

Hydro Precision Tubing Tønder A/S

Hydrovej 6, 6270 Tønder, Denmark

CVR-no. 37 48 84 10

Annual report 2023

The annual report has been approved at the company's annual general meeting on 21/6 2024

DocuSigned by:

As chairman of the annual general meeting

Erik Fossum

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Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Operating review	7
Financial statements 1 January – 31 December	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Notes	15

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today presented the annual report for the financial year 1 January – 31 December 2023 of Hydro Precision Tubing Tønder A/S.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

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


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

Tønder, 21/06. 2024
Executive Board

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Ole Thisted
Chief executive Officer

Board of Directors:


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Erik Fossum
Chairman

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Ole Thisted

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Maria E. B. Ljungström

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Jesper Pedersen
employee representative

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Jesper Karlsfort
employee representative

Independent auditor's report

To the shareholders of Hydro Precision Tubing Tønder A/S

Opinion

We have audited the financial statements of Hydro Precision Tubing Tønder A/S for the financial year 1 January – 31 December 2023 comprising income statement, balance sheet, statement of changes in equity 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 Company's assets, liabilities and financial position 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 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 responsibility 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, that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on 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

Fredericia, / 2024

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

DocuSigned by:



DOC33BB59A7D475
Nikolaj Møller Hansen

State Authorised

Public Accountant

mne 33220

Management's review

Company details

Name	Hydro Precision Tubing Tønder A/S
Address, zip code, city	Hydrovej 6, 6270 Tønder, Denmark
CVR no.	37 48 84 10
Established	12 September 1957
Registered office	Tønder
Financial year	1 January – 31 December 2023
E-mail	ptt@hydro.com
Telephone	+45 74 72 03 04
Telefax	+45 74 72 33 13
Board of Directors	Erik Fossum, Chairman Ole Thisted Maria E. B. Ljungström Jesper Pedersen, employee representative Jesper Karlsfort, employee representative
Executive Board	Ole Thisted, Chief Executive Officer
Auditors	KPMG P/S Vesterballevej 27, 2., 7000 Fredericia

DKK'000	2023	2022	2021	2020	2019
Key figures					
Revenue	1,124,429	1,291,193	972,455	807,425	975,871
Gross profit	210,083	229,335	292,762	348,665	280,454
Operating profit/loss from ordinary activities	-77,538	-51,329	43,619	111,550	36,128
Financial income and financial expenses	-4,104	-1,718	-314	-792	-1,891
Profit/loss from ordinary activities	-81,642	-53,047	43,305	110,758	34,237
Profit/loss from ordinary activities after tax	-63,335	-40,819	33,925	86,377	26,683
Non-current assets	203,394	200,710	207,969	189,412	195,256
Current assets	327,272	431,877	363,176	389,216	304,657
Total assets	530,666	632,587	571,145	578,628	499,913
Addition - Property, plant and equipment	44,452	48,772	58,491	34,982	51,872
Share capital	35,000	35,000	35,000	35,000	35,000
Equity	279,898	343,233	394,052	360,127	283,750
Provisions	8,970	9,919	9,611	10,353	8,342
Non-current liabilities other than provisions	9,473	11,681	13,782	17,234	9,351
Current liabilities other than provisions	232,325	267,754	153,700	190,914	198,470
Operating margin	-6.9 %	-4.0 %	4.5 %	13.8 %	3.7 %
Return on invested capital	-24.9 %	-13.9 %	11.6 %	34.6 %	13.4 %
Gross margin	18.7 %	17.8 %	30.1 %	43.2 %	28.7 %
Current ratio	140.9 %	161.3 %	236.3 %	203.9 %	153.5 %
Solvency ratio	52.7 %	54.3 %	69.0 %	62.2 %	56.8 %
Return on equity	-20.3 %	-11.1 %	9.0 %	26.8 %	9.9 %
Average number of full-time employees	450	455	421	405	418

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

Operating review

Main activities

The Company's main activity is development, manufacturing, processing, sale and delivery of precision drawn aluminium tubes, extruded tubes, multiport extrusions, cables and structural parts primarily for the European market.

