



## Badelement A/S

Levysgade 14, st.  
8700 Horsens  
CVR No. 31752469

## Annual report 2023

The Annual General Meeting adopted the annual report on 28.06.2024

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**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: 01.01.2023 - 31.12.2023

## Supervisory Board

Nicolai Bloch Tobiesen  
Stefan Andreas Walter Happak  
Wolfgang Ziegler

## 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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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, 29.01.2024

## Executive Board

**Hans Henrik Nielsen**  
CEO

**Henning Aabo Jørgensen**

## Supervisory Board

**Nicolai Bloch Tobiesen**

**Stefan Andreas Walter Happak**

**Wolfgang Ziegler**

# 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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 29.01.2024

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Morten Almtoft Lund**

State Authorised Public Accountant  
Identification No (MNE) mne41365

**Sussi Toft Johansen**

State Authorised Public Accountant  
Identification No (MNE) mne35830

# Management commentary

## Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	317,885	350,659	450,063	436,888	465,635
Gross profit/loss	8,300	(11,067)	28,703	40,655	45,594
Operating profit/loss	(19,162)	(37,462)	3,265	17,600	23,963
Net financials	(6,494)	(1,992)	(2,227)	(1,628)	(1,902)
Profit/loss for the year	(6,910)	(21,574)	13,393	21,030	25,657
Total assets	136,587	124,810	145,525	157,250	159,188
Investments in property, plant and equipment	0	250	0	0	13
Equity	33,875	39,308	54,330	63,248	69,658
Average number of employees	50	52	51	50	49
<b>Ratios</b>					
Gross margin (%)	2.60	(3.20)	6.40	9.30	9.8
Profit margin (%)	(6.00)	(10.70)	0.70	4.00	5.10
Return on equity (%)	(17.70)	(46.10)	23.30	31.60	39.30
Solvency ratio (%)	25.20	21.50	37.50	40.00	43.80

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

### Gross margin (%):

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

Revenue

### Profit margin (%):

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

Revenue

### Return on equity (%):

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

Average equity

### Solvency ratio (%):

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

Total assets



### Primary activities

Key activities consist of advisory in connection to selling and producing prefabricated bathroom pods, shafts and related activities.

### Development in activities and finances

The income statement of the Company for 2023 shows a result of TDKK (6,910) and at 31 December 2023 the balance sheet of the Company shows equity of TDKK 33,875.

### Profit/loss for the year in relation to expected developments

The expectations for the year 2023 were to increase sales in existing markets in Norway and Denmark. In general, the markets have been characterized by somewhat lower building activity due to uncertainties in the building sector and increased interest rates. As a result, the Company experienced a drop in sales compared to 2022. The Company experienced a somewhat tough sales price competition, stabilizing purchase prices and improved flows in the supply chain, which is a result of extensive work done on utilizing the Company's ERP system, including transparency in supply prices, inventory, quotation calculations, production planning, etc. The company has also gained on improving internal processes.

Due to complicated market conditions and decline in sales the Company completed cost saving activities during the year.

In means of supporting growth plans, the Company also invested in developing a lightweight bathroom pod, which should open markets further to the Company. The development was finalized in the Spring, and the Company has delivered lightweight bathroom pods to the first few projects in the autumn with success.

To further strengthen the potential of increased sales and earnings in the near future, the Company has invested in a new product Installation Shafts during the past year and have already delivered a number of projects with success. The Shafts can be mounted to both the existing Bathroom pods and the newly developed lightweight bathroom pods, and in 2023 the Company delivered both solutions to commercial projects. Further, the Company decided to access the neighbouring markets Sweden and Germany via local establishment and sales representatives. The legal entities were established in the Autumn and local experienced representation is signed on for startup in the beginning of the upcoming year.

### Special risks

The Company's special risks relate to competing companies on the market.

The Company is not exposed to changes in interest rates due to its operations, investments and financing. It is the Company policy not to speculate in financial movements.

The Company has substantial trading in EUR, NOK, SEK and mainly PLN which exposes the Company to currency exchange risks. The Company hedges currency risks through forward exchange contracts covering the coming year.

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

### Outlook

Expectations for 2024 is to develop and significantly increase sales within the new products lightweight bathroom pods and installation shafts taking outset in current orderbook. Further, the Group expects a moderate growth

on existing products and markets partly due to expectation of a modest market growth coming from stable to slight declining interest rates.

