

Knorr-Bremse Rail Systems Denmark ApS

Otto Busses Vej 27
2450 København SV
CVR No. 41777583

Annual report 2023

The Annual General Meeting adopted the annual report on 26.06.2024

Christian Algreen-Ussing

Chairman of the General Meeting

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Entity details

Entity

Knorr-Bremse Rail Systems Denmark ApS
Otto Busses Vej 27
2450 København SV

Business Registration No.: 41777583
Date of foundation: 21.10.2020
Registered office: Copenhagen
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Mario Bernd Beinert
Frank Gerhard Uder
Carsten Degn
Christian Algreen-Ussing

Executive Board

Anders Vedsted Nørrelund

Auditors

KPMG Statusautoriseret Partnerselskab
Dampfærgevej 28
Copenhagen
CVR No.: 25578198

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Knorr-Bremse Rail Systems Denmark ApS 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.

Copenhagen, 26.06.2024

Executive Board

Anders Vedsted Nørrelund

Board of Directors

Mario Bernd Beinert

Frank Gerhard Uder

Carsten Degn

Christian Algreen-Ussing

Independent auditor's report

To the shareholders of Knorr-Bremse Rail Systems Denmark ApS

Opinion

We have audited the financial statements of Knorr-Bremse Rail Systems Denmark ApS 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 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 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.

Statement on the management commentary

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.

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, 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 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.

Copenhagen, 26.06.2024

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No. 25578198

Sara Carstensen

State Authorised Public Accountant

Identification No (MNE) mne34191

Management commentary

Financial highlights

	2023	2022	2021
	DKK'000	DKK'000	DKK'000
Key figures			
Revenue	682,303	641,549	0
Gross profit/loss	188,223	80,173	(10)
Operating profit/loss	(37,578)	(120,091)	(10)
Net financials	(6,142)	(78)	0
Profit/loss for the year	(34,105)	(93,732)	(8)
Total assets	526,906	444,122	42
Equity	197,106	231,211	32
Ratios			
Gross margin (%)	27.59	12.50	(Infinity)
EBIT margin (%)	(5.51)	(18.72)	(Infinity)
Net margin (%)	(5.00)	(14.61)	(Infinity)
Equity ratio (%)	37.41	52.06	76.19

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

Gross margin (%):

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

Revenue

EBIT margin (%):

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

Revenue

Net margin (%):

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

Revenue

Equity ratio (%):

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

Total assets

Primary activities

The Company's purpose is to carry out repair, refurbishment, and maintenance activities and other related activities at the board's discretion.

Development in activities and finances

The income statement for 2023 shows a loss of DKK 34,105 thousand against a loss of DKK 93,732 thousand last year, and the balance sheet on 31 December 2023 shows equity of DKK 197,106 thousand.

The revenue of DKK 682,303 thousand was less than expected with the main customer, being the DSB Group, ending up at a lower volume. The revenue ended 6,4% higher than in 2022.

Management considers the Company's financial performance in the year as being in the lower end of the expectations.

Profit/loss for the year in relation to expected developments

The loss in 2023 of DKK 34.105 thousand (22: -93.722 thousand) is lower than expected. The main movement comes from the lower revenue with an impact to the result of around DKK -15.000 thousand.

Uncertainty relating to recognition and measurement

The preparation of the annual report requires Management to make assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income, and expenses.

In the financial statements for 2023, the following assumptions and uncertainties are worth noting as they have significantly impacted the recognition of assets and liabilities in the financial statements:

The deferred tax asset is mainly related to carry forward of tax losses and is expected to start being realized within 2-3 years.

Outlook

The Company expects to see a higher activity in 2024 with a growth in revenue in the range of 10-20%, coming from existing and new customers. The foreseen result will be negative, in the same range as the 2023 result, after investments in organizational development and new systems and the ongoing challenges with production output.

Use of financial instruments

The Company trades primarily in DKK and have loans in Euro and is consequently not exposed significantly to foreign exchange risk.

