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DANFOSS FIRE SAFETY A/S

ANNUAL REPORT 2023

01/01 – 31/12

APPROVED BY THE GENERAL ASSEMBLY:
DATE: 26.04.2024
CHAIRMAN: ANDERS STAHLSCMIDT

Danfoss Fire Safety A/S

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MANAGEMENT'S STATEMENT

On this day, the Board of Directors and the Management Board have reviewed and approved the Annual Report of Danfoss Fire Safety A/S for the financial year 1 January – 31 December 2023.

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

In our opinion, the Financial Statements show a true and fair view of the Company's assets, liabilities and financial position on 31 December 2023, as well as of the Company's operations for the financial year from 1 January 2023 to 31 December 2023.

In our opinion, the Management Report shows a true and fair view of the matters covered by the report.

The Annual Report is proposed for approval by the General Assembly.

Odense, 12 April 2024

Management Board:

Poul Harder Nielsen

Board of Directors:

Troels H. Petersen
Chairman

Torben Christensen

Anders Stahlschmidt

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Danfoss Fire Safety A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 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 skepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Odense, 12 April 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Claus Lyngsø Sørensen
State Authorised Public
Accountant

mne34539

Mette Plambech
State Authorised Public
Accountant

mne34162

MANAGEMENT'S REVIEW

Company information

Danfoss Fire Safety A/S
Middelfartvej 9
DK-5000 Odense C

Telephone: +45 7488 7800
Homepage: www.semsafe.danfoss.com

CVR no.: 2942 4470
Founded: 22 March 2006
Municipality of reg. office: Odense
Financial year: 1 January - 31 December

Board of Directors

Troels H. Petersen (Chairman)
Torben Christensen
Anders Stahlschmidt

Management Board

Poul Harder Nielsen

Audit

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Munkebjergvænget 1, 3. og 4. sal
DK-5230 Odense M

MANAGEMENT'S REVIEW

Financial highlights

DKK thousand	2023	2022	2021	2020	2019
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Key figures

Income statement					
Gross profit	88,755	113,747	62,644	61,841	25,607
Primary operating result	5,047	32,812	-8,250	-3,387	-27,020
Financial items	-1,737	-1,449	-123	858	-1,500
Net profit/loss for the year	2,641	27,603	-1,714	-3,126	-22,218

Balance sheet					
Total assets	167,527	141,816	140,080	115,325	141,764
Investments in fixed tangible assets	6,726	644	4,640	2,211	1,027
Equity	67,553	64,912	37,309	39,137	1,333

Key figures					
Return on invested capital	5.4 %	39.2 %	-10.8 %	-4.6 %	-43.7 %
Solvency ratio	40.3 %	45.8 %	26.6 %	33.9 %	0.9 %
Return on equity	4.0 %	54.0 %	-4.5 %	-15.5 %	-300.3 %

Key figures have been prepared in accordance with the recommendations issued by Danish Society of Financial Analysts. For definitions, see page 20.

MANAGEMENT'S REVIEW

Report 2023

Main activities

The main activities of Danfoss Fire Safety A/S are development, production, sales and service/commissioning of certified permanently installed fire-fighting systems based on two key technologies: High-pressure water mist and Low-pressure CO₂ applied in protection of persons, buildings and equipment in the land and marine sector.

Performance and economic conditions

In the annual report of 2022, the company expected a net profit in the range of TDKK 12,000 - 16,000 and profit for the year amounts to TDKK 2,641 in 2023. In 2023, the company saw a decline in sales from a slowing order intake on larger Land projects. The Marine and related Aftermarket business exceeded expectations both in terms of revenue and earnings. The Land business did not meet expectations and was impacted by several large projects in the pipeline being postponed. However, the Land business continued to show good performance combined with growth in the customer base. Earnings were negatively impacted by one-off costs related to relocation of Low-pressure CO₂ production from Denmark to China, and by significant investments in the production facilities in Denmark.

Knowledge resources

Through several years of work, the company has built competencies within the development of fire-fighting systems and will continue to invest herein over the coming years.

Research and development activities

Research and development activities performed during 2023 covered a range of activities, from new product development to extensive fire testing.

Currency risks

Activities outside of Denmark entail that earnings, cash flow and equity are impacted by the exchange rate development. Currency risk exposures are not hedged based on an overall risk, exposure and cost consideration.