Development in activities and financial position

The financial year 2023 ended with a revenue in the expected range of DKK 1,000,000 – 1,200,000 thousand and a loss before tax of DKK 81,642 thousand compared to an expected loss of DKK 50,000 – 65,000 thousand, which is considered to be unacceptable and unsatisfactory.

The year was mainly impacted by the development in the automotive market and a general increase in metal prices

Intellectual capital

The ambition of being market leader and on front of the technological development means that the Company is marked by a dynamic knowledge environment in rapid change, which in particular is important when it comes to gathering and sharing new knowledge. Besides, the knowledge of each employee plays a major role.

In order still to be able to deliver and develop competitive products and solutions it is crucial that the Company can recruit and maintain employees with a high education level. As a goal for this, the composition and the turnover of employees are important indicators. The employee part with high education level is 19,9%, which is satisfactory. The turnover of employees in 2023 was 8,1%.

The critical business processes are development and optimisation of products and processes according to market needs and management of quality and margins. In order to secure that the customer gets the agreed service, it is a demand that the different methods and procedures are documented. Business processes are controlled by KPIs as OTD and PPM.

Particular risks

General risks

The Company's major operational risk is related to the ability to be strongly positioned on the markets where the products are sold. During the financial year, the Company has maintained its market shares on the main markets within the European automotive industry.

Furthermore, it is important for the Company all the time to be on front of the technological development within the activity area of the Company. Consequently, the Company has maintained an appropriate investment level of new equipment (2023: DKK 44,452 thousand, 2022: DKK 48,772 thousand).

Financial risks

Due to operations, investments and funding, the Company is exposed to changes in exchange rates and interest. The parent company is centrally controlling the financial risks in the Company and coordinates the Company's control of the cash flow, including raising of funds and placing of excess liquidity. The Company is following a financial policy that operates with a low risk profile, so that the exchange rate, the interest and credit risks only arise based on commercial conditions.

The Company's use of derivative financial instruments is regulated through a written policy approved by the board and through internal procedures, which i.e. fix the limits of cover and which derivative financial instruments can be used.

Exchange rate risks

The activities are influenced by changes in exchange rates, as the turnover primarily is invoiced in foreign exchange, whereas the costs, including salaries, are paid in DKK. 99% of the Company's turnover comes from other countries than Denmark, primarily European countries.

The Company's foreign exchange risks, which are seen as low, are primarily covered by matching of receipts and outflow in same currency.

Credit risks

Credit risks related to financial assets correspond to the values included in the balance sheet. The Company has no major risks concerning a single customer or partner. Risks related to product guarantees towards customers are minimised by insurance cover. The Company's policy of taking credit risks implies that all major customers and other partners are continuously credit rated.

Liquidity

It is company policy that the raising of funds and placing of excess liquidity are centrally controlled by the parent company to an appropriate extent. The Company has furthermore a goal for stand-by liquidity in form of excess liquidity and irrevocable credits, which at any time should be at the disposal of the Company.

Research and development

The Hydro Group's precision tubing sector has a common development centre, I&T, which handles research and development activities in the sector.

Working conditions

The Company work continuously on maintaining and improving employee safety through increased employee involvement.

Events after the balance sheet date

From the day of the balance sheet and until today there have been no events that have major impact on the evaluation of the annual report.

Outlook

There is still a decent uncertainty in the European automotive industry.

In 2024 we expect a Revenue of DKK 1,000,000 - 1,200,000 thousand and around brake even before taxes

The mentioned expectations are based on an unchanged exchange rate for 2024.

Corporate Social Responsibility (CSR)

Hydro Precision Tubing Tønder A/S' statement on CSR according to §99a of the Danish Financial Statements Act is an integrated part of the annual report in the ultimate parent company, Norsk Hydro ASA.
<https://www.hydro.com/en/investors/reports-and-presentations/annual-reports/>

Hydro has agreed a Code of Conduct which all employees are to observe and act upon.