Knowledge resources

The Company is operating in a specialized industry where the knowledge resources primarily relate to skilled employees and related professional business partners. The Company focus continuously on maintaining and developing the employee competencies.

Environmental performance

The Company is focusing on reducing the energy consumption as well as the environmental impact on the surroundings of the workshops located in Copenhagen and Aarhus.

These activities are handled by the local HSE organization as well as activities initiated under the The Health, Safety, and Environment (HSE) Policy of the Knorr-Bremse Group. For further information see the Sustainability

Report 2023 for the Knorr-Bremse Group, authored by Knorr-Bremse AG (<https://www.knorr-bremse.com/en/responsibility/>).

Research and development activities

The Knorr-Bremse Group maintain investments in R&D activities, but the Company have limited research and development activities on its own.

Statutory report on corporate social responsibility

As part of the Knorr-Bremse Group we take part in delivering the responsibility for society and for our employees that has been defined. For further information see the Sustainability Report 2023 for the Knorr-Bremse Group, authored by Knorr-Bremse AG (<https://www.knorr-bremse.com/en/responsibility/>).

Statutory report on the underrepresented gender

	2023	2022
Supreme management body		
Total number of members	4	4
Underrepresented gender (%)	0	0
Target figures (%)	20	20
Year of expected achievement of target figures	2024	2024

The Knorr-Bremse Group supports gender equality and has set itself the goal of increasing the share of women in the workforce and management, supporting women's careers more strongly, and attracting qualified women. Targets that apply globally were set for the Knorr Bremse Group in 2022: 25% women in the workforce and 20% in management levels 1 to 4 by the end of the third quarter of 2027.

The target for female representation in the Board of Directors was not met in 2023. We keep the target for the underrepresented gender for 2024.

	2023	2022
Other management levels		
Total number of members	12	8
Underrepresented gender (%)	33	13
Target figures (%)	20	20
Year of expected achievement of target figures	-	2023

Other management levels have been defined as managers in level 1 or 2 and with a direct reference to the managing director.

The target for female representation in the other management levels was met in 2023.

The company is considering which local plans to put in place to generally increase the share of women in the workforce, well knowing that the industry in the past has been dominated by male employees.

For further information see the Sustainability Report 2023 for the Knorr-Bremse Group (<https://www.knorr-bremse.com/en/responsibility/>).

Statutory report on diversity

We align with the fundamental principle for the Knorr-Bremse Group of equal treatment of all our employees – irrespective of gender, age, country of origin, sexual identity, state of health, religion, or beliefs.

For further information see the Sustainability Report 2023 for the Knorr-Bremse Group, authored by Knorr-Bremse AG (<https://www.knorr-bremse.com/en/responsibility/>).

Statutory report on data ethics policy

The Group data protection guideline is the foundation for all data protection measures in the company and imposes binding specifications and processes for implementation of the statutory requirements. Furthermore, the protection of personality rights and privacy of each individual is an important element of our internal Code of Conduct.

For further information see the Sustainability Report 2023 for the Knorr-Bremse Group, authored by Knorr-Bremse AG (<https://www.knorr-bremse.com/en/responsibility/>).

Events after the balance sheet date

The company changed to a new SAP solution in beginning of April. After the go live has there been an unfavorable impact to the production output from the different workshops which will have a negative impact to the financial result for 2024. A recovery plan has been put in place and the output volumes are expected to be back at normal level in the last quarter of the year.

Other than that, no significant events have occurred after the balance sheet date until the day of signing of the Annual report.