Interest rate risks

As the interest-bearing net debt does not constitute a significant amount, moderate changes in the interest rate level will not have any significant direct effect on earnings.

MANAGEMENT'S REVIEW

Report 2023

Environmental conditions

The activities of the company have had limited impact on the external environment during 2023. Danfoss Fire Safety A/S continuously seeks to comply with all prevailing environmental requirements.

Uncertainty in recognition or measurement

There has been no significant uncertainty that has affected recognition or measurement.

Expected development

The implementation and effect of the ongoing strategic initiatives are expected to continue to have a positive impact on both revenue and earnings in the coming years.

The company expects to see a growth in activity in 2024. The net profit is expected to be above 2023 in the range of TDKK 5,000 – 10,000 as a result of a strong order book and sales pipeline.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

The 2023 Annual Report of Danfoss Fire Safety A/S has been prepared in accordance with the provisions of the Financial Statements Act applying to class C medium-sized companies.

In accordance with Section 112 (1) of the Financial Statements Act, no consolidated financial statements have been prepared. The annual accounts of Danfoss Fire Safety A/S and its subsidiaries are included in the consolidated financial statements of Danfoss A/S, CVR no. 20165715.

In accordance with Article 86 (4) of the Financial Statements Act, no cash flow statement has been prepared; it is included in the consolidated financial statements of Danfoss A/S, CVR no. 20165715.

The financial statements have been prepared in accordance with the same accounting policies as those from last year.

The 2023 financial statements are presented in DKK thousand.

General recognition and measurement

The financial statements have been prepared under the historical cost accounting model.

Revenue is recognised in the income statement as it is earned. Furthermore, value adjustments are recognised for financial assets and liabilities measured at their market value or amortised cost. Moreover, the income statement includes all costs related to the year's profit earning, including depreciation, amortisation and provisions, as well as reversals due to changes in accounting estimates of amounts previously 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 out of the Company and the value of liability can be measured reliably.

Upon initial recognition, assets and liabilities are recognised at cost. Subsequently, assets and liabilities are recognised as described for each item below.

Some financial assets and liabilities are recognised at amortised cost, which implies a constant effective interest rate over the life of the asset or liability. Amortised cost is calculated as the original cost minus discounts and plus/minus the accumulated amortisation of the difference between the cost and the nominal amount. This spreads capital losses and gains over time.

Recognition and measurement shall take into account foreseeable losses and risks that occur prior to the preparation of the Annual Report, and that either confirm or deny existing conditions at the balance sheet date.

The currency used by the Company is Danish kroner. Any other currency is considered foreign currency.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Operating leases

Operating lease payments and other lease payments are recognised in the income statement on a linear basis over the lease period. The Company's total liability with respect to operating leases and rentals is presented under contingencies, etc.

Foreign currency conversion

Transactions in foreign currencies are converted at the exchange rate on the date of the transaction. Profits and losses arising from differences between the exchange rate on the transaction date and the exchange rate on the payment date are recognised in the income statement as a financial item.

Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are converted at the exchange rate at the balance sheet date. The difference between the balance sheet date rate and the transaction date rate is included in the income statement as a financial item.

Fixed assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Income statement

Net revenue

Net revenue is not shown in accordance with Section 32 of the Financial Statements Act.

Revenue from goods and services sold

The net revenue from goods and services sold is included in the income statement if the risk has been transferred to the buyer before the end of the year and the revenue can be measured reliably and it is probable that the economic benefits, including payments, will reach the Company.

Revenue from contracts

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Net revenue is measured excluding VAT and deducted sales discounts.

Gross profit

Net revenue minus the cost of raw materials and consumables, other external costs and other operating income are summarised in the item "Gross profit".

Cost of raw materials and consumables

The cost of raw materials and consumables includes the use of raw materials and consumables which are used to achieve the Company's net revenue for the year.

Other operating income

Accounting items secondary to the main activity of the Company are included in other operating income.

Other external costs

Other external costs include indirect production costs and expenses for premises, sales and distribution, vehicle operation, office maintenance, losses on debtors, etc.

Personnel costs

Personnel costs include wages and salaries of the Company's staff, as well as all salary-related costs.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Amortisation and depreciation

Amortisation and depreciation include the amortisation and depreciation of intangible and tangible fixed assets during the year.

