



Badelement A/S

Levysgade 14, st.
8700 Horsens
CVR No. 31752469

Annual report 2021

The Annual General Meeting adopted the
annual report on 28.01.2022

Henning Aabo Jørgensen

Chairman of the General Meeting

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Entity details

Entity

Badelement A/S
Levysgade 14, st.
8700 Horsens

Business Registration No.: 31752469
Registered office: Horsens
Financial year: 01.01.2021 - 31.12.2021

Supervisory Board

Peter Schulz
Wolfgang Ziegler
Stefan Andreas Walter Happak

Executive Board

Hans Henrik Nielsen, CEO
Henning Aabo Jørgensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management

The Supervisory Board and the Executive Board have today considered and approved the annual report of Badelement A/S for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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

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

Horsens, 28.01.2022

Executive Board

Hans Henrik Nielsen
CEO

Henning Aabo Jørgensen

Supervisory Board

Peter Schulz

Wolfgang Ziegler

Stefan Andreas Walter Happak

Independent auditor's report

To the shareholders of Badelement A/S

Opinion

We have audited the financial statements of Badelement A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Kolding, 28.01.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jørn Jepsen

State Authorised Public Accountant
Identification No (MNE) mne24824

Morten Almtoft Lund

State Authorised Public Accountant
Identification No (MNE) mne41365

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	450,063	436,888	465,635	360,136	360,397
Gross profit/loss	28,703	40,655	45,594	35,189	57,946
Operating profit/loss	3,265	17,600	23,963	16,980	39,944
Net financials	(2,227)	(1,628)	(1,902)	(1,384)	(474)
Profit/loss for the year	13,393	21,030	25,657	17,270	35,127
Total assets	145,526	157,252	159,188	176,004	141,514
Investments in property, plant and equipment	0	0	13	918	903
Equity	54,330	63,248	69,658	60,972	63,122
Average number of employees	51	50	49	47	38
Ratios					
Gross margin (%)	6,4	9,3	9,8	9,8	16,1
Profit margin (%)	0,7	4	5,1	4,7	11,1
Return on equity (%)	23,3	31,6	39,3	27,8	64
Solvency ratio (%)	37,5	40	43,8	34,6	44,6

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Profit margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Solvency ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

Key activities consist of trading and advisory in connection to selling bathroom pods and related activities.

Development in activities and finances

The income statement of the Company for 2021 shows a profit of TDKK 13,393, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 54,330.

The company has managed to keep production stable despite the Covid -19 challenges.

Profit/loss for the year in relation to expected developments

2021 revenues and margins has decreased due to change in product mix, increased cost due to Covid-19 situation and competition.

Current levels are expected in the coming year.

Outlook

Expectations for 2022 is an increase in revenue. Expectation on profit is an increase compared with 2021. The company is constantly working on increasing the profitability through quality and efficiency.

Special risks

The company's special risks relates to competing companies on the market.

The company is not exposed to changes in interest rates because of its operations, investments and financing. It is management's policy not to speculate in financial movements.

The company has substantial trading in EUR, NOK, SEK and mainly Polish Zloty that exposes to currency risks. The company hedges currency risks through forward exchange contracts covering the coming years.

Credit risks primarily relates to the customers' ability to pay. Advance payments from customers and payment plans are made to mitigate the risk.

Knowledge resources

It is important to management of the company to maintain focus on delivering high quality products; hence, production resources involve automated processes and a well educated work force to maintain a high level of competencies.

Environmental performance

The company's management is aware of environmental effects from production and it is a continuous focus to reduce environmental effects from production.

Group relations

The company has one subsidiary in Poland, Badelement Poland Sp. Z.o.o., and one in Norway, Badelement Norge AS.

Statutory report on corporate social responsibility

The company produces pre fabricated Bath rooms for installation into primarily new buildings. Production takes place mainly in a Polish subsidiary using sub components from a number of sub suppliers. Other functions such as sales, design, procurement, deliveries to construction sites and service are performed in Denmark. The Company employs 51 people, and its primary market for pre fabricated showers is the Danish building sector.

Baldo Acquisition ApS is owned approx. 80% by Baldo Zehn GmbH, a company owned by funds that are advised by Findos Investor.

The Company operates in highly regulated markets where comparatively clear CSR guidelines are laid down by legislation and voluntary agreements. Thus, collective agreements between employees and employers regulate many aspects regarding labour. Environmental matters are moreover often regulated through municipal environmental approvals, and health and safety are protected under occupational health and safety legislation. Furthermore, national anti discrimination rules exist to protect against discrimination. Finally, corruption is addressed by the Danish Criminal Code. The Company complies with these rules. In the Company's opinion, the risk of having a significant negative impact on the environment and climate, human rights, social matters and labour as well as being exposed to corruption and bribery is therefore very limited.

