38,678	34,023
Wages and salaries, personal income taxes, social security costs, etc payable	12,102	14,532
Holiday pay obligation	5,302	4,019
Other costs payable	190,825	183,965
	246,907	236,539

18 Related parties with controlling interest

Techtronic Industries EMEA Limited, 3 Globeside Business Park, Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1HZ, United Kingdom, wholly owns the shares of the Entity, thus exercising control over the Entity.

19 Transactions with related parties

No transactions with related parties were made in the financial year 2022, which were not made on an arm's length basis.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Techtronic Industries Co. Ltd., Hong Kong

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Techtronic Industries Co. Ltd., Hong Kong

The consolidated financial statements can be downloaded from the website of Techtronic Industries Co. Ltd.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Non-comparability

The annual report has changed classification (presentation) in comparative figures concerning cost of sales and other external expenses of DKK 74.663 thousand, which relates to a redistribution of freight costs to be classified under cost of sales instead of other external expenses. The redistribution has been adjusted in the profit and loss statement and the comparative figures have been adjusted accordingly.

The changes made have no effect on the company's gross profit, assets or equity.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales

discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Property, plant and equipment**

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	5-7 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Finance lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Company has not prepared any cash flow statement as such statement is prepared by the Ultimate Parent.