Investment income from subsidiaries

Dividends from subsidiaries are recognised in the income statement when they are approved by the General Assembly in the subsidiary.

Financial items

Financial income and expenses include interest, exchange gains and losses on receivables, payables and foreign currency transactions, as well as allowances and reimbursements under the on-account tax scheme.

Tax on net income

The Company is subject to the Danish tax rules on compulsory joint taxation with the corporate group. The Company is included in joint taxation from the date on which it is included in a group of consolidated accounts until the date on which it is removed from consolidation.

The prevailing Danish corporate tax is distributed by the settlement of joint tax contributions between the jointly taxed companies based on their taxable income. In connection with this, companies with tax deficit receive joint tax contributions from the Danfoss Group.

Tax on profit/loss for the year, consisting of the current corporate tax for the year, the joint tax contribution for the year and the change in deferred tax, is recorded in the income statement for the part related to the profit for the year and directly in equity for the part related to the entries directly in equity.

Balance sheet

Intangible fixed assets

Prepayment of intangible fixed assets

The cost includes the acquisition cost directly linked to the purchase until the asset is ready for use, including design, configuration, software development, interface costs, installation and testing.

Prepayment of intangible fixed assets are measured at cost. Costs relating to prepayment of intangible fixed assets are recognised in the appropriate asset category when the asset is ready for use.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Development projects

Development costs include costs, fees and amortisation that are related to the Company's development activities.

Clearly defined and identifiable development projects, for which technical feasibility, sufficient resources and a possible future market or development opportunity within the Company can be identified, and for which manufacturing, marketing or project use are intended, are classified as intangible assets if the cost can be reliably determined and there is sufficient certainty that the capital value of the future economic benefits will cover the production, selling and administrative costs and the development costs themselves.

Development projects not meeting the criteria for recognition in the balance sheet are recognised as an expense in the income statement as incurred.

Development projects included in the balance sheet are measured initially at cost and subsequently at cost less accumulated amortisation or recoverable amount, where lower.

Capitalized development costs are depreciated on a linear basis after the completion of the development project over the estimated economic life. The amortisation period is typically 5 years, not exceeding 20 years.

Gains and losses on disposals of development projects are calculated as the difference between the selling price minus selling expenses and the carrying amount at the sale date. Profit or loss is included in the income statement under other operating income and other operating expenses respectively.

Tangible assets

Production facilities and machinery, other plant and equipment, furniture and fixtures and fittings of leased property are measured at cost less accumulated amortisation and depreciation. The depreciation base is the cost less any expected residual value after the estimated period of use.

The cost includes the acquisition cost and acquisition expenses until the asset is ready for use.

Depreciation is calculated on a linear basis over the estimated asset life, based on the following estimates:

Plant, machinery and equipment	3-8 years
Leasehold improvements	3-10 years

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

The depreciation period and residual value are determined at acquisition and shall be revalued annually. Should the residual value exceed the carrying amount of the asset, depreciation is stopped.

When there is a change in the depreciation period or in the residual value, the effect on depreciation is recognised thereafter as a change in accounting estimates.

Gains and losses on the sale of tangible assets are calculated as the difference between the selling price less selling expenses and the carrying amount at the sale date. Profit or loss is included in the income statement under other operating income and other operating expenses respectively.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where the cost exceeds the recoverable amount, the asset is written down to that lower amount.

Other receivables

Other receivables consist of rent deposits.

Impairment of fixed assets

The carrying amount of intangible, tangible and financial fixed assets not measured at fair value shall be assessed annually to decide whether there is evidence of impairment beyond that expressed by depreciation.

If so, an impairment test is performed to decide whether the recoverable amount is lower than the carrying amount and the asset is impaired to that lower recoverable amount.

The asset's recoverable amount is calculated as the highest of net selling price and capital value. If no recoverable amount can be established for an individual asset, the assets shall be valued collectively in the smallest group of assets for which a reliable recoverable amount can be calculated by means of an overall valuation.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Inventories

Inventories are measured at cost using the FIFO method or net realisable value, should that be lower.

The net realisable value of inventories is the estimated selling price in normal business, less selling and completion costs. The net realisable value is calculated based on negotiability, obsolescence and changes in the expected selling price.