The total revenue growth of the Group is an expected revenue growth of approximately 20%.

Further, the Group expects an improvement in earnings in 2024 thanks to the cost improvements and efficiency gains initiated from 2022 and onwards.

### **Knowledge resources**

The Company emphasizes a maintained focus on delivering high quality products. Hence, quality systems, standard processes and quality checks in production and other areas are prioritized. Process automation and a work force with accurate skills set to maintain a high level of competencies are key focus areas.

### **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 subsidiaries in Poland, Badelement Poland Sp. Z.o.o., Norway, Badelement Norge AS, Sweden, Badelement Sverige AB and Germany, Badelement Deutschland GmbH.

### **Statutory report on corporate social responsibility**

The Company produces prefabricated bathrooms and installation shafts for installation into primarily new multi-floor buildings. Production takes place in the Polish subsidiary using components from sub-suppliers. Other functions such as Sales, Design, Procurement, Freight/Logistics and Service are performed in Denmark. The Company employs Badelement 50 people, and the primary market is the Danish building sector. The German private equity fund Findos' ownership share is 80% since 2017.

The Company operates in highly regulated markets where 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. 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 matter and labour as well as being exposed to corruption and bribery is very limited.

Based on its business model and the fact that the most important market 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 of the opinion that its potential exposure to corruption and bribery is low. Based on the extensive local and national environmental and climate regulations and the voluntary agreements in the labour market, it is assessed that Company policies on environmental, climate, social matters and labour 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. The Company aim is to have at least one woman on the Board of Directors by 2025.

So far, the Company has employed, and will continue to employ, the most suitable Supervisory Board members, executive directors 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 objectives. The members of the Supervisory Board are recruited with this in mind to ensure a long-lasting attachment to the Group. Efforts are made to maintain the stability and continuity on the Supervisory Board.

One member was replaced in the Supervisory Board in 2023, which means that the female representation on the Supervisory Board remains 0% as in 2022. The replacement was already involved in the Company, and it was the best choice for the position assessing experience, knowledge of business and the support needed. There is no plan of exchanging in the Supervisory board within the next 3 years.

Total headcount	Share of underrepresented	Target share	Target year
3	0%	33%	2027

The gender representation at other management levels covers is equally shared, and it is the objective to have a mixed diversity amongst best qualified managers

Total headcount	Share of underrepresented		
4	50%		

### Statutory report on data ethics policy

During 2023 the Company has maintained 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 are trained in the programs.

The Company has a personal data policy in compliance with the GDPR rules to handle data with respect of confidentially. Further, the Company assesses its personal data log structures periodically for maintenance and updating. Data ethics will have a continued 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 2023

	Notes	2023 DKK'000	2022 DKK '000
Revenue	1	317,885	350,659
Cost of sales		(285,520)	(336,866)
Other external expenses		(24,065)	(24,860)
<b>Gross profit/loss</b>		<b>8,300</b>	<b>(11,067)</b>
Staff costs	2	(26,507)	(25,150)
Depreciation, amortisation and impairment losses		(955)	(1,245)
<b>Operating profit/loss</b>		<b>(19,162)</b>	<b>(37,462)</b>
Income from investments in group enterprises		13,179	9,382
Other financial income		5,773	1,481
Other financial expenses		(12,267)	(3,473)
<b>Profit/loss before tax</b>		<b>(12,477)</b>	<b>(30,072)</b>
Tax on profit/loss for the year	3	5,567	8,498
<b>Profit/loss for the year</b>	4	<b>(6,910)</b>	<b>(21,574)</b>

