

ROESGAARD

NÅR OVERBLIK SKABER VÆRDI

Welcon A/S

Vejlevej 270

7323 Give

CVR No. 31 49 14 01

Annual Report 2022/23

The Annual Report was presented and approved at the Annual General Meeting of the Company on 03/10 2023

Kenneth Nielsen Leth
Chairman



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Company details

The company

Welcon A/S
Vejlevej 270
7323 Give

CVR no.: 31 49 14 01
Reporting period: 1 June 2022 - 31 May 2023
Domicile: Vejle

Board of directors

Carsten Risvig Pedersen, Chairman
Jens Risvig Pedersen
Morten Breum-Leer

Executive board

Jens Risvig Pedersen, CEO

Auditors

Roesgaard
Godkendt Revisionspartnerselskab
Sønderbrogade 16
8700 Horsens

Statement by management on the annual report

The board of directors and executive board have today discussed and approved the annual report of Welcon A/S for the financial year 1 June 2022 - 31 May 2023.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 May 2023 and of the results of the company's operations and cash flows for the financial year 1 June 2022 - 31 May 2023.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

The Management recommends that the annual report should be adopted at the general meeting.

Given, 3 October 2023

Executive board

Jens Risvig Pedersen
CEO

Board of directors

Carsten Risvig Pedersen
Chairman

Jens Risvig Pedersen

Morten Breum-Leer

Independent auditor's report

To the shareholder of Welcon A/S

Opinion

We have audited the financial statements of Welcon A/S for the financial year 1 June 2022 - 31 May 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 May 2023 and of the results of the company's operations and cash flows for the financial year 1 June 2022 - 31 May 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 are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the 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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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.

Independent auditor's report

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Horsens, 3 October 2023

Roesgaard

Godkendt Revisionspartnerselskab
CVR no. 37 54 31 28

Søren Roesgaard
State Authorised Public Accountant
MNE no. mne33225

Michael Mortensen
State Authorised Public Accountant
MNE no. mne34108

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	1,075,536	708,872	740,108	588,724	550,879
Gross profit	368,134	284,494	243,416	214,506	207,565
Profit/loss before net financials	24,942	37,750	5,169	2,657	9,882
Net financials	(872)	(2,107)	(2,335)	568	(341)
Profit/loss for the year	18,788	27,757	2,133	2,363	7,432
Balance sheet					
Balance sheet total	770,361	459,706	337,820	299,864	282,632
Investment in property, plant and equipment	(9,471)	(1,354)	(1,544)	(1,192)	(1,095)
Equity	101,292	82,504	54,747	82,614	80,251
Cash flows from:					
- operating activities	151,153	764	(30,277)	104,637	482
- investing activities	(148,745)	(1,309)	(23,241)	(3,171)	(835)
- financing activities	0	0	(30,000)	0	(10,000)
Number of employees	605	434	416	361	348
Financial ratios					
Return on assets	4.1 %	9.5 %	1.6 %	0.9 %	4.3 %
Solvency ratio	13.1 %	17.9 %	16.2 %	27.6 %	28.4 %
Return on equity	20.4 %	40.4 %	3.1 %	2.9 %	9.1 %

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business review

The company's purpose is development activities, trading activities and production activities in connection with e.g. towers for wind turbines, directly or indirectly through group entities as well as all activities related thereto at the discretion of the Board of Directors.

Financial review

The company's income statement for the year ended 31 May 2023 shows a profit of DKK 18,788 thousand, and the balance sheet at 31 May 2023 shows an equity of DKK 101,292 thousand which is slightly below the expectations.

For further description and presentation please refer to the annual report of Welcon Group A/S.

Expected development of the company, including specific prerequisites and uncertainties

The Management expects the financial statement for 2023/24 to show a turnover at the level of DKK 1.4 billion and improved result at the level DKK 30,000-40,000 thousand.

Statutory corporate social responsibility report

Disclosure of corporate social responsibility is included in the consolidated financial statements of the parent company Welcon Group A/S.

Policies on the underrepresented gender

Description of policies for the underrepresented gender

Disclosure of gender representation is included in the consolidated financial statements of the parent company Welcon Group A/S.

Statement of policy for data ethics

Disclosure of policy for data ethics is included in the consolidated financial statements of the parent company Welcon Group A/S.