The Company is i.a. under an obligation to respect and support human rights for all persons who may be affected by the Company's operations. These human rights are defined in UN's Universal Declaration of Human Rights and related documents.

Goals and policies for the underrepresented gender

The Company has a high focus on diversity through the employment of individuals from different nationalities, age groups, genders and colleagues with varying needs, including adult apprentices and employees with disabilities. This commitment is also recognized by the CSR label awarded by Tønder (hometown) over the past several years.

Goals and policies for underrepresented gender has been implemented. The company has a target that at least 20% of board of Directors (excl employee representative) shall be women. The percentage in the Board of Directors in HPTT is currently 33% which means that HPTT has achieved an equal distribution of genders. At other management levels, HPTT has also achieved an equal distribution of genders, since 42% are female managers.

To secure equal distribution the company has started a row of initiatives to promote and support the development of female talents and managers. The initiatives include among other things career development conversations and

plans to promote female talents and incentive to female talents'/managers' participation in networks – internal as well as external. At the recruiting of managers, the aim is to attract as well female as male applicants.

The company employs 10 different nationalities besides Danish, with German employees comprising the largest portion.

	2021	2022	2023
Diversity			
Men	76%	77%	75%
Women	24%	23%	25%
Turnover	4%	5%	8%
Trainee	13	14	17

Board of Directors (excl employee representative)	2023
Total number of members	3
Underrepresented gender in %	33,33%
Other management levels	
Total number of members	19
Underrepresented gender in %	42,00%
Year target number fulfilled	yes

Diversity is also a key topic in the HR reports sent to HQ.

A scholarship to an Academy student at the local College is granted every year.

The company is using recycled and low-carbon aluminium as a foundational element in a low-carbon circular society. We therefore only source aluminium, produced with low emissions.

In addition, we ensure that our production scrap is recycled in the most efficient way possible, with the smallest environmental footprint. All materials are sorted, allowing a significant portion of our scrap to be reused.

When developing new products, we constantly work with reducing wall-thickness and by that reducing the pc weight. For engineered structural products, we employ finite element simulation to tailor the material to areas with high load requirements, resulting in weight reduction of up to 20%. Additionally, our Multi Port Extrusions (MPE) have seen a weight reduction over the last 15 years of approximately 20% through optimized corrosion-resistant alloys and coatings, without compromising product lifespan.

The company is only sourcing green electricity.

The Company has been certified to the ISO 14001 Environmental Management Standard since 1998, and ISO 50.001 certification in 2016.

The company is continuously working with energy optimization and has achieved a reduction in CO2 with more than 560 ton and further reduction is expected for the coming years.

Statement of data ethics

The company does not have a policy on data ethics as we do not use data track movements or consumer preference of any private individuals, nor do we use machine learning, AI or similar to profile customers, employees or other private individuals.

Financial statements 1 January – 31 December

Income statement

Notes	DKK'000	<u>2023</u>	<u>2022</u>
2	Revenue	1,124,429	1,291,193
	Changes in inventories of finished goods, work in progress and goods for resale	-45,239	27,248
	Other operating income	1,429	1,177
	Costs of raw materials and consumables	-768,822	-986,393
	Other external costs	-101,714	-103,890
	Gross profit	<u>210,083</u>	<u>229,335</u>
3	Staff costs	-246,855	-240,083
7	Depreciation and impairment losses	-41,345	-39,130
	Other operating costs	579	-1,451
	Operating profit	<u>-77,538</u>	<u>-51,329</u>
4	Financial income	1,008	1,412
5	Financial expenses	-5,112	-3,130
	Profit/loss before tax	<u>-81,642</u>	<u>-53,047</u>
6	Tax on profit/loss	18,307	12,228
14	Profit/loss for the year	<u><u>-63,335</u></u>	<u><u>-40,819</u></u>