Based on its business model and the fact that the most important market to the Company is Denmark, the Company has not considered the risk of negatively affecting human rights prevalent to such an extent that policies are required. The Company is not of the opinion either that its potential exposure to corruption and bribery is prevalent to such an extent that a policy is required. Based on the extensive local and national environmental and climate regulations and the voluntary agreements in the labor market, the Company has assessed that laying down policies on environmental, climate, social matters and labor will not create any additional value, neither to the Company nor to society.

Statutory report on the underrepresented gender

The Board of Directors consists of a total of three members. It is the Company's target to have at least one woman on the Board of Directors by 2023.

So far, the Company has employed, and will continue to employ, the most suitable board members, executives and other employees irrespective of their gender, race or religion. This practice is supported by the Company's recruitment and staff policies.

The Company has a long term strategy and long-term objectives. The members of the Board of Directors are recruited with this in mind to ensure a long lasting attachment to the Group. Efforts will be made in future to maintain this stability and continuity on the Board of Directors.

No new members joined the Board of Directors in 2021, which means that the female representation on the Board of Directors remains 0% as in 2020.

As the number of employees of the Company does not exceed 50, the exemption rule of the Danish

Financial Statements Act is applied; thus, the gender representation at other management levels is not disclosed.

Statutory report on data ethics policy

During 2021 the company has increased its focus on IT security. The IT administration is outsourced to an external partner to increase IT security for handling data. The IT administration has set the policy for user access, passwords, back up and data recovery.

The company works to optimize the data structure and programs used to create transparency and overview. New employees are introduced to the programs and well trained in the programs.

Most of the data in the company are covered by the personal data policy to be compliant with GDPR rules and to handle data with respect and with ethical considerations. Therefore, we deem that we handle data with respect and good ethical considerations, and we do not have a separate policy on data ethics in place.

IT data ethics will have great focus in the coming year.

Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement for 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue	1	450,063	436,888
Cost of sales		(401,063)	(374,237)
Other external expenses		(20,297)	(21,996)
Gross profit/loss		28,703	40,655
Staff costs	2	(24,212)	(21,611)
Depreciation, amortisation and impairment losses		(1,226)	(1,444)
Operating profit/loss		3,265	17,600
Income from investments in group enterprises		12,807	8,589
Other financial income	3	430	359
Other financial expenses		(2,657)	(1,987)
Profit/loss before tax		13,845	24,561
Tax on profit/loss for the year	4	(452)	(3,531)
Profit/loss for the year	5	13,393	21,030

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Development projects in progress	7	2,387	2,950
Intangible assets	6	2,387	2,950
Other fixtures and fittings, tools and equipment		342	724
Property, plant and equipment	8	342	724
Investments in group enterprises		51,973	39,711
Deposits		328	304
Financial assets	9	52,301	40,015
Fixed assets		55,030	43,689
Raw materials and consumables		745	398
Inventories		745	398
Trade receivables		75,923	73,947
Contract work in progress	10	7,903	27,722
Receivables from group enterprises		688	10,935
Other receivables		3,780	174
Prepayments	11	424	308
Receivables		88,718	113,086
Cash		1,033	79
Current assets		90,496	113,563
Assets		145,526	157,252

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		500	500
Reserve for fair value adjustments of hedging instruments		(5,618)	(4,352)
Reserve for net revaluation according to the equity method		50,040	34,504
Reserve for development expenditure		1,739	2,301
Retained earnings		7,669	9,795
Proposed dividend		0	20,500
Equity		54,330	63,248
Deferred tax	12	6,551	6,456
Other provisions	13	5,742	6,141
Provisions		12,293	12,597
Other payables	14	1,082	1,824
Non-current liabilities other than provisions	15	1,082	1,824
Payables to other credit institutions		22,251	23,035
Contract work in progress	10	13,476	15,447
Trade payables		7,708	8,066
Payables to group enterprises		12,579	20,815
Tax payable		0	2,097
Other payables	16	21,807	10,123
Current liabilities other than provisions		77,821	79,583
Liabilities other than provisions		78,903	81,407
Equity and liabilities		145,526	157,252
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Related parties with controlling interest	19		
Transactions with related parties	20		

Statement of changes in equity for 2021

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	500	(4,352)	34,504	2,301	9,795
Ordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	0	(545)	0	0
Value adjustments	0	(1,623)	0	0	0
Tax of entries on equity	0	357	0	0	0
Transfer to reserves	0	0	3,274	306	(3,580)
Dissolution of reserves	0	0	0	(868)	868
Profit/loss for the year	0	0	12,807	0	586
Equity end of year	500	(5,618)	50,040	1,739	7,669

	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	20,500	63,248
Ordinary dividend paid	(20,500)	(20,500)
Exchange rate adjustments	0	(545)
Value adjustments	0	(1,623)
Tax of entries on equity	0	357
Transfer to reserves	0	0
Dissolution of reserves	0	0
Profit/loss for the year	0	13,393
Equity end of year	0	54,330