The cost of commodities, raw materials and consumables includes the purchase price plus collection costs.

The cost of finished goods and goods in progress includes the cost of raw materials, consumables and direct labour plus production costs. Indirect production costs include indirect materials and wages, as well as the maintenance and depreciation of machinery, plant and equipment used for production, plus plant administration and Management costs.

Receivables

Receivables are measured in the balance sheet at the amortised cost or a lower net realisable value which in this case corresponds to the face value less provisions to cover losses. Provisions are calculated based on an individual assessment of each receivable and, for sales receivables, a general provision based on the Company's experience from previous years.

Contract work in progress

Contract work in progress is measured at the sales value of the work performed less on account payments and anticipated losses. Contract work in progress is characterised by a high degree of individualisation of the goods produced. Furthermore, it is mandatory that a binding contract is entered prior to the start of the work, which entails a compensation in the event of delayed termination.

The sales value is calculated based on the stage of completion at the balance sheet date and the total expected revenue from each contract. The stage of completion is based on assessing the work performed and is normally calculated as the relation between the incurred costs and the total expected costs of the relevant undertaking.

When it is likely that the total contract cost will exceed the total contract revenue, the contract's expected loss is recognised immediately as an expense in the income statement and a provision.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Contracts where the sales value of the work performed exceeds on account payments and anticipated losses are included in receivables. Contracts for which on account payments and anticipated losses exceed the selling price are included in liabilities.

Customer prepayments are also included in liabilities.

Costs related to sales and contract wins are included in the income statement as incurred.

Prepayments

Prepayments included in the assets cover costs relating to subsequent periods.

Equity

Development cost reserve

The development cost reserve includes capitalised development costs. The reserve cannot be used for dividends or to cover losses. The reserve is reduced or released if the capitalised development costs are depreciated or discontinued. This is done by transfer directly to the free equity reserves.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Corporate tax and deferred tax

Current tax liabilities and current tax assets are included in the balance sheet as calculated tax on the annual taxable income, adjusted for tax on previous years' taxable income and for on account taxes paid.

Joint tax contribution payables and receivables are included in the balance sheet as “Corporate tax receivables” or “Corporate tax payables”.

Deferred tax is calculated by the income statement liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax value of tax losses carried forward, are recognised at the expected utilisation amount.

Deferred tax is calculated by using the tax rates and laws applicable at the balance sheet date, when the deferred tax is expected to crystallize as current tax.

Other provisions

Provisions cover the expected costs of guaranteed obligations. Provisions are recognised when the Company, as a result of a past event, has a legal or constructive obligation, and it is probable that economic benefits must be given up to settle the obligation.

Provisions are measured at net realisable value or at fair value where the settlement of the obligation is not expected to occur within a reasonable period of time.

Debt obligations

Other debt obligations are measured at amortised cost, substantially corresponding to nominal value.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Key figures are calculated as follows:

Return on invested capital	$\frac{\text{Profit/loss before financial items} \times 100}{\text{Average invested capital}}$
Invested capital	Intangible and tangible fixed assets and net working capital
Net working capital	Current assets excluding cash minus non-interest-bearing current liabilities used for or necessary to the Company's operations.
Solvency ratio	$\frac{\text{Equity, end of period} \times 100}{\text{Total debt, end of period}}$
Return on equity	$\frac{\text{Net profit/loss for the year} \times 100}{\text{Average equity}}$

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Income statement

DKK thousand	Note	2023	2022
Gross profit		88,755	113,747
Personnel costs	1	-72,004	-67,893
Depreciation, amortisation and impairment of fixed assets		-11,704	-13,042
Profit/loss before financial items		5,047	32,812
Income from investments in subsidiaries		0	2,139
Financial income	2	0	339
Financial expenses	3	-1,737	-1,788
Ordinary profit/loss before tax		3,310	33,502
Tax on profit/loss for the year	4	-668	-5,899
Net profit/loss for the year		2,641	27,603
Profit allocation proposal			
Retained earnings	5	2,641	27,603
		2,641	27,603

