

Krone Vinduer A/S

Ålborgvej 576, 9760 Vrå

CVR no. 28 97 99 67

Annual report

for the year 1 January - 31 December 2023

Approved at the Company's annual general meeting on 14 May 2024

Chair of the meeting:

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Teodora Anda Grosu

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Krone Vinduer A/S for the financial year 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Vrå, 14 May 2024
Executive Board:

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Kaj Bundgaard

Board of Directors:

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Henrik Kjeldsen
Chair

.....
Anders Aakær Jensen

.....
Brian Bo Nielsen

Independent auditor's report

To the shareholders of Krone Vinduer A/S

Opinion

We have audited the financial statements of Krone Vinduer 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 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 financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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.

Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the 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's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 14 May 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Andersen
State Authorised Public Accountant
mne32084

Management's review

Company details

Name	Krone Vinduer A/S
Address, Postal code, City	Ålborgvej 576, 9760 Vrå
CVR no.	28 97 99 67
Established	26 August 2005
Registered office	Hjørring
Financial year	1 January - 31 December
Board of Directors	Henrik Kjeldsen, Chair Anders Aakær Jensen Brian Bo Nielsen
Executive Board	Kaj Bundgaard
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2023	2022	2021	2020	2019
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Key figures

Profit before interest and tax (EBIT)	9,093	11,056	11,513	6,503	785
Investments in tangible fixed assets (net)	3,800	2,374	1,222	1,270	5,464
Net financials	26	-330	-124	-303	-584
Profit before tax	9,119	10,726	11,389	6,200	201
Profit for the year	7,113	8,374	8,874	4,793	200

Total assets	79,958	86,128	70,801	58,286	52,791
Equity	43,024	35,911	33,053	25,036	20,617

Financial ratios

Equity ratio	53.8%	41.7%	46.7%	43.0%	39.1%
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Average number of full-time employees	132	160	140	127	125
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Management's review

Business review

Krone Vinduer A/S is a 100% owned subsidiary of VKR Holding A/S. The company's main activity is to produce, market and sell windows and doors made from pine, mahogany, oak, FRP, and wood/aluminum for the Danish market and export. This includes always being among the first in the industry to develop and test new types of windows that meet customer demands and regulatory requirements.

Unusual matters having affected the financial statements

In preparation of the annual report a prior year misstatement was identified which has been corrected via restatement of the comparatives and opening equity figures in current-year financial statements. Reference is made to note 2 to the financial statements stating further details.

Financial review

The income statement for 2023 shows a profit of DKK 7,113 thousand against a profit of DKK 8,374 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 43,024 thousand.

In the annual report for 2022, the company's management had positive expectations for 2023. Despite a lower activity level in 2023 compared to 2022, the company has maintained previously initiated adjustments and optimizations in the organization and production in 2023, which has resulted in a satisfactory result for the year.

Knowledge resources

The company's quality requirements for the production of windows and doors place particularly high demands on the knowledge resources that can be attributed to the employees, as well as the established processes and the technology used for the window manufacturing.

To continuously meet these requirements, it is crucial that the company can attract and retain employees with a technical experience base. Therefore, the company continues to focus on offering employees further education in the form of relevant courses.

Financial risks

The company's credit to customers follows established standard conditions and is subject to insurance or other forms of security.

Operational and Market Risks

The company's main operational risk continues to be linked to the ability to be strongly positioned in the market, as well as to ensure a consistently competitive production cost, combined with the requirement to be able to manufacture windows and doors of the highest quality.

Impact on the external environment

The company continues to focus on the environmental impacts that ongoing operations may have. In the company's production, core wood is used, which makes harmful impregnation unnecessary. Instead, an environmentally friendly surface treatment is used. The company has continued the environmental and quality assurance of the materials used in the production in 2023, with the aim of ensuring sustainable development in the production for the benefit of the future.

Research and development

In 2023 costs have been incurred for development activities on new products, which not only ensures the company's revenue base going forward but also makes the company a first-mover in the window industry and helps complement the company's product range.

