

# KM Rustfri A/S

Gammel Rønbjergvej 2 a, 7800 Skive

CVR no. 32 44 03 55

## Annual report 2023

Approved at the Company's annual general meeting on 16 May 2024

Chair of the meeting:

.....  
Claus Bang Christiansen

## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	8
Income statement	8
Balance sheet	9
Statement of changes in equity	11
Cash flow statement	12
Notes to the financial statements	13

## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of KM Rustfri A/S for the financial year 1 January - 31 December 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 financial position of the Company at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Skive, 29 April 2024  
Executive Board:

.....  
Peter Melgaard Skelkjær

Board of Directors:

.....  
Wolf Ehrenberg  
Chairman

.....  
Thomas Harry Otto Erhorn

.....  
Harry Ehrenberg

.....  
Michael Lund Rauff  
Finnerup

## Independent auditor's report

To the shareholders of KM Rustfri A/S

### Opinion

We have audited the financial statements of KM Rustfri A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 financial position of the Company at 31 December 2023 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditor's report

- ▶ 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 note 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Aarhus, 29 April 2024  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Tom B. Lassen  
State Authorised Public Accountant  
mne24820

## Management's review

### Company details

Name	KM Rustfri A/S
Address, Postal code, City	Gammel Rønbjergvej 2 a, 7800 Skive
CVR no.	32 44 03 55
Established	28 August 2009
Registered office	Skive
Financial year	1 January - 31 December
Board of Directors	Wolf Ehrenberg, Chairman Thomas Harry Otto Erhorn Harry Ehrenberg Michael Lund Rauff Finnerup
Executive Board	Peter Melgaard Skelkjær
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

## Management's review

### Financial highlights

DKK	2023	2022	2021	2020	2019
<b>Key figures</b>					
Operating profit/loss	-5,511,080	-5,224,447	-1,319,477	-5,433,603	-4,521,304
Profit before interest and tax (EBIT)	-5,261,160	-5,224,447	-1,319,477	-5,433,603	-4,521,304
Net financials	-1,383,934	-797,000	-542,408	-1,122,911	-1,669,309
Profit/loss for the year	-5,186,517	-4,913,702	-1,453,393	-5,117,494	-4,894,562
<b>Balance sheet</b>					
Total assets	51,819,355	55,227,640	57,924,723	54,960,691	44,427,698
Investments in property, plant and equipment	0	-207,254	0	0	0
Equity	16,112,579	1,749,096	6,662,798	8,116,191	8,480,599
<b>Cash flows</b>					
Cash flows from operating activities	-685,325	9,341,461	5,765,612	-996,980	10,471,899
Net cash flows from investing activities	-5,312,407	-8,018,835	-5,517,129	-8,720,996	-3,290,958
Cash flows from financing activities	6,426,871	-1,997,991	-451,401	6,041,876	-8,791,324
Total cash flows	429,139	-675,365	-202,918	-3,676,100	-1,610,383
<b>Financial ratios</b>					
Return on assets	-10.3%	-9.2%	-2.3%	-10.9%	-9.0%
Current ratio	64.6%	49.9%	71.7%	68.9%	77.7%
Equity ratio	31.1%	3.2%	11.5%	14.8%	19.1%
Return on equity	-58.1%	-116.8%	-19.7%	-61.7%	-44.8%

For terms and definitions, please see the accounting policies.

## Management's review

### Business review

The Company's purpose is to develop and produce dairy fittings and custom made deep drawing products in stainless steel.

### Financial review

The income statement for 2023 shows a loss of DKK 5,187 thousand against a loss of DKK 4,914 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 16,113 thousand.

The result for the year does not meet expectations, and is also in 2023 affected by a decline in revenue on customer-specific items combined with a general slowdown in the market. As part of a turnaround, investments in new machinery to support the strategy have been executed and the focus on optimizing existing production facilities has continued. During the year, cost cutting programs have also been realized to support a more profitable operation in the future.

To support the growth ambitions and strategy for the company, the owners decided to capitalize the company with DKK 19,550 thousand, which has had a positive influence on the equity ratio, which went from 3,2% in 2022 to 31,1% in 2023. This capitalization also led to a change in the ownership structure, so that the company is now owned by Damstahl a/s and Armaturenwerk Hötensleben GmbH, both with 50%. Thereby, Peter Espersen Holding ApS is no longer shareholder of the company.

### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

### Outlook

With the initiated investments and optimizations, an expansion of the product range, and also an increasing demand from external customers at start of 2024, the company expects to improve its profitability by approximately 1-3 MDKK compared to 2023.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK	<u>2023</u>	<u>2022</u>
	<b>Gross profit/loss</b>	-1,638,071	-710,985
10	Distribution costs	-1,110,232	-1,404,273
10	Administrative expenses	-2,512,857	-3,109,189
	<b>Operating profit/loss</b>	-5,261,160	-5,224,447
	Financial income	7,291	733
2	Financial expenses	-1,391,225	-797,733
	<b>Profit/loss before tax</b>	-6,645,094	-6,021,447
3	Tax for the year	1,458,577	1,107,745
	<b>Profit/loss for the year</b>	<u>-5,186,517</u>	<u>-4,913,702</u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	2023	2022
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
5	<b>Property, plant and equipment</b>		
	Land and buildings	9,318,823	9,571,457
	Plant and machinery	25,048,873	23,672,961
	Fixtures and fittings, other plant and equipment	296,081	466,651
	Property, plant and equipment under construction	0	207,254
		<u>34,663,777</u>	<u>33,918,323</u>
	<b>Total fixed assets</b>	<u>34,663,777</u>	<u>33,918,323</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	1,044,418	1,262,889
	Work in progress	1,647,047	2,741,778
	Finished goods and goods for resale	8,052,467	9,564,355
		<u>10,743,932</u>	<u>13,569,022</u>
	<b>Receivables</b>		
	Trade receivables	4,909,044	6,637,592
	Receivables from group enterprises	154,276	444,963
	Joint taxation contribution receivable	29,477	0
	Other receivables	343,066	51,981
6	Prepayments	197,281	256,396
		<u>5,633,144</u>	<u>7,390,932</u>
	<b>Cash</b>	<u>778,502</u>	<u>349,363</u>
	<b>Total non-fixed assets</b>	<u>17,155,578</u>	<u>21,309,317</u>
	<b>TOTAL ASSETS</b>	<u>51,819,355</u>	<u>55,227,640</u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	2023	2022
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
7	Share capital	500,000	500,000
	Share premium account	0	0
	Retained earnings	15,612,579	1,249,096
	<b>Total equity</b>	<b>16,112,579</b>	<b>1,749,096</b>
	<b>Provisions</b>		
8	Deferred tax	103,900	1,533,100
	<b>Total provisions</b>	<b>103,900</b>	<b>1,533,100</b>
	<b>Liabilities other than provisions</b>		
9	<b>Non-current liabilities other than provisions</b>		
	Mortgage debt	3,272,418	3,467,743
	Lease liabilities	5,198,086	5,259,174
	Other payables	569,829	549,304
		<b>9,040,333</b>	<b>9,276,221</b>
	<b>Current liabilities other than provisions</b>		
9	Short-term part of long-term liabilities other than provisions	1,309,888	1,178,661
	Bank debt	22,006,532	24,004,405
	Trade payables	1,376,618	1,987,909
	Payables to group enterprises	415,850	12,730,834
	Other payables	1,453,655	2,095,780
	Deferred income	0	671,634
		<b>26,562,543</b>	<b>42,669,223</b>
	<b>Total liabilities other than provisions</b>	<b>35,602,876</b>	<b>51,945,444</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>51,819,355</b>	<b>55,227,640</b>

- 1 Accounting policies
- 4 Appropriation of profit/loss
- 11 Contractual obligations and contingencies, etc.
- 12 Security and collateral
- 13 Related parties

## Financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK	Share capital	Share premium account	Retained earnings	Total
	Equity at 1 January 2022	500,000	0	6,162,798	6,662,798
4	Transfer, see "Appropriation of profit/loss"	0	0	-4,913,702	-4,913,702
	<b>Equity at 1 January 2023</b>	<b>500,000</b>	<b>0</b>	<b>1,249,096</b>	<b>1,749,096</b>
	Capital increase	500,000	19,050,000	0	19,550,000
	Capital reduction	-500,000	0	500,000	0
4	Transfer, see "Appropriation of profit/loss"	0	0	-5,186,517	-5,186,517
	Transferred from share premium account	0	-19,050,000	19,050,000	0
	<b>Equity at 31 December 2023</b>	<b>500,000</b>	<b>0</b>	<b>15,612,579</b>	<b>16,112,579</b>

