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Danfoss

DANFOSS FIRE SAFETY A/S

ANNUAL REPORT 2021

01/01 – 31/12

APPROVAL OF THE GENERAL ASSEMBLY:

DATE: 19.04.2022

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 2021.

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 2021, as well as of the Company's operations for the financial year from 1 January 2021 to 31 December 2021.

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, 4 April 2022

Management Board:

Poul Harder Nielsen

Board of Directors:

Troels H. Petersen
Chairman

Torben Christensen

Anders Stahlschmidt

Kjeld Stærk

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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 2021, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes ("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, 4 April 2022

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
Kjeld Stærk

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	2021	2020	2019	2018	2017
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Key figures

Income statement					
Gross profit	62,644	61,841	25,607	32,289	37,452
Primary operating result	-8,250	-3,387	-27,020	-23,682	-13,486
Financial items	-123	858	-1,500	-204	-332
Net profit/loss for the year	-1,714	-3,126	-22,218	-18,558	-10,829

Balance sheet					
Total assets	140,081	115,325	141,764	99,650	89,923
Investments in fixed tangible as- sets	4,640	2,211	1,027	357	151
Equity	37,309	39,137	1,333	13,466	33,577

Key figures					
Return on invested capital	-10.8 %	-4.6 %	-43.7 %	-56.1 %	-34.0%
Solvency ratio	26.6 %	33.9 %	0.9 %	13.5 %	37.3%
Return on equity	-4.5 %	-15.5 %	-300.3 %	-78.9 %	-28.4%

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 2021

Main activities

The main activity is sales, development, production and service/commissioning of certified permanently installed fire-fighting systems based on two important technologies: high-pressure water mist and low-pressure CO₂ applied in protection of persons, buildings and equipment in the land- and marine sector.

Special conditions

In 2021, Danfoss Fire Safety A/S had a negative impact from Covid-19 in the form of postponed deliveries on the part of the customer as well as challenges in delayed deliveries to production due to the global supply situation. Service in the marine segment has been negatively impacted due to global travel restrictions.

In 2021, Danfoss Fire Safety A/S had all full-time employees after the reinstatement in 2020 of 35% of the employees on partial salary compensation. In 2021, the wage bill was back at full level, this combined with increased activity has had an impact on the fixed costs in the financial year.

Uncertainty in recognition or measurement

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

Developments in activities and economic conditions

In 2021, the result has been negatively affected by individual factors and the expectations for the year have not been achieved. The service department has shown a negative development compared to last year. The other business areas have exceeded expectations for 2021 on the revenue side.

Currency risks

Activities abroad entails that profit, cash flows and equity are affected by the exchange rate development for a number of currencies. Any commercial currency risks are not hedged based on an overall risk 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.

Knowledge resources

Through several years of work, the company has acquired competencies within the development of fire-fighting systems and will continue the development within this area in the coming years.

MANAGEMENT'S REVIEW

Report 2021

Research and development activities

The company has increased its investments in development activities in 2021 in accordance with Danfoss Fire Safety A/S' long-term strategy.

Environmental conditions

The activities of the company have no significant impact on the external environment. The company complies with all environmental requirements set.

Expected development

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

The company expects a significant growth in revenue and profit in 2022. This despite the Covid-19 situation in 2021 and the initiatives that governments in most of the world have taken. Expectations for 2022 exceed the original long-term plan. The company expects an EBITA in range 3-8 mio. DKK.

The company's investor supports the company's strategy and long-term plans.

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.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

The 2021 Annual Report of Danfoss Fire Safety A/S has been made in compliance with the provisions of the Financial Statements Act for class C medium-sized companies.

In accordance with Section 112 (1) of the Financial Statements Act, no consolidated financial statements have been issued. The annual accounts of Danfoss Fire Safety A/S and its subsidiaries are included in the consolidated financial statements of Bitten & Mads Clausens Fond, CVR no. 41815612.

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 Bitten & Mads Clausens Fond, CVR no. 41815612.

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

The 2021 annual accounts are presented in TDKK.

General recognition and measurement

The accounts have been prepared under the historical cost accounting model.

Revenue is recognised in the profit and loss 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 profit and loss 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 profit and loss statement.

Assets are included 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 included in the balance sheet when it is probable that the Company will have future economic benefits and the liability may 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 exchange 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 krone. 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 profit and loss 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 profit and loss 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 profit and loss statement as a financial item, see section on hedge accounting.

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

Derivative financial instruments

Derivative financial instruments are initially recorded in the balance sheet at cost and are measured subsequently at fair value. Positive and negative fair values of derivative financial instruments are respectively classified as "Other receivables" and "Other payables".