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Balance sheet

DKK thousand	Note	2023	2022
ASSETS			
Fixed assets			
Intangible fixed assets	6		
Completed development projects		23,086	24,139
Development projects in progress		8,921	13,952
Prepayments of intangible fixed assets		5,896	3,912
Total intangible fixed assets		37,903	42,003
Tangible fixed assets	7		
Plant, machinery, and equipment		7,239	4,543
Leasehold improvements		3,337	1,282
Total tangible fixed assets		10,576	5,825
Financial fixed assets			
Investments in subsidiaries	8	7,445	7,445
Other receivables	9	57	123
Total financial fixed assets		7,502	7,568
Total fixed assets		55,981	55,396
Current assets			
Inventories			
Raw materials and consumables, etc.		22,547	24,357
Work in progress		6,164	6,019
Finished goods		6,184	7,875
Prepayment for goods		13,809	0
Total inventories		48,704	38,251
Receivables			
Trade receivables		43,920	35,292
Contract work in progress	10	12,139	7,825
Receivables from group companies		3,079	368
Other receivables		960	2,631
Prepayments	11	2,744	2,053
Total receivables		62,842	48,169
Total current assets		111,546	86,420
TOTAL ASSETS		167,527	141,816

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Balance sheet

DKK thousand	Note	2023	2022
LIABILITIES			
Equity			
Share capital		2,200	2,200
Retained earnings		40,388	33,638
Reserve for development costs		24,965	29,074
Total equity		67,553	64,912
Provisions			
Deferred tax	12	10,531	11,385
Warranty provisions	13	856	2,085
Total provisions		11,387	13,470
Debt			
Long-term debt			
Other debts	14	3,687	3,833
Total long-term debt		3,687	3,833
Short-term debt obligations			
Prepayments from customers	10	6,250	4,703
Trade payables		31,750	22,177
Payables to group companies	15	27,857	13,491
Corporate tax payables		1,519	3,175
Other debts		17,525	16,055
Total short-term debt		84,901	59,601
Total debt		88,587	63,434
TOTAL LIABILITIES		167,527	141,816
Contingencies and other obligations	16		
Related parties	17		
Events after the end of the financial year	18		

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Statement of changes in equity

DKK thousand	Share capital	Reserve for development costs	Retained earnings	Total
Equity 1 January 2023	2,200	29,074	33,638	64,912
Net development costs for the year	0	-4,109	4,109	0
Net profit/loss for the year	0	0	2,641	2,641
Equity 31 December 2023	<u>2,200</u>	<u>24,965</u>	<u>40,388</u>	<u>67,553</u>

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

DKK thousand	2023	2022
1. Personnel costs		
Salaries and wages	66,202	63,024
Pensions	5,613	4,696
Other social security costs	189	173
	<u>72,004</u>	<u>67,893</u>
Average number of full-time employees	<u>87</u>	<u>79</u>

In accordance with Section 98b (3) of the Financial Statements Act, there is no disclosure of remuneration, etc. to the Management.

2. Financial income

Exchange rate gains	0	339
	<u>0</u>	<u>339</u>

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

DKK thousand	2023	2022
3. Financial costs		
Interest expenses, group companies	1,032	532
Exchange rate losses	459	0
Other interest expenses	246	1,256
	<u>1,737</u>	<u>1,788</u>
4. Tax on profit/loss for the year		
Current tax for the year	-1,518	-3,282
Deferred tax adjustment for the year	854	-2,617
Adjustment of previous years' taxes	-4	0
	<u>-668</u>	<u>-5,899</u>
5. Profit allocation		
Profit allocation proposal		
Retained earnings	2,641	27,603
	<u>2,641</u>	<u>27,603</u>

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

DKK thousand

6. Intangible fixed assets

	Developmen t projects in progress	Completed development projects	Prepaymen t intangible fixed assets	Total
Cost 1 January 2023	14,552	108,740	3,912	127,204
Additions for the year	3,645	0	1,984	5,629
Transfers for the year	-9,276	9,276	0	0
Cost 31 December 2023	8,921	118,016	5,896	132,833
Depreciation and amortisation 1 January 2023	0	-85,201	0	-85,201
Amortisation	0	-9,729	0	-9,729
Depreciation and amortisation 31 December 2023	0	-94,930	0	-94,930
Carrying amount 31 December 2023	8,921	23,086	5,896	37,903
Carrying amount 31 December 2022	14,552	23,539	3,912	42,003

Development projects concern the development of new products and the related permissions from insurance and fire authorities, classification societies, as well as the further development of existing products. Ongoing development projects are expected to be completed in 2024 and thereafter. Completed development projects are amortised over 5 years. The Management has not identified any indication of impairment with respect to the carrying amount.