# Balance sheet at 31.12.2023

## Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	6	547	1,478
<b>Intangible assets</b>	5	<b>547</b>	<b>1,478</b>
Other fixtures and fittings, tools and equipment		172	236
<b>Property, plant and equipment</b>	7	<b>172</b>	<b>236</b>
Investments in group enterprises		26,909	12,104
Deposits		411	395
<b>Financial assets</b>	8	<b>27,320</b>	<b>12,499</b>
<b>Fixed assets</b>		<b>28,039</b>	<b>14,213</b>
Raw materials and consumables		495	745
<b>Inventories</b>		<b>495</b>	<b>745</b>
Trade receivables		48,709	64,592
Contract work in progress	9	1,883	334
Receivables from group enterprises		31,737	37,101
Deferred tax	10	5,471	0
Other receivables	11	9,574	6,697
Prepayments	12	810	611
<b>Receivables</b>		<b>98,184</b>	<b>109,335</b>
<b>Cash</b>		<b>9,869</b>	<b>517</b>
<b>Current assets</b>		<b>108,548</b>	<b>110,597</b>
<b>Assets</b>		<b>136,587</b>	<b>124,810</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2023</b> <b>DKK'000</b>	<b>2022</b> <b>DKK'000</b>
Contributed capital		500	500
Reserve for fair value adjustments of hedging instruments		1,512	1,458
Reserve for net revaluation according to the equity method		24,773	10,171
Reserve for development expenditure		427	830
Retained earnings		6,663	26,349
<b>Equity</b>		<b>33,875</b>	<b>39,308</b>
Deferred tax	10	0	81
Other provisions	13	8,691	6,281
<b>Provisions</b>		<b>8,691</b>	<b>6,362</b>
Payables to other credit institutions		23,577	24,497
Contract work in progress	9	36,951	29,319
Trade payables		3,888	5,722
Payables to group enterprises		22,960	4,807
Other payables	14	6,645	14,795
<b>Current liabilities other than provisions</b>		<b>94,021</b>	<b>79,140</b>
<b>Liabilities other than provisions</b>		<b>94,021</b>	<b>79,140</b>
<b>Equity and liabilities</b>		<b>136,587</b>	<b>124,810</b>
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		
Transactions with related parties	18		
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# Statement of changes in equity for 2023

	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	1,458	10,171	830	26,349
Exchange rate adjustments	0	0	1,423	0	0
Value adjustments	0	69	0	0	0
Tax of entries on equity	0	(15)	0	0	0
Transfer to reserves	0	0	0	330	(330)
Dissolution of reserves	0	0	0	(733)	733
Profit/loss for the year	0	0	13,179	0	(20,089)
<b>Equity end of year</b>	<b>500</b>	<b>1,512</b>	<b>24,773</b>	<b>427</b>	<b>6,663</b>

	Total DKK'000
Equity beginning of year	39,308
Exchange rate adjustments	1,423
Value adjustments	69
Tax of entries on equity	(15)
Transfer to reserves	0
Dissolution of reserves	0
Profit/loss for the year	(6,910)
<b>Equity end of year</b>	<b>33,875</b>

# Notes

## 1 Revenue

	2023	2022
	DKK'000	DKK'000
Revenue, Denmark	281,621	292,994
Revenue, exports	36,264	57,665
<b>Total revenue by geographical market</b>	<b>317,885</b>	<b>350,659</b>

The company only has one business area.

## 2 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	22,504	21,109
Pension costs	2,797	2,729
Other social security costs	635	496
Other staff costs	571	816
	<b>26,507</b>	<b>25,150</b>

Average number of full-time employees	50	52
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	Remuneration of Management 2023 DKK'000	Remuneration of Management 2022 DKK'000
Executive Board	3,028	2,937
	<b>3,028</b>	<b>2,937</b>

## 3 Tax on profit/loss for the year

	2023	2022
	DKK'000	DKK'000
Change in deferred tax	(5,567)	(8,465)
Adjustment concerning previous years	0	(33)
	<b>(5,567)</b>	<b>(8,498)</b>



#### 4 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Retained earnings	(6,910)	(21,574)
	<b>(6,910)</b>	<b>(21,574)</b>

#### 5 Intangible assets

	Completed development projects DKK'000
Cost beginning of year	4,830
<b>Cost end of year</b>	<b>4,830</b>
Amortisation and impairment losses beginning of year	(3,352)
Amortisation for the year	(931)
<b>Amortisation and impairment losses end of year</b>	<b>(4,283)</b>
<b>Carrying amount end of year</b>	<b>547</b>

#### 6 Development projects

Development projects relates to the development and implementation of a new ERP system.