Any changes in the fair value of a financial instrument that is designated and qualifies as a hedge of a recognised asset or liability's fair value is included in the profit and loss statement, along with the changes in the fair value of the hedged asset or liability that are related to the risk being hedged.

Any changes in the fair value of a financial instrument that is designated and qualifies as a hedge of a forecast transaction are included in equity in retained earnings for the effective portion of the hedge. The ineffective part is accounted for in the profit and loss statement.

In the event that the hedged transaction results in an asset or a liability, the amount deferred in equity is removed from equity and included directly in the cost of the asset or liability, as appropriate. Should the hedged transaction result in an income or an expense, the amount deferred in equity will be removed from equity and included in the profit and loss statement in the period when the hedged transaction is accounted for. The amount is included in the same line item as the hedged transaction.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Profit and loss statement

Net turnover

Net turnover is not shown pursuant to Section 32 of the Financial Statements Act.

Turnover from goods and services sold

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

Turnover from contracts

Production criteria are applicable to the Company's contract work. Consequently, the sales value of the year's production is included in the profit and loss statement when production is being finalised. Expected losses on uncompleted contracts are recognised in full. The completion rate used to measure the output is calculated on the basis of costs incurred compared to the latest cost estimate.

Net turnover is calculated excluding VAT and deducting sales discounts.

Gross profit

Net turnover minus the cost of raw materials and consumables, other external costs and 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 turnover.

Other operating income

Accounting items secondary to the main activity of the Company are included in other operating income, such as the compensation of wages related to COVID-19.

Other external costs

Other external costs include indirect production costs and premises expenses, 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.

Amortisation and depreciation

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

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

Other operating expenses

Other operating expenses secondary to the main activity of the Company are included in other operating expenses, such as losses on the sale of tangible fixed assets.

Investment income from subsidiaries

Dividends from subsidiaries are recognised in the profit and loss statement when they are approved by the Company's General Assembly.

Financial items

Financial income and charges 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 Management Company.

The annual tax, 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 profit and loss 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 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. Software is amortised on a linear basis over a maximum of 3 years.

Prepayment intangible fixed assets are measured at cost. Costs relating to prepayment 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 inclusion in the balance sheet are recognised as an expense in the profit and loss 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 work over the estimated economic life. The amortisation period is typically 5 years, not exceeding 20 years.

Patents and licences are measured at cost minus any accumulated amortisation. Patents are amortised on a linear basis over the remaining patent term, and licences are amortised over the contractual term, up to a maximum of 7 years.

Gains and losses on disposals of development projects, patents and licences 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 profit and loss 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 minus accumulated amortisation and depreciation. The amortisation 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.

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

Plant, machinery and equipment	3-8 years
Furnishing of rented premises	3-10 years

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

The amortisation base is calculated on the basis of the asset's residual value, reduced by any write-downs. The amortisation period and residual value are determined at acquisition and shall be revalued annually. Should the residual value exceed the carrying amount of the asset, amortisation is stopped.

When there is a change in the amortisation period or in the residual value, the effect on amortisation is recognised thereafter as a change in an accounting estimate.

Gains and losses on the sale of tangible assets 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 profit and loss statement under other operating income and other operating expenses respectively.

Shares in subsidiaries

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

Other receivables

Leased assets are classified and measured at cost. No amortisation is applied to deposits.

Depreciation 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, a depreciation 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 its highest net selling price and its 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, minus 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 amortisation 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 minus depreciation to cover losses. Depreciation losses are calculated based on an individual assessment of each receivable and, for sales receivables, a general depreciation based on the Company's experience in previous years.

Contract work in progress

Contracts are measured at the sales value of the work performed minus progress billings and anticipated losses. Contracts are characterised by a high degree of individualisation of the goods produced. Furthermore, it is mandatory that a binding contract is entered into prior to the start of the work, which entails a penalty or 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 executed work 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 and a provision.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Accounting policies

When the result of a contract cannot be estimated reliably, the selling price is measured only to the extent of the incurred costs that it is more probable to recover.

Contracts where the sales value of the work performed exceeds progress billings and anticipated losses are included in receivables. Contracts for which advance billings and anticipated losses are greater than 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 profit and loss 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.

Hedging reserve

The hedging reserve includes the cumulative net change in the hedging transactions' fair value that meet the conditions for hedging future cash flows and where the hedged transaction has not yet been realised. The reserve shall be dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or the hedging relationship is no longer effective. The reserve represents a non-corporate liability; thus, it may represent a negative amount.

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 advance taxes paid.

Joint tax contributions payable and receivable are included in the balance sheet as "Corporate tax receivable" or "Corporate tax payable".