Accounting policies

The annual report of Welcon A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The annual report for 2022/23 is presented in DKK thousand.

Pursuant to section 96(3) of the Danish Financial Statements Act, the company has chosen not to disclose auditors' remuneration.

Changes in accounting policies

Change in classification

The classification of staff costs has been changed so that the item only includes wages and salaries, pensions and other social security costs. This means that other staff costs now are included in other external expenses. Due to the change, staff costs are reduced by DKK 11,040 thousand in 2022/23 and DKK 7,871 thousand in 2021/22, and other external expenses have increased accordingly.

The classification of other payables has been changed so that the item only includes amounts owed to public authorities and employee obligations. This means that other payables are now included in trade creditors. Due to the change, other payables are reduced by DKK 4,128 thousand in 2022/23 and DKK 6,203 thousand in 2021/22 and trade creditors have increased accordingly.

The accounting policies are otherwise consistent with those of last year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Accounting policies

Income statement

Segment information

According to section 96(1) of the Danish Financial Statements Act, information on business segments or geographical markets has not been disclosed. The company only operates within one business segment and in one market.

Revenue

Income from the sale of goods is recognised in the income statement, provided that the transfer of risk has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of items of plant and equipment.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

Accounting policies

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

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

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item have different useful lives, and the individual component is a significant part of the total cost, the cost is divided into separate components, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Plant and machinery	2-5 years
Other fixtures and fittings, tools and equipment	2-25 years

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

Gains or losses from the disposal of plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Accounting policies

Other securities and investments, fixed assets

Deposits are measured at cost.

Impairment of fixed assets

The carrying amount of items of plant and equipment is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets. Write-down is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

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 is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

Accounting policies

Provisions

Provisions comprise expected expenses relating to service and warranty commitments to repairs within the warranty period. The warranty period on wind turbine towers and foundations is 5 years. The provisions are measured and recognized on the basis of experience with warranty work.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

The company and all its Danish group entities are taxed on a joint basis. The current income tax charge is allocated between the jointly taxed entities relative to their taxable income. Tax losses are allocated based on the full absorption method. The jointly taxed entities are eligible for the Danish Tax Prepayment Scheme.

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Liabilities

Liabilities, which include trade payables, prepayments from customers and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Accounting policies

Cash flow statement

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

The cash flow effect of additions and disposals of entities is shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are stated as the company's profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities as well as intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the company's share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and overdraft facilities.

Financial Highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Income statement 1 June 2022 - 31 May 2023

	<u>Note</u>	<u>2022/23</u> DKK'000	<u>2021/22</u> DKK'000
Revenue	1	1,075,536	708,872
Other operating income		1,420	1,195
Raw materials and consumables		(570,637)	(308,088)
Other external expenses		(138,185)	(117,485)
Gross profit		368,134	284,494
Staff costs	2	(341,867)	(245,478)
Resultat før af- og nedskrivninger		26,267	39,016
Depreciation, amortisation and impairment of machinery and equipment		(1,325)	(1,266)
Profit/loss before net financials		24,942	37,750
Financial income	3	4,428	402
Financial costs	4	(5,300)	(2,509)
Profit/loss before tax		24,070	35,643
Tax on profit/loss for the year	5	(5,282)	(7,886)
Profit/loss for the year		18,788	27,757
Distribution of profit	6		

Balance sheet at 31 May 2023

	<u>Note</u>	<u>2023</u> DKK'000	<u>2022</u> DKK'000
Assets			
Plant and machinery	7	2,772	3,489
Other fixtures and fittings, tools and equipment	7	14,990	6,127
Tangible assets		17,762	9,616
Deposits	8	162,326	23,052
Fixed asset investments		162,326	23,052
Total non-current assets		180,088	32,668
Raw materials and consumables		9,520	7,679
Work in progress		168,927	146,328
Stocks		178,447	154,007
Trade receivables		165,119	123,878
Receivables from group entities		236,122	142,110
Other receivables		98	907
Joint taxation contributions receivable		1,889	1,889
Prepayments	9	5,955	3,967
Receivables		409,183	272,751
Cash at bank and in hand		2,643	280
Total current assets		590,273	427,038
Total assets		770,361	459,706