Outlook

Krone Vinduer A/S expects continued consolidation in the Danish market and export markets in 2024. There are positive expectations for the result for 2024.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2023	2022
	Gross profit	77,652	95,517
2	Employee costs	-64,213	-80,324
	Depreciation, amortisation and impairment losses	-4,346	-4,137
	Profit before net financials	9,093	11,056
3	Financial income	206	16
4	Financial expenses	-180	-346
	Profit before tax	9,119	10,726
	Tax	-2,006	-2,352
	Profit for the year	7,113	8,374

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Completed development projects	1,645	1,249
	Software	14	0
	Goodwill	0	6
	Development projects in progress and prepayments for intangible assets	0	1,206
		<u>1,659</u>	<u>2,461</u>
7	Property, plant and equipment		
	Plant and Machinery	3,849	4,715
	Other fixtures and fittings, tools and equipment	1,397	610
	Leasehold improvements	2,733	2,955
	Prepayments for property, plant and equipment	780	0
		<u>8,759</u>	<u>8,280</u>
8	Investments		
	Other investments	16	16
	Deposits	0	31
		<u>16</u>	<u>47</u>
	Total fixed assets	<u>10,434</u>	<u>10,788</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	23,499	26,099
		<u>23,499</u>	<u>26,099</u>
	Receivables		
	Trade receivables	11,446	9,604
	Contract work in progress	11,067	18,989
9	Receivables from affiliated companies	19,877	7,028
	Other receivables	70	341
10	Prepayments	474	1,067
		<u>42,934</u>	<u>37,029</u>
	Cash	<u>3,091</u>	<u>12,212</u>
	Total non-fixed assets	<u>69,524</u>	<u>75,340</u>
	TOTAL ASSETS	<u><u>79,958</u></u>	<u><u>86,128</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	8,500	8,500
	Reserve for development costs	1,283	1,916
	Retained earnings	13,241	25,495
	Proposed dividend	20,000	0
	Total equity	43,024	35,911
	Provisions		
12	Deferred tax liabilities	2,408	6,301
13	Other provisions	2,598	3,001
	Total provisions	5,006	9,302
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Contract work in progress	7,169	6,641
	Trade payables	12,536	22,106
	Payables to affiliated companies	617	652
	Joint taxation contribution payable	4,692	2,419
	Other current liabilities	6,914	9,097
		31,928	40,915
	Total liabilities other than provisions	31,928	40,915
	TOTAL EQUITY AND LIABILITIES	79,958	86,128

- 1 Accounting policies
- 5 Appropriation of profit
- 14 Contractual obligations and contingencies, etc.
- 15 Security and collateral
- 16 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Proposed dividend	Total
	Equity at 1 January 2022	8,500	1,906	20,794	0	31,200
	Adjustment of equity through corrections of errors	0	0	-3,673	0	-3,673
5	Transfer, see "Appropriation of profit"	0	10	8,374	0	8,384
	Equity at 1 January 2023	8,500	1,916	25,495	0	35,911
5	Transfer, see "Appropriation of profit"	0	-633	-12,254	20,000	7,113
	Equity at 31 December 2023	8,500	1,283	13,241	20,000	43,024

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Krone Vinduer A/S for 2023 is presented in accordance with the provisions of the Danish Financial Statements Act applying for medium-sized class C companies.

The Company is included in the consolidated financial statements for VKR Holding A/S, Hørsholm, CVR no. 30 83 04 15.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Material misstatements

During the year, it was established that a discrepancy had occurred in the calculation of revenue from contract work in progress, which impacts the Company's previous annual reports. As a result, the Company's contract work in progress in prior financial years are recognised at too high amounts. Also the warranty provision recognized was too low. Both matters resulted in the financial statements for 2022 not giving a true and fair view. Therefore, this has been corrected as a material misstatement by restating comparatives and opening equity figures in the current-year financial statements. In consequence of the restatement the financial statements have been affected by the following amounts:

Effect on profit and loss (2022):

Revenue increase, 1,822 t.DKK

Cost of goods increase, -1,672 t.DKK

Adjustment to deferred taxes increase, -33 t.DKK

Total positive impact to profit, 116 t.DKK

Effect on balance sheet (2022):

Inventory increase, 4,156 t.DKK

Warranty provisions increase, 2,351 t.DKK

Deferred taxes increase, 1,003 t.DKK

Contract work in progress (liability), 6,364 t.DKK

Equity decrease, 3,556 t.DKK

The opening equity as of January 1, 2022 has been adversely affected by 3,673 t.DKK. Reference is also made to the comments in the Management's review.