Financial statements 1 January – 31 December

Balance sheet

Notes	DKK'000	2023	2022
	ASSETS		
	Non-current assets		
7	Property, plant and equipment		
	Land and buildings	39,270	45,462
	Plant and machinery	133,894	117,550
	Fixtures and fittings, other plant and equipment	126	204
	Property, plant and equipment under construction	30,104	37,494
		<u>203,394</u>	<u>200,710</u>
	Total non-current assets	<u>203,394</u>	<u>200,710</u>
	Current assets		
	Inventories		
	Raw materials and consumables	101,635	131,098
	Work in progress	37,943	29,363
	Finished goods and goods for resale	39,602	93,420
		<u>179,180</u>	<u>253,881</u>
	Receivables		
	Trade receivables	108,739	132,259
	Receivables from group enterprises	4,551	13,222
	Corporation tax	19,264	12,990
	Other receivables	13,741	15,822
	Prepayments	1,797	3,703
		<u>148,092</u>	<u>177,996</u>
	Cash	0	0
	Total current assets	<u>327,272</u>	<u>431,877</u>
	TOTAL ASSETS	<u><u>530,666</u></u>	<u><u>632,587</u></u>

Financial statements 1 January – 31 December

Balance sheet

Notes	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	35,000	35,000
	Retained earnings	244,898	308,233
	Proposed dividends	0	0
	Total equity	279,898	343,233
	Provisions		
9	Provisions for deferred tax	8,970	9,919
	Liabilities		
10	Non-current liabilities		
	Lease obligations	7,918	9,743
	Other payables	1,375	1,705
	Deferred income	180	233
		9,473	11,681
	Current liabilities		
10	Current portion of non-current liabilities	4,623	3,884
	Trade payables	67,139	61,719
8	Payables to group enterprises	119,778	165,782
	Corporation tax	0	0
	Prepayments	1,281	1,089
	Other payables	39,504	35,280
		232,325	267,754
	Total liabilities	241,798	279,435
	TOTAL EQUITY AND LIABILITIES	530,666	632,587
11	Guarantees, contingent items, etc.		
12	Charges, collateral and contractual obligations		
13	Related parties		

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2023	35,000	308,233	0	343,233
Dividends paid	0	0	0	0
Transfer, see "Appropriation of profit/loss" (note 14)	0	-63,335	0	-63,335
Equity at 31 December 2023	35,000	244,898	0	279,898

The share capital comprises one share of DKK 35,000 thousand.

Notes

1 Accounting policies

The annual report of Hydro Precision Tubing Tønder A/S for 2023 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

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

Ommission of audit fee

Pursuant to section 96(3) of the Danish Financial Statements Act, no note for audit fee has been prepared. Audit fee is a part of the consolidated financial statement of Norsk Hydro ASA, Oslo, Norway.

Ommission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Norsk Hydro ASA, Oslo, Norway.

Recognition and measurement

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

Liabilities are recognised on the balance sheet when the Company has a legal or constructive obligation, and an outflow of economic benefits is probable and the liability can be reliably measured.

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

When assets and liabilities are recognised and measured, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, while costs are recognised at the amounts relating to the relevant financial year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the transaction date and the rate at the day of payment and the balance sheet is recognised in the income statement as financial income or financial expenses. Property, plant and equipment and intangible assets, inventories and non-monetary assets acquired in foreign currencies are translated at historical cost.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place. Revenue is measured ex. VAT and taxes in relation to the sale and is measured at the fair value of the consideration laid down.

Other external costs

Costs incurred in distributing goods sold, sale, marketing, administration, premises, bad debts, etc. are recognised as other external costs.

Research costs and costs of development projects not complying with the criteria for recognition on the balance sheet are recognised as other external costs. In addition, provisions for bad debts on contract work in progress are recognised as other external costs.

Staff costs

Staff costs include payroll, social security contributions, pensions, etc. for the Company's staff.

Other operating income and operating costs

Other operating income and operating costs comprise items secondary to the principal activities of the enterprise, including lease income, licence fees, etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense on assets and payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme etc.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement and directly in equity. In addition, the tax expense relating to entries recognised directly in equity is recognised directly in equity.