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 be recovered as current tax.

Other provisions

Provisions cover the expected cost 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 settlement of the obligation will use up the Company's financial resources.

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

Financial debt obligations are recognised when a loan is taken out at the proceeds received after deducting the incurred transaction costs. Subsequently, financial obligations are measured at amortised cost.

Other debt obligations are measured at net realisable value.

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Key figures

Key figures are calculated as follows:

Return on invested capital	$\frac{\text{Primary operating result} \times 100}{\text{Average invested capital}}$
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	$\frac{\text{Equity, end of period} \times 100}{\text{Total liabilities, end of period}}$
Return on equity	$\frac{\text{Ordinary post-tax profit} \times 100}{\text{Average equity}}$

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Income statement

DKK thousand	Note	2021	2020
Gross profit		62,644	61,841
Personnel costs	2	-58,825	-53,392
Amortisation of fixed assets		-11,793	-11,836
Other operating expenses		-276	0
Profit/loss before financial items		-8,250	-3,387
Income from investments in subsidiaries		4,246	0
Financial income	3	77	313
Financial expenses	4	-200	-1,171
Ordinary profit/loss before tax		-4,127	-4,245
Tax on profit/loss for the year	5	2,413	1,119
Net profit/loss for the year		-1,714	-3,126

Profit allocation proposal

Retained earnings	6	-1,714	-3,126
		-1,714	-3,126

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Balance sheet

DKK thousand	Note	2021	2020
ASSETS			
Fixed assets			
Intangible fixed assets	7		
Completed development projects		18,718	29,747
Development projects in progress		14,723	4,007
Prepayments intangible fixed assets		2,163	0
Total intangible fixed assets		35,604	33,754
Tangible fixed assets	8		
Plant, machinery, and equipment		5,079	3,268
Leasehold improvements		1,935	224
Total tangible fixed assets		7,014	3,492
Financial fixed assets			
Investments in subsidiaries	9	7,445	7,445
Other receivables	10	90	83
Total financial fixed assets		7,535	7,528
Total fixed assets		50,153	44,774
Current assets			
Inventories			
Raw materials and consumables, etc.		28,524	14,749
Work in progress		2,195	2,584
Finished goods		7,906	7,863
Total inventories		38,625	25,196
Receivables			
Trade receivables		38,349	34,280
Contract work in progress	11	4,249	2,155
Receivables from group companies		1,298	6,398
Corporate tax receivables		3,063	0
Other receivables		3,319	1,982
Prepayments	12	1,024	540
Total receivables		51,302	45,355
Total current assets		89,927	70,551
TOTAL ASSETS		140,080	115,325

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Balance sheet

DKK thousand	Note	2021	2020
LIABILITIES			
Equity			
Share capital		2,200	2,200
Retained earnings		10,977	15,840
Reserve for development costs		24,132	20,951
Reserve for currency exchange		0	114
Total equity		37,309	39,137
Provisions			
Deferred tax	13	8,768	8,358
Warranty provisions	14	2,384	2,531
Total provisions		11,152	10,889
Debt			
Long-term debt			
Other debts	15	3,501	3,369
Total long-term debt		3,501	3,369
Short-term debt obligations			
Prepayments from customers	11	2,700	4,333
Trade payables		24,925	10,454
Payables to group companies	16	48,416	31,525
Corporate tax		0	1,203
Other debts		12,077	14,415
Total short-term debt		88,118	61,930
Total debt		91,619	65,299
TOTAL LIABILITIES		140,080	115,325
Special items			
Contingencies and other obligations	1		
Related parties	17		
Events after the end of the financial year	18		
	19		

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Statement of changes in equity

DKK thousand	Share capital	Retained earnings	Reserve for development costs	Reserve for currency exchange	Total
Equity 1 January 2021	2,200	15,872	20,951	114	39,137
Fair value adjustment of hedging instruments, beginning of the year	0	0	0	-146	-146
Tax on adjustment of hedging instruments for the year	0	0	0	32	32
Net development costs for the year	0	-3,181	3,181	0	0
Net profit/loss for the year	0	-1,714	0	0	-1,714
Equity 31 December 2021	2,200	10,977	24,132	0	37,309

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

DKK thousand	2021	2020
1. Special items		
Special items are specified below, including where they are recognised in the income statement.		
Salary compensation received	0	1,415
	<u>0</u>	<u>1,415</u>
Special items are included on the following lines in the income statement		
Other operating income (gross profit)	0	1,415
	<u>0</u>	<u>1,415</u>
2. Personnel costs		
Salaries and wages	54,346	49,420
Pensions	4,314	3,822
Other social security costs	165	150
	<u>58,825</u>	<u>53,392</u>
Average number of full-time employees	<u>74</u>	<u>69</u>
In accordance with Section 98b (3) of the Financial Statements Act, there is no disclosure of remuneration, etc. to the Management.		
3. Financial income		
Exchange rate gains	74	313
Other interest income	3	0
	<u>77</u>	<u>313</u>