Omission of a cash flow statement

Pursuant to section 86 (4) of the Danish Financial Statements Act, the Company presents no cash flow statement. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of VKR Holding A/S.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and costs and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the costs incurred is recognised only in so far as it is probable that such costs will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

The items revenue, cost of goods, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income and costs comprise items of a secondary nature relative to the Company's core activities, including gains and losses on the sale of fixed assets.

Cost of goods

Cost of goods includes the cost of goods used in generating the year's revenue.

External expenses

Other external expenses comprise the year's expenses relating to the Company's core activities, including distribution costs and costs relating to sale, advertising, administration, premises, bad debts losses, operating leases, etc.

Employee costs

Employee costs include wages and salaries, including holiday allowance and pension to the Company's employees, as well as other social security contributions, etc. Compensation received from public authorities are deducted from employee costs.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/ depreciation

Amortisation and depreciation comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment. The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life.

The expected useful lives of the assets are as follows:

Completed development projects	3-5 years
Software	3-5 years
Goodwill	5 years
Plant and Machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5-8 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Financial items include interest income and expenses, realised and unrealised exchange rate gains and losses on transactions in foreign currencies and compensation in accordance with the on-account tax scheme.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company is jointly taxed with other group entities in the VKR Holding Group. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by VKR Holding A/S as the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is between 5 and 15 years. The amortisation period is based on the expected repayment period, and this is longest for strategic acquisitions with strong market positions and a long-term earnings profile.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise costs, salaries and amortisation directly and indirectly attributable to the Company's development activities. Development projects that are clearly defined, identifiable and with evidenced future utilisation are recognised as intangible assets if there is sufficient assurance that future earnings will be generated. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses on sale of intangible assets are recognised in the income statement as "Other operating income" or "Other operating expenses", respectively.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses on sale or disposals of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and participating interests is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are recognised at cost in accordance with the FIFO method. If the net realisable value is lower than cost, inventories are written down to this lower value. The cost price for goods for resale and raw materials and consumables comprises the purchase price plus delivery costs. The cost price for manufactured goods and work in progress comprises direct and indirect production overheads.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

Receivables

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable or a portfolio of receivables has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Company. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Contract work in progress

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the costs incurred relative to the expected total costs relating to the relevant contract.

If the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments relate to goods and services not yet received and expenses incurred for goods and services, which will not to be used until the subsequent financial year.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the VKR Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from affiliated companies".

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved when the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated costs related to warranties. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date, and it is probable that an outflow of the Company's resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 1-10 years. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Provisions that are expected to mature more than one year after the balance sheet date are discounted at average bond yields.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

Current joint taxation contribution payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured on the basis of tax rules and at rates in the respective countries at the balance sheet date when the deferred tax is expected to become current tax. Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Changes in deferred tax due to changes in tax rates are recognised in the income statement except for items recognised directly in equity.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
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Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
2 Employee costs		
Wages/ salaries	57,801	73,212
Pensions	5,616	6,019
Other social security costs	796	1,093
	64,213	80,324
 Average number of full-time employees	 132	 160
 By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
3 Financial income		
Other financial income	206	16
	206	16
4 Financial expenses		
Other financial expenses	180	346
	180	346
5 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend	20,000	0
Transferred to equity reserves	-633	0
Retained earnings/ accumulated loss	-12,254	8,374
	7,113	8,374

Financial statements 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Completed development projects	Software	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2023	6,825	0	4,654	1,206	12,685
Additions	0	0	0	193	193
Transferred	1,398	1,315	0	-1,399	1,314
Cost at 31 December 2023	8,223	1,315	4,654	0	14,192
Impairment losses and amortisation at 1 January 2023	5,576	0	4,648	0	10,224
Amortisation	1,002	228	6	0	1,236
Transferred	0	1,073	0	0	1,073
Impairment losses and amortisation at 31 December 2023	6,578	1,301	4,654	0	12,533
Carrying amount at 31 December 2023	1,645	14	0	0	1,659

Completed development projects

Completed development projects include optimized product designs.

Based on estimated sales, Management has not identified any indication of impairment in relation to the carrying amounts.