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against deferred tax liabilities or as net tax assets.

The Company is jointly taxed with its Danish group companies. The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income (full absorption with refunds for tax losses).

Balance sheet**Intangible assets****Goodwill**

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over an amortisation period of 5 years.

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries.

The basis of depreciation is cost less estimated residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	20-30 years
Plant and machinery	3-15 years
Fixtures and fittings, other plant and equipment	3-10 years

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as a correction of depreciation and impairment or under other operating income to the extent that the sales price exceeds initial cost.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Leased assets and lease liabilities

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

Lease liabilities recognised as "Credit institutions and interest-bearing liabilities" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options if the Company is reasonably certain to exercise the option and termination penalties if the lease term reflects the Company exercising an option to terminate the lease. The lease liability is subsequently adjusted as follows if:

- The value of the index or rate on which the lease payments are based is changed.
- The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.
- The lease term is changed if the option is exercised in order to extend or terminate the lease.
- Estimated residual value guarantee is changed.
- The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognised as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is DKK 0, a negative adjustment to the right-of-use asset is, however, recognised in the income statement.

The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognised in the balance sheet.

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation/impairment of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in the cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. Write-down is made for bad debt losses. Receivables sold as part of factoring agreements are derecognized from the balance sheet if and when rewards and risks have been transferred to the factoring partner.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Non-current liabilities other than provisions

Non-current liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the non-current liabilities are measured at amortised cost. Accordingly, the difference between the proceeds and the nominal value to be repaid is recognised in the income statement as a financial expense using the effective interest rate over the term of the loan.

Deferred income

Deferred income comprises payments received concerning income in subsequent years. Deferred income is recognised at cost.

Financial ratios

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity year end}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/Loss from ordinary activities after tax} \times 100}{\text{Average Equity}}$

Segment information

The company only operates with one business segment which includes aluminium tubes. Therefore segment information is only given on geographic market. Segment information comply with accounting policies, risk and internal financial management.

	2023	2022
DKK'000		
2 Revenue		
Export markets	1,118,640	1,283,785
Domestic markets	5,789	7,408
	<u>1,124,429</u>	<u>1,291,193</u>
3 Staff costs		
Payroll	215,829	210,789
Pensions	24,008	22,564
Other social security costs	1,606	1,781
Other staff costs	5,412	4,949
	<u>246,855</u>	<u>240,083</u>
Remuneration of the Board of Directors and the Executive Board		2,024
Remuneration of the Executive Board	3,865	
Employee representative	40	
	<u>3,905</u>	
Average number of full-time employees	<u>450</u>	<u>455</u>
<p>In accordance with section 98b(3)(1) of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors is disclosed as a one-line item for 2022.</p>		
4 Financial income		
Financial income from group enterprises	0	52
Other financial income	1,008	1,360
	<u>1,008</u>	<u>1,412</u>
5 Financial expenses		
Financial expenses to group enterprises	3,686	1,297
Other financial expenses	1,426	1,833
	<u>5,112</u>	<u>3,130</u>
6 Tax on profit/loss from ordinary activities		
Calculated tax on the taxable income for the year	-17,358	-12,990
Calculated tax on the taxable income for prior year	0	454
Adjustments for the year of deferred tax	-949	308
	<u>-18,307</u>	<u>-12,228</u>

7 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, other plant, etc.	Property, plant and equipment under construction	Total
Cost at 1 January 2023	185,668	634,312	5,721	37,494	863,195
Transferred	110	29,629	0	-29,739	0
Reclassification	0	0	0	0	0
Additions	1,707	20,396	0	22,349	44,452
Disposals	0	-1,515	0	0	-1,515
Cost at 31 December 2023	187,485	682,822	5,721	30,104	906,132
Depreciation 1 January 2023	-140,206	-516,762	-5,517	0	-662,485
Reclassification	0	0	0	0	0
Disposals	0	1,093	0	0	1,093
Depreciation	-8,009	-33,259	-78	0	-41,346
Depreciation at 31 December 2023	-148,215	-548,928	-5,595	0	-702,738
Carrying amount at 31 December 2023	39,270	133,894	126	30,104	203,394
Of this financial leased assets	9,234	2,218	0	0	11,452

The cost of land and buildings includes financing costs of DKK 79 thousand.