Balance sheet at 31 May 2023

	<u>Note</u>	<u>2023</u> DKK'000	<u>2022</u> DKK'000
Equity and liabilities			
Share capital		10,000	10,000
Retained earnings		91,292	72,504
Equity	10	101,292	82,504
Provision for deferred tax	11	11,627	7,662
Other provisions	12	2,000	2,000
Total provisions		13,627	9,662
Joint taxation contributions payable		1,318	0
Other payables		20,433	19,742
Total non-current liabilities		21,751	19,742
Banks		15	60
Prepayments received from customers		270,222	24,027
Trade payables		296,410	241,693
Joint taxation contributions payable		0	7,226
Other payables		67,044	74,792
Total current liabilities		633,691	347,798
Total liabilities		655,442	367,540
Total equity and liabilities		770,361	459,706
Contingent liabilities	13		
Mortgages and collateral	14		
Related parties and ownership structure	15		

Statement of Changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 June 2022	10,000	72,504	82,504
Net profit/loss for the year	0	18,788	18,788
Equity at 31 May 2023	10,000	91,292	101,292

Cash flow statement 1 June 2022 - 31 May 2023

	<u>Note</u>	<u>2022/23</u> DKK'000	<u>2021/22</u> DKK'000
Net profit/loss for the year		18,788	27,757
Adjustments	16	7,479	11,184
Change in working capital	17	<u>132,983</u>	<u>(38,607)</u>
Cash flows from operating activities before financial income and expenses		159,250	334
Interest income and similar income		4,428	402
Interest expenses and similar charges		<u>(5,300)</u>	<u>(2,509)</u>
Cash flows from ordinary activities		158,378	(1,773)
Corporation tax paid		<u>(7,225)</u>	<u>2,537</u>
Cash flows from operating activities		151,153	764
Purchase of property, plant and equipment		(9,471)	(1,354)
Sale of property, plant and equipment		0	75
Change in deposits		<u>(139,274)</u>	<u>(30)</u>
Cash flows from investing activities		(148,745)	(1,309)
Change in cash and cash equivalents		2,408	(545)
Cash at bank and in hand		280	797
Overdraft facility		<u>(60)</u>	<u>(32)</u>
Cash and cash equivalents		<u>220</u>	<u>765</u>
Cash and cash equivalents		2,628	220
Analysis of cash and cash equivalents:			
Cash at bank and in hand		2,643	280
Overdraft facility		<u>(15)</u>	<u>(60)</u>
Cash and cash equivalents		2,628	220

Notes to the annual report

1 Information on segments

Activities - primary segment

The company only operates within one business segment and in one market, production and sale of wind turbine towers, etc. to the European wind turbine market.

	2022/23	2021/22
	DKK'000	DKK'000
2 Staff costs		
Wages and salaries	313,567	226,079
Pensions	23,834	16,278
Other social security costs	4,466	3,121
	341,867	245,478
Average number of employees	605	434

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive board and Board of Directors has not been disclosed.

3 Financial income

Interest received from group entities	4,333	347
Other financial income	95	55
	4,428	402

Notes to the annual report

	2022/23	2021/22
	DKK'000	DKK'000
4 Financial costs		
Interest expenses to group entities	785	244
Other financial expenses	4,515	2,265
	5,300	2,509
5 Tax on profit/loss for the year		
Current tax for the year	1,318	(1,889)
Deferred tax for the year	3,964	9,775
	5,282	7,886
6 Distribution of profit		
Retained earnings	18,788	27,757
	18,788	27,757
7 Tangible assets		
	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost at 1 June 2022	19,068	15,218
Additions for the year	0	9,471
Cost at 31 May 2023	19,068	24,689
Impairment losses and depreciation at 1 June 2022	15,579	9,091
Depreciation for the year	717	608
Impairment losses and depreciation at 31 May 2023	16,296	9,699
Carrying amount at 31 May 2023	2,772	14,990

Notes to the annual report

8 Fixed asset investments

	<u>Deposits</u>
Cost at 1 June 2022	23,052
Additions for the year	<u>139,274</u>
Cost at 31 May 2023	<u>162,326</u>
Carrying amount at 31 May 2023	<u>162,326</u>

9 Prepayments

Prepayments comprise prepaid expenses regarding insurance premiums, subscriptions and prepaid suppliers.