7 Property, plant and equipment

DKK'000	Plant and Machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments for property, plant and equipment	Total
Cost at 1 January 2023	30,703	4,494	12,026	0	47,223
Additions	1,198	1,236	586	780	3,800
Disposals	-27	0	0	0	-27
Transferred	1	-1,185	0	0	-1,184
Cost at 31 December 2023	31,875	4,545	12,612	780	49,812
Impairment losses and depreciation at 1 January 2023	25,988	3,884	9,071	0	38,943
Depreciation	2,038	209	808	0	3,055
Transferred	0	-945	0	0	-945
Impairment losses and depreciation at 31 December 2023	28,026	3,148	9,879	0	41,053
Carrying amount at 31 December 2023	3,849	1,397	2,733	780	8,759

8 Investments

DKK'000	Other investments	Deposits	Total
Cost at 1 January 2023	16	31	47
Disposals	0	-31	-31
Cost at 31 December 2023	16	0	16
Value adjustments at 31 December 2023	0	0	0
Carrying amount at 31 December 2023	16	0	16

Financial statements 1 January - 31 December

Notes to the financial statements

9 Receivables from affiliated companies

The Company is part of a cash pool agreement via Nordea bank with VKR Holding A/S as the account owner and Krone Vinduer A/S as sub owner along with other subsidiaries of VKR Holding A/S. Conditions for the cash pool account gives VKR Holding A/S the right to net positive and negative cash positions whereby only the net amount of the sub accounts forms the position with Nordea.

The sub account of Krone Vinduer A/S which is accounted for as a liability towards related parties amounts to DKK 16,833 thousands as of 31 December 2023 (31 December 2022: 0 thousands).

10 Prepayments

Prepayments comprise accruals of expenses that relate to the subsequent year, among other things insurance, licenses etc.

11 Share capital

At 31 December 2023, the share capital comprises 8,500 shares of DKK 1,000 each. The share capital has not been changed during the past five years.

DKK'000	2023	2022
12 Deferred tax		
Deferred tax at 1 January	6,301	7,404
Deferred tax adjustments for the year recognised in the income statement	-3,981	-100
Prior year adjustment	0	-1,003
Other deferred tax	88	0
Deferred tax at 31 December	2,408	6,301

13 Other provisions

The provisions mainly relate to warranty provisions, and DKK 3,001 thousand is expected to fall due within one to ten years after the end of the financial year (2022: DKK 1,000 thousand).

14 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2023	2022
Rent and lease liabilities	9,654	11,862
Guarantee commitments	4,664	5,049
	14,318	16,911

The Company has entered into rent and lease agreements with total contractual cash outflows of DKK 9,654 thousand, that falls due within 6 years (2022: DKK 11,862 thousand). DKK 3,064 thousand falls due within 1 year, and DKK 418 thousand falls due after 5 years.

The Company has provided work- and payment guarantees per 31 December 2023 of DKK 4,664 thousand.

Financial statements 1 January - 31 December

Notes to the financial statements

14 Contractual obligations and contingencies, etc. (continued)

Contractual obligations against affiliated companies

The Company is jointly taxed with other Danish companies in the VKR Group. The Company has unlimited joint and several liabilities with the other jointly Danish taxed companies for company taxes, interest thereon etc. and for Danish tax withheld at source for dividend, interest and royalties within the joint taxation group.

15 Security and collateral

In security for the Company's debt to mortgage credit institutions, other credit institutions, creditors and other suppliers, the Company has provided security or other collateral in its receivables, raw materials, unregistered vehicles, other fixtures and fittings, tools and equipment, goodwill and rights for a total amount of 21,000 t.DKK. The total carrying amount of these assets is DKK 36,342.

Breakdown of the security/collateral and the carrying amount:

Receivables: 11,446 t.DKK

Raw materials: 23,499 t.DKK

Other fixtures and fittings, tools and equipment: 1,397 t.DKK.

16 Related parties

Krone Vinduer A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
DOVISTA A/S	Bygholm Søpark 21 D, 8700 Horsens	Participating interest

Related party transactions

Transactions between the Company and its related parties are settled on an arm's length basis. Pursuant to section 98c (7) of the Danish Financial Statements Act, the Company has chosen to disclose transactions not conducted on an arm's length basis. The Company has not had any of this type of transactions during the year.

Significant influence and information about consolidated financial statements.

VKR Holding A/S ultimately exercise a controlling interest in the Company. The ultimate parent company, VKR Holding A/S, Breettevej 18, 2970 Hørsholm, prepares the consolidated financial statements for the VKR group in which the Company is included as a subsidiary. The consolidated financial statements can be found at <https://vkr-holding.com/vkr/annual-report/?lang=en>.

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Kaj Bundgaard

Direktør

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