Depreciation for the year in the income statement is DKK 41,346 thousand. Gain from disposal of non-current assets of DKK 579 thousand is included in "other operating costs".

8 Payables to group enterprises

The company is part of Norsk Hydro ASA and of the total payable cash amounts to DKK'000 -71,569 linked to a multi-currency cross-border cash-pool scheme.

9 Provisions for deferred tax

DKK'000	2023	2022
Provisions for deferred tax 1 January 2023	9,919	9,611
Change in year 2023	-949	308
Provisions for deferred tax 31 December 2023	8,970	9,919
Specification of provisions for deferred tax		
Intangible assets	-440	-440
Property, plant and equipment	7,478	7,625
Current assets	2,603	3,548
Liabilities other than provisions	-671	-814
	8,970	9,919

10 Non-current liabilities

DKK'000	Total liabilities at 1/1 2023	Total liabilities at 31/12 2023	Instalment next year	Non-current portion	Unpaid debt after five years
Lease obligations	13,093	11,908	3,990	7,918	5,901
Bonus	2,181	1,955	580	1,375	0
Deferred income	291	233	53	180	27
	15,565	14,096	4,623	9,473	5,928

11 Guarantees, contingent liabilities, etc.

None.

12 Charges, collateral, contractual liabilities, etc.

The company has issued an owner's mortgage of DKK 30,000 thousand secured upon the property registered under title number 584 Tved Under Tønder. The mortgage is held by the Company.

The Company has concluded standard business contracts for the purchase and sale of aluminium for delivery in 2024.

The Company is jointly taxed with other Danish companies in the Hydro Group. Together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit.

The company has entered into a derivative financial instrument regarding sale of 2,700 tonnes aluminium at market average price for January 2024.

The company has entered into a derivative financial instrument regarding purchase of 2,700 tonnes aluminium at market price for February 2024.

13 Related parties

Hydro Precision Tubing Tønder A/S' related parties comprise the following:

Parties exercising control

The following shareholder is registered in the Company's register of shareholders as holding a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Hydro Holding Danmark A/S, Bygmestervej 7, 6270 Tønder, Denmark (parent company)

Related party transactions

Remuneration/fees to members of the Executive Board and Board of Directors are reflected in note 3.

DKK'000	2023	2022
Purchase of services from group enterprises	-41,257	-38,092
Purchase of goods from group enterprises	-463,243	-645,432
Purchase of production equipment from group enterprises	-515	-20,955
Sale of services sold to group enterprises	15,295	13,182
Sale of goods to group enterprises	46,082	141,866
Sale of production equipment to group enterprises	247	16,009
	<u>-443,391</u>	<u>-533,422</u>

Purchase of products and services are bought from group enterprises on normal commercial terms and conditions.

The company's balances with group enterprises at December 31, 2023 are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 4 and 5. Further, balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.

Purchases of services from group enterprises consists of cost contribution agreements, technical services, insurance services, shared service services, management services and administration services.

No transactions have been carried out with the Executive Board and Board of Directors or other related parties, apart from ordinary remuneration.

Group matters

Hydro Precision Tubing Tønder A/S is included in the consolidated financial statements of Norsk Hydro ASA, Oslo, Norway.

The consolidated financial statements are obtainable from Norsk Hydro ASA, P.O. Box 980, 0283 Oslo, Norway.

	2023	2022
14 Proposed profit appropriation/distribution of loss		
Dividends	0	0
Retained earnings	-63,335	-40,819
	<u>-63,335</u>	<u>-40,819</u>

15 Events after the balance sheet date

No events have occurred after the balance sheet date which may have significant impact on the assessment of the annual report.