## Financial statements 1 January - 31 December

### Cash flow statement

Note	DKK	2023	2022
	Profit/loss for the year	-5,186,517	-4,913,702
14	Adjustments	4,492,310	3,500,632
	Cash generated from operations (operating activities)	-694,207	-1,413,070
15	Changes in working capital	1,392,846	11,069,841
	Cash generated from operations (operating activities)	698,639	9,656,771
	Interest received, etc.	7,291	733
	Interest paid, etc.	-1,391,255	-797,733
	Income taxes paid	0	481,690
	<b>Cash flows from operating activities</b>	<b>-685,325</b>	<b>9,341,461</b>
	Additions of property, plant and equipment	-5,312,407	-8,018,835
	<b>Cash flows to investing activities</b>	<b>-5,312,407</b>	<b>-8,018,835</b>
	Proceeds of debt, finance leases	1,732,566	1,189,972
	Repayments, long-term liabilities	-11,194,291	-1,793,261
	Repayments, finance leases	-1,663,461	-1,581,860
	Cash capital increase	19,550,000	0
	Other cash flows from financing activities	-1,997,943	187,158
	<b>Cash flows from financing activities</b>	<b>6,426,871</b>	<b>-1,997,991</b>
	<b>Net cash flow</b>	<b>429,139</b>	<b>-675,365</b>
	Cash and cash equivalents at 1 January	349,363	1,024,728
16	<b>Cash and cash equivalents at 31 December</b>	<b>778,502</b>	<b>349,363</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of KM Rustfri A/S for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and 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 rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

### Income statement

#### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Gross profit/loss

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross profit/loss in accordance with section 32 of the Danish Financial Statements Act.

#### Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is recognised.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation. Costs related to sales and marketing are recognised in the income statement when the Company obtains control over the sales or marketing product.

##### Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

##### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

##### Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	20 years
Plant and machinery	5-15 years
Fixtures and fittings, other plant and equipment	2-15 years

##### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

##### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

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

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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 has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

##### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

##### Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

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

Cash and cash equivalents comprise cash and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

##### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	$\frac{\text{Profit/loss before net financials +/-Other operating income and other operating expenses}}{\text{Average assets}} \times 100$
Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets}} \times 100$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}} \times 100$
Equity ratio	$\frac{\text{Equity, year-end}}{\text{Total equity and liabilities, year-end}} \times 100$
Return on equity	$\frac{\text{Profit/loss after tax}}{\text{Average equity}} \times 100$

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK	2023		2022		
<b>2 Financial expenses</b>					
Interest expenses, associates		583,948		227,094	
Other financial expenses		807,277		570,639	
		<u>1,391,225</u>		<u>797,733</u>	
<b>3 Tax for the year</b>					
Deferred tax adjustments in the year		-1,429,200		-1,135,259	
Tax adjustments, prior years		-29,377		27,514	
		<u>-1,458,577</u>		<u>-1,107,745</u>	
<b>4 Appropriation of profit/loss</b>					
<b>Recommended appropriation of profit/loss</b>					
Retained earnings/accumulated loss		-5,186,517		-4,913,702	
		<u>-5,186,517</u>		<u>-4,913,702</u>	
<b>5 Property, plant and equipment</b>					
DKK	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2023	11,960,348	55,153,262	1,156,773	207,254	68,477,637
Additions	0	5,312,407	0	0	5,312,407
Transferred	207,254	0	0	-207,254	0
Cost at 31 December 2023	<u>12,167,602</u>	<u>60,465,669</u>	<u>1,156,773</u>	<u>0</u>	<u>73,790,044</u>
Impairment losses and depreciation at 1 January 2023	2,388,891	31,480,301	690,122	0	34,559,314
Depreciation	459,888	3,936,495	170,570	0	4,566,953
Impairment losses and depreciation at 31 December 2023	<u>2,848,779</u>	<u>35,416,796</u>	<u>860,692</u>	<u>0</u>	<u>39,126,267</u>
<b>Carrying amount at 31 December 2023</b>	<u>9,318,823</u>	<u>25,048,873</u>	<u>296,081</u>	<u>0</u>	<u>34,663,777</u>
Property, plant and equipment include finance leases with a carrying amount totalling	0	10,743,470	0	0	10,743,470
Depreciated over	20 years	5-15 years	2-15 years		

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 6 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance policies etc.