10 Equity

The share capital consists of 10,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	<u>2023</u>	<u>2022</u>
	DKK'000	DKK'000
11 Provision for deferred tax		
Provision for deferred tax at 1 June 2022	7,662	(2,113)
Deferred tax recognised in income statement	<u>3,965</u>	<u>9,775</u>
Provision for deferred tax at 31 May 2023	<u>11,627</u>	<u>7,662</u>

Notes to the annual report

	<u>2023</u> DKK'000	<u>2022</u> DKK'000
12 Other provisions		
Balance at beginning of year at 1 June 2022	2,000	2,000
Balance at 31 May 2023	<u>2,000</u>	<u>2,000</u>
The expected due dates of other provisions are:		
Between 1 and 5 years	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

Other provisions relate to warranty costs on goods sold. Provisions are assessed annually and based on historical data.

13 Contingent liabilities

The company is part of the CJ Holding ApS cash pool arrangement. All participant in the cash pool arrangement are jointly and severally liable. As of 31 May 2023 the net balance in the cash pool arrangement amounts to DKK 44 thousand.

Other liabilities

The company has entered into operating leases with term to maturity from 2023-2048. The total commitment relating to these leases amounts to DKK 204,669 thousand as of 31 May 2023. Hereof DKK 170,298 thousand relates to group companies. DKK 29,116 thousand is due within 1 year, hereof DKK 21,299 thousand to group companies.

The company has entered into lease obligation of land and buildings for the years 2023 – 2038 for production, inventory and administration. The total commitment relating to these leases amounts to DKK 761,250 thousand as of 31 May 2023 which relates to group companies. DKK 50,750 thousand is due within 1 year.

Contingent liabilities related to group enterprises

The company is jointly taxed with its parent company, CJ Holding ApS (management company), and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

The company is part of a joint VAT registration with Conwel A/S, EsEstate A/S, Esinvest A/S, Superwood Holding A/S, CJ Holding ApS, Brande Investerings- og Finansieringsselskab A/S, Nordvest A/S, Welconsult ApS and Genvest Capital Invest A/S and is jointly and severally liable with the other companies for the payment of VAT.

Notes to the annual report

14 Mortgages and collateral

The company has issued a surety to the bank as a security for the bank debt for the group companies CJ Holding ApS, Welcon Group A/S, Conwel A/S and Brande Investerings- og Finansieringsselskab A/S.

As a security for bank debt, the company has provided company charges of DKK 35,000 thousand. The company charge includes claims, inventories, operating equipment and intangible rights. The booked value of these assets amounts to DKK 361,328 thousand as of 31 May 2023.

Furthermore the company charge has been provided as security for the bank debt for the group companies Conwel A/S and Brande Investerings- og Finansieringsselskab A/S.

As a security for the surety issued by CJ Holding ApS, the company has deposited DKK 7,500 thousand.

15 Related parties and ownership structure

Controlling interest

Welcon Group A/S, Vejlevej 270, 7323 Give, Denmark

Welcon Group A/S holds the majority of the share capital in the company.

Transactions

The company has chosen only to disclose transactions which have not been conducted on an arm's length basis in accordance with section 98c(7) of the Danish Financial Act.

Consolidated financial statements

The company is reflected in the group reporting for the parent company Welcon Group A/S, Give, Denmark, CVR no. 43 85 11 52 and CJ Holding ApS, Give Denmark CVR no. 17 08 80 76, which are the smallest and largest groups, respectively, in which the company is included as a subsidiary.

Notes to the annual report

	<u>2022/23</u>	<u>2021/22</u>
	DKK'000	DKK'000
16 Cash flow statement - adjustments		
Financial income	(4,428)	(402)
Financial costs	5,300	2,509
Depreciation, amortisation and impairment losses	1,325	1,266
Gain from disposal of machinery and equipment	0	(75)
Tax on profit/loss for the year	5,282	7,886
	<u>7,479</u>	<u>11,184</u>
17 Cash flow statement - change in working capital		
Change in inventories	(24,440)	(84,371)
Change in receivables	(136,432)	(40,675)
Change in trade payables, etc.	293,855	86,439
	<u>132,983</u>	<u>(38,607)</u>