7. Tangible assets

	Plant, machinery and equipment	Leasehold improvement s	Total
Cost 1 January 2023	8,311	3,162	11,473
Additions for the year	3,978	2,748	6,726
Cost 31 December 2023	12,289	5,910	18,199
Depreciation and amortisation 1 January 2023	-3,768	-1,880	-5,648
Depreciation	-1,282	-693	-1,975
Depreciation and amortisation 31 December 2023	-5,050	-2,573	-7,623
Carrying amount 31 December 2023	7,239	3,337	10,576
Carrying amount 31 December 2022	4,543	1,282	5,825

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DKK thousand	2023	2022
8. Investments in subsidiaries		
Key figures for the Company's subsidiaries as of 31 December 2023 (amounts in DKK thousand)		
Cost 1 January	7,445	7,445
Cost 31 January	7,445	7,445
	Ownership share	Equity
Name and seat:		Annual result
Danfoss (Tianjin) Fire Safety Co. Ltd., Tianjin, China	100 %	-2,328
9. Other receivables		
Cost 1 January	123	90
Additions for the year	-66	33
Cost 31 December	57	123
Carrying amount 31 December	57	123
10. Contract work in progress		
Sales value of work in progress	103,337	72,975
Payments received on account	-97,448	-69,853
	5,889	3,122
Classified as follows:		
Contract work in progress recognised under assets	12,139	7,825
Prepayment recognised under liabilities	-6,250	-4,703
	5,889	3,122

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DKK thousand 2023 2022

11. Prepayments

Prepayments consist of prepaid expenses related to licences, subscriptions and other expenses.

12. Deferred tax

Provision for deferred tax 1 January	11,385	8,768
Deferred tax included in the profit and loss statement	-854	2,617
Provision for deferred tax 31 December	10,531	11,385

13. Warranty provisions

Warranty provisions concern products sold and delivered with a warranty. The provision is calculated based on an individual case assessment and a general provision. Warranty obligations are expected to be settled within 2 years from the balance sheet date.

14. Other debts

Of other debts, TDKK 3,310 are due after 5 years.

15. Payables to group companies

The Company is part of a cash pool agreement managed by Danfoss A/S. Amounts owed to affiliated companies include TDKK 25,229 in the cash pool.

16. Contingencies and other obligations

Contingent liabilities

Warranty obligations

Guarantees for work performed are usually for a period of 1 to 2 years.

Operational leasing

The Company's commitment on operating leases on vehicles is TDKK 9 (2022: TDKK 10).

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Notes

Contingencies, etc. - continued

Rental obligation

The Company's obligations on entered lease contracts are TDKK 8,286 (2022: TDKK 8,244) during the non-cancellable period.

Other rental obligation

The Company's commitments on leases of other operating equipment are TDKK 266 (2022: TDKK 313) during the non-cancellable period.

Joint taxation

The Company is jointly taxed with other Danish companies in the Danfoss Group. As a joint-taxed company that is not wholly owned, the company is limited and subsidiarily liable for Danish corporation tax and withholding tax on dividends, interest and royalties within the joint taxation arrangement. Any subsequent corrections to the taxable joint taxation income or withholding taxes could result in the company's liability amounting to a larger amount than recognized in the annual report. The administration Company in the joint taxation arrangement is Danfoss A/S.

17. Related parties

All transactions with related parties were performed on an arm's length basis. According to the Danish Financial Statements Act §98c, 7 no further information is given on transactions with related parties.

Controlling interest

Danfoss A/S, Nordborg

Consolidated accounts

Smallest group company:

The consolidated accounts of Danfoss A/S may be obtained by contacting the Company, or by visiting the following website: www.danfoss.com

Largest group company:

The consolidated accounts of Bitten & Mads Clausens Fond may be obtained by contacting the Company, or by visiting the following website: www.bmcfond.dk

18. Events after the end of the financial year

No significant events have occurred after the balance sheet date that are deemed to have a significant impact on the assessment of the annual report.

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