#### 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	1,824
Disposals	(189)
<b>Cost end of year</b>	<b>1,635</b>
Depreciation and impairment losses beginning of year	(1,588)
Depreciation for the year	(64)
Reversal regarding disposals	189
<b>Depreciation and impairment losses end of year</b>	<b>(1,463)</b>
<b>Carrying amount end of year</b>	<b>172</b>

## 8 Financial assets

	<b>Investments in group enterprises DKK'000</b>
Cost beginning of year	1,933
Additions	203
<b>Cost end of year</b>	<b>2,136</b>
Revaluations beginning of year	10,171
Exchange rate adjustments	1,423
Share of profit/loss for the year	13,179
<b>Revaluations end of year</b>	<b>24,773</b>
<b>Carrying amount end of year</b>	<b>26,909</b>

<b>Investments in subsidiaries</b>	<b>Registered in</b>	<b>Corporate form</b>	<b>Equity interest %</b>	<b>Equity DKK'000</b>	<b>Profit/loss DKK'000</b>
Badelement Polska Sp. Z o.o.	Poland	Sp. Z o.o,	100.00	25,845	13,007
Badelement Norge AS	Norway	AS	100.00	916	227
Badelement Deutschland GmbH	Germany	GmbH	100.00	139	(47)
Badelement Sverige AS	Sweden	AS	100.00	9	(8)

## 9 Contract work in progress

	<b>2023 DKK'000</b>	<b>2022 DKK'000</b>
Contract work in progress	114,254	208,090
Progress billings regarding contract work in progress	(149,322)	(236,741)
Transferred to liabilities other than provisions	36,951	28,985
	<b>1,883</b>	<b>334</b>

## 10 Deferred tax

	<b>2023 DKK'000</b>	<b>2022 DKK'000</b>
Intangible assets	(120)	(325)
Property, plant and equipment	71	87
Receivables	(1,169)	(1,162)
Provisions	(178)	(134)
Tax losses carried forward	6,867	1,453
<b>Deferred tax</b>	<b>5,471</b>	<b>(81)</b>

	<b>2023</b>	<b>2022</b>
<b>Changes during the year</b>	<b>DKK'000</b>	<b>DKK'000</b>
Beginning of year	(81)	(6,551)
Recognised in the income statement	5,567	8,465
Recognised directly in equity	(15)	(1,995)
<b>End of year</b>	<b>5,471</b>	<b>(81)</b>

### Deferred tax assets

Tax assets is expected to be utilized in the coming 3-5 years from positive tax results.

### 11 Other receivables

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Other receivables	9,574	6,697
	<b>9,574</b>	<b>6,697</b>

Other receivables include the fair value of foreign exchange forward transactions of T.DKK. 6.765. The foreign exchange forward transactions have been entered to secure the company's purchases of goods against unexpected exchange rate adjustment. The foreign exchange forward transactions secure the exchange rate of PLN for the coming nine months after year end, which in a total amounts to PLN 79,0 million. The adjustment of the year is t.DKK. 69 before tax, which is recognized directly on the equity.

The financial instruments are entered with the company's bank.

### 12 Prepayments

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

### 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

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
VAT and duties	3,558	5,658
Wages and salaries, personal income taxes, social security costs, etc payable	1,143	711
Holiday pay obligation	465	590
Other costs payable	1,479	7,836
	<b>6,645</b>	<b>14,795</b>

## 15 Unrecognised rental and lease commitments

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Liabilities under rental or lease agreements until maturity in total	2,366,931	1,662,919

## 16 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 49,376.
- Shares in subsidiaries with a carrying value of TDKK 26,761

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.

## 17 Related parties with controlling interest

Baldo Acquisition ApS, Levysgade 14, st., 8700 Horsens, owns all shares in the Entity, thus exercising control. Baldo Zehn Holding GmbH, München owns the majority of the shares in in Baldo Acquisition ApS.

## 18 Transactions with related parties

	<b>Parent</b>	<b>Subsidiaries</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Cost of sales	0	262,521
Management fee	8,310	0
Interests	0	1,974
Receivables	0	71,527
Liabilities other than provisions	20,014	42,736

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

## 19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Baldo Acquisition ApS, Levysgade 14, st., 8700 Horsens

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Baldo Acquisition ApS, Levysgade 14, st., 8700 Horsens

# 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.

Referring to section 96 (3) the note concerning fees to the auditor appointed by the Annual General Meeting have not been disclosed.

## 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 normal 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:

	<b>Useful life</b>
Other fixtures and fittings, tools and equipment	5 years

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.

**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.

**Prepayments**

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

**Cash**

Cash comprises cash in hand and bank deposits.

**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.

**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.