DKK	<u>2023</u>	<u>2022</u>
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#### 7 Share capital

Analysis of the share capital:

1,000 A shares of DKK 500.00 nominal value each	<u>500,000</u>	<u>500,000</u>
	<u>500,000</u>	<u>500,000</u>

Analysis of changes in the share capital over the past 5 years:

DKK	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Opening balance	500,000	500,000	500,000	500,000	500,000
Capital increase	500,000	0	0	0	0
Capital reduction	-500,000	0	0	0	0
	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

#### 8 Deferred tax

Deferred tax relates to:

Property, plant and equipment	3,710,200	3,934,400
Inventories	530,400	639,900
Liabilities	-1,389,500	-1,373,900
Tax loss	-2,747,200	-1,667,300
	<u>103,900</u>	<u>1,533,100</u>

#### 9 Non-current liabilities other than provisions

DKK	<u>Total debt at 31/12 2023</u>	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Outstanding debt after 5 years</u>
Mortgage debt	3,469,442	197,024	3,272,418	2,502,756
Lease liabilities	6,310,950	1,112,864	5,198,086	1,184,068
Other payables	569,829	0	569,829	0
	<u>10,350,221</u>	<u>1,309,888</u>	<u>9,040,333</u>	<u>3,686,824</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK	<u>2023</u>	<u>2022</u>
<b>10 Staff costs</b>		
Wages/salaries	17,760,664	24,644,609
Pensions	1,779,767	2,078,621
Other social security costs	507,667	597,825
Other staff costs	32,575	47,620
	<u>20,080,673</u>	<u>27,368,675</u>

Staff costs are recognised as follows in the financial statements:

Production costs	18,766,245	25,535,511
Distribution costs	664,200	803,187
Administrative expenses	650,228	1,029,977
	<u>20,080,673</u>	<u>27,368,675</u>

Capitalised wages and salaries for the construction of machines and tools, etc. are set off against production costs.

	<u>2023</u>	<u>2022</u>
Average number of full-time employees	52	69

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

### 11 Contractual obligations and contingencies, etc.

#### Other contingent liabilities

The Company is jointly taxed with Damstahl a/s, which acts as management company, and has limited and alternative liability together with other jointly taxed group entities for payment of income taxes for income year 2019 onwards as well as withholding taxes on interest, royalties and dividends.

#### Other financial obligations

Other lease liabilities:

DKK	<u>2023</u>	<u>2022</u>
Lease liabilities	18,000	97,000

Rent and lease liabilities include liabilities under operating leases totalling DKK 18 thousand with remaining contract terms of 5 months.

### 12 Security and collateral

The Company has deposited owner mortgages and indemnity letters, which provide mortgages on land and buildings with DKK 24,600 thousand as security for the Company's bank debt. The carrying amount of land and buildings totalled DKK 9,319 thousand at 31 December 2023.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 13 Related parties

KM Rustfri A/S' related parties comprise the following:

##### Significant influence

<u>Related party</u>	<u>Domicile</u>	<u>Basis for significant influence</u>
Damstahl a/s	Skanderborg, Danmark	Ownership
Armaturenwerk Hötensleben GmbH	Hötensleben, Germany	Ownership

##### Related party transactions

KM Rustfri A/S was engaged in the below related party transactions:

DKK	<u>2023</u>	<u>2022</u>
Sales to group entities	17,573,000	19,759,000
Bought from group entities	11,678,000	14,454,000
Financial costs from group entities	584,000	227,000
Receivables from group entities - transactions during the year	239,131	989,412
Payables to group entities - transactions during the year	-17,806,585	-14,864,613
<b>14 Adjustments</b>		
Amortisation/depreciation and impairment losses	4,566,953	3,811,377
Financial income	-7,291	-733
Financial expenses	1,391,225	797,733
Tax for the year	-1,458,577	-1,107,745
	<u>4,492,310</u>	<u>3,500,632</u>
<b>15 Changes in working capital</b>		
Change in inventories	2,825,090	-117,474
Change in receivables	1,787,265	5,837,446
Change in trade and other payables	-3,219,509	5,349,869
	<u>1,392,846</u>	<u>11,069,841</u>
<b>16 Cash and cash equivalents at year-end</b>		
Cash according to the balance sheet	<u>778,502</u>	<u>349,363</u>
	<u>778,502</u>	<u>349,363</u>

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Executive Board

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## Michael Lund Rauff Finnerup

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