Notes

1 Revenue

	2021 DKK'000	2020 DKK'000
Revenue, Denmark	406,763	415,599
Revenue, exports	43,300	21,289
Total revenue by geographical market	450,063	436,888

2 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	20,323	18,239
Pension costs	2,611	2,345
Other social security costs	549	529
Other staff costs	729	498
	24,212	21,611

Average number of full-time employees	51	50
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	Remuneration of Management 2021 DKK'000	Remuneration of Management 2020 DKK'000
Executive Board	2,954	2,980
	2,954	2,980

3 Other financial income

	2021 DKK'000	2020 DKK'000
Financial income from group enterprises	413	359
Other financial income	17	0
	430	359

4 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	0	2,129
Change in deferred tax	287	1,402
Adjustment concerning previous years	165	0
	452	3,531

5 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	13,393	21,030
	13,393	21,030

6 Intangible assets

	Development projects in progress DKK'000
Cost beginning of year	4,493
Additions	306
Cost end of year	4,799
Amortisation and impairment losses beginning of year	(1,544)
Impairment losses for the year	(868)
Amortisation and impairment losses end of year	(2,412)
Carrying amount end of year	2,387

7 Development projects

Development projects relates to the development and implementation of a new ERP system. The project is progressing according to plan through the use of the resources allocated by management to the development.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	3,601
Transfers	(1,909)
Disposals	(59)
Cost end of year	1,633
Depreciation and impairment losses beginning of year	(2,877)
Transfers	1,909
Depreciation for the year	(382)
Reversal regarding disposals	59
Depreciation and impairment losses end of year	(1,291)
Carrying amount end of year	342

9 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	1,933
Cost end of year	1,933
Revaluations beginning of year	37,778
Exchange rate adjustments	(545)
Share of profit/loss for the year	12,807
Revaluations end of year	50,040
Carrying amount end of year	51,973

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Badelement Polska Sp. Z o.o.	Poland	Sp. Z o.o,	100%	51,397	12,268
Badelement Norge	Norway	AS	100%	576	540

10 Contract work in progress

	2021 DKK'000	2020 DKK'000
Contract work in progress	388,204	208,531
Progress billings regarding contract work in progress	(393,777)	(196,256)
Transferred to liabilities other than provisions	13,476	15,447
	7,903	27,722

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

12 Deferred tax

	2021 DKK'000	2020 DKK'000
Intangible assets	525	648
Property, plant and equipment	(75)	(48)
Receivables	7,840	5,953
Provisions	93	67
Liabilities other than provisions	0	(164)
Tax losses carried forward	(1,832)	0
Deferred tax	6,551	6,456

	2021 DKK'000	2020 DKK'000
Changes during the year		
Beginning of year	6,456	6,281
Recognised in the income statement	452	1,405
Recognised directly in equity	(357)	(1,230)
End of year	6,551	6,456

13 Other provisions

The Company provides warranty of 5 years on finished and delivered bathroom pods. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

14 Other payables

	2021 DKK'000	2020 DKK'000
Other costs payable	1,082	1,824
	1,082	1,824

15 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK'000
Other payables	1,082
	1,082

16 Other payables

	2021 DKK'000	2020 DKK'000
VAT and duties	6,583	6,930
Wages and salaries, personal income taxes, social security costs, etc payable	1,142	1,742
Holiday pay obligation	598	449
Other costs payable	13,484	1,002
	21,807	10,123

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded to hedge future purchase of goods in PLN. At the balance sheet date, the fair value of derivative financial instruments amounts to TDKK -2.372.

17 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Liabilities under rental or lease agreements until maturity in total	1,347,984	674,165

18 Contingent liabilities

Following assets provide security for banks:

- Company charge of nominally TDKK 5.000 provide security in property, plant and equipment, inventories and trade receivables with a carrying value of TDKK 77.009.
- Shares in subsidiaries with a carrying value of TDKK 51.973

The company has provided a support letter for the subsidiary Bad Element Polska SP Z.o.o. This letter commits the company to support the subsidiary financially in the coming financial year if necessary.

The danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Baldo Aquisition ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

19 Related parties with controlling interest

Baldo Acquisition ApS, Levysgade 14, st., 8700 Horsens, owns all shares in the Entity, thus exercising control.

20 Transactions with related parties

	Parent	Subsidiaries
	DKK'000	DKK'000
Cost of sales	0	361,875
Salaries	6,943	0
Interests	0	254

For transactions regarding remuneration of management we refer to note 2.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. Derivative financial instruments are recognised in other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in the reserve for fair value adjustments of hedging instruments in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

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 Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

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

Other financial expenses

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

Tax on profit/loss for the year

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

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. However, the amortisation periods used are not exceeding 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

Other fixtures and fittings, tools and equipment	5 years
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For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and

costs incurred to execute sale.

Receivables

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

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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

Other provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Other financial liabilities

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

Tax receivable or payable

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

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Baldo Acquisition ApS, the Company has not prepared a cash flow statement.