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

DKK thousand	2021	2020
4. Financial costs		
Interest expenses, group companies	140	1,138
Other interest expenses	60	33
	<u>200</u>	<u>1,171</u>
5. Tax on profit/loss for the year		
Current tax for the year	2,823	-941
Deferred tax adjustment for the year	-405	2,060
Adjustment of previous years' taxes	-5	0
	<u>2,413</u>	<u>1,119</u>
6. Profit allocation		
Profit allocation proposal		
Retained earnings	-1,714	-3,126
	<u>-1,714</u>	<u>-3,126</u>

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

DKK thousand

7. Intangible fixed assets

	Develop- ment pro- jects in pro- gress	Completed development projects	Prepay- ment in- tangible fixed assets	Total
Cost 1 January 2021	4,007	92,710	0	96,717
Additions for the year	10,716	0	2,163	12,879
Cost 31 December 2021	14,723	92,710	2,163	109,596
Depreciation and amortisation 1 January 2021	0	-62,963	0	-62,963
Amortisation	0	-11,029	0	-11,029
Depreciation and amortisation 31 December 2021	0	-73,992	0	-73,992
Carrying amount 31 December 2021	14,723	18,718	2,163	35,604
Carrying amount 31 December 2020	4,007	29,747	0	33,754

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 2022 and thereafter. Completed development projects are amortised over 5 years. The Management has not established any indication of impairment with respect to the carrying amount.

8. Tangible assets

	Plant, ma- chinery and equipment	Leasehold improve- ments	Total
Cost 1 January 2021	5,241	1,342	6,583
Additions for the year	2,832	1,808	4,640
Disposals for the year	-394	0	-394
Cost 31 December 2021	7,679	3,150	10,829
Depreciation and amortisation 1 January 2021	-1,972	-1,118	-3,090
Amortisation	-667	-97	-764
Reversal of impairment and depreciation of sold assets	39	0	39
Depreciation and amortisation 31 December 2021	-2,600	-1,215	-3,815
Carrying amount 31 December 2021	5,079	1,935	7,014
Carrying amount 31 December 2020	3,268	224	3,492

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

DKK thousand	2021	2020
9. Shares in subsidiaries		
Key figures for the Company's subsidiaries as of 31 December 2021 (amounts in DKK thousand)		
Cost 1 January	7,445	7,445
Cost 31 January	7,445	7,445
	Ownership share	Annual re- sult
Name and seat:		
Danfoss (Tianjin) Fire Safety Co. Ltd., Tianjin Kina	100 %	11,532 1,957
10. Other receivables		
Cost 1 January	83	0
Additions for the year	7	83
Cost 31 December	90	83
Carrying amount 31 December	90	83
11. Contract work in progress		
Sales value of work in progress	42,456	55,019
Payments received on account	-40,869	-57,197
	1,587	-2,178
Classified as follows:		
Contract work in progress recognised under assets	4,287	2,155
Prepayment recognised under liabilities	-2,700	-4,333
	1,587	-2,178

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

DKK thousand 2021 2020

12. Prepayments

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

13. Deferred tax

Provision for deferred tax	8,358	10,582
Deferred tax included in the profit and loss statement	405	-2,060
Adjustment deferred tax previous year	5	-164
Provision for deferred tax	8,768	8,358

14. 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 between 1 and 2 years from the balance sheet date.

15. Other debts

Of other debts, TDKK 3,055 is due after 5 years.

16. 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 37,926 in the cash pool.

17. 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 DKK 10 thousand (2020: DKK 3 thousand).

ANNUAL ACCOUNTS 1 JANUARY – 31 DECEMBER

Notes

Contingencies, etc. - continued

Rental obligation

The Company's obligations on entered lease contracts are DKK 7,285 thousand (2020: DKK 9,830 thousand) during the non-cancellable period.

Other rental obligation

The Company's commitments on leases of other operating equipment are DKK 216 thousand (2020: DKK 11 thousand) during the non-cancellable period.

Joint taxation

The Company is jointly taxed with other Danish companies in the Danfoss Group. Being a wholly-owned subsidiary, the Company has unlimited joint and several liability with the other companies in the joint tax group for Danish tax withholdings on dividends, interest and royalties within the joint tax group.

18. Related parties

Controlling interest

Danfoss A/S, Nordborg, Denmark

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

19. 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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