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK '000
Revenue	2	682,303	641,549
Other operating income		5,307	5,829
Cost of sales		(330,655)	(420,716)
Costs of raw materials and consumables		0	12
Other external expenses	3	(168,732)	(146,501)
Gross profit/loss		188,223	80,173
Staff costs	4	(217,797)	(189,815)
Depreciation, amortisation and impairment losses	5	(8,004)	(10,449)
Operating profit/loss		(37,578)	(120,091)
Other financial income	6	25	629
Other financial expenses	7	(6,167)	(707)
Profit/loss before tax		(43,720)	(120,169)
Tax on profit/loss for the year	8	9,615	26,437
Profit/loss for the year	9	(34,105)	(93,732)

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Acquired intangible assets		1,073	1,642
Intangible assets	10	1,073	1,642
Other fixtures and fittings, tools and equipment		21,783	28,662
Property, plant and equipment in progress		8,577	0
Property, plant and equipment	11	30,360	28,662
Deposits		602	0
Deferred tax	13	36,052	26,437
Financial assets	12	36,654	26,437
Fixed assets		68,087	56,741
Raw materials and consumables		171,067	121,489
Work in progress		99,912	78,083
Inventories		270,979	199,572
Trade receivables		129,499	76,664
Receivables from group enterprises		3,403	1,336
Other receivables		28,361	65,109
Prepayments	14	1,979	1,139
Receivables		163,242	144,248
Cash		24,598	43,561
Current assets		458,819	387,381
Assets		526,906	444,122

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital	15	40	40
Retained earnings		197,066	231,171
Equity		197,106	231,211
Other provisions	16	1,951	35
Provisions		1,951	35
Trade payables		76,863	68,161
Payables to group enterprises		221,206	117,157
Other payables	17	29,780	27,558
Current liabilities other than provisions		327,849	212,876
Liabilities other than provisions		327,849	212,876
Equity and liabilities		526,906	444,122
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Related parties with controlling interest	19		
Transactions with related parties	20		
Group relations	21		

Statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	40	231,171	231,211
Profit/loss for the year	0	(34,105)	(34,105)
Equity end of year	40	197,066	197,106

Notes

1 Events after the balance sheet date

The company changed to a new SAP solution in beginning of April. After the go live has there been an unfavorable impact to the production output from the different workshops which will have a negative impact to the financial result for 2024. A recovery plan has been put in place and the output volumes are expected to be back at normal level in the last quarter of the year.

Other than that, no significant events have occurred after the balance sheet date until the day of signing of the Annual report.

2 Revenue

	2023 DKK'000	2022 DKK'000
Denmark	617,519	595,759
Sweden	55,293	42,168
Norway	0	2,393
Germany	8,806	1,345
Rest of the world	685	(116)
Total revenue by geographical market	682,303	641,549
Spareparts	48,457	38,815
Maintenance	626,783	601,407
Warranties	(1,916)	(9)
Recycling	188	0
Intercompany	8,791	1,336
Total revenue by activity	682,303	641,549

3 Fees to the auditor appointed by the Annual General Meeting

With reference to the Danish Financial Statement Act § 96, section 3, fee paid to auditors appointed at the annual general meeting is not disclosed.

4 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	189,554	168,053
Pension costs	24,553	19,570
Other social security costs	3,690	2,192
	217,797	189,815
Number of employees at balance sheet date	400	393
Average number of full-time employees	412	398

5 Depreciation, amortisation and impairment losses

	2023	2022
	DKK'000	DKK'000
Amortisation of intangible assets	569	0
Depreciation of property, plant and equipment	7,435	10,449
	8,004	10,449

6 Other financial income

	2023	2022
	DKK'000	DKK'000
Exchange rate adjustments	0	623
Other financial income	25	6
	25	629

7 Other financial expenses

	2023	2022
	DKK'000	DKK'000
Financial expenses from group enterprises	5,880	448
Other interest expenses	48	15
Exchange rate adjustments	239	244
	6,167	707

8 Tax on profit/loss for the year

	2023	2022
	DKK'000	DKK'000
Change in deferred tax	(9,615)	(26,437)
	(9,615)	(26,437)

9 Proposed distribution of profit and loss

	2023	2022
	DKK'000	DKK'000
Retained earnings	(34,105)	(93,732)
	(34,105)	(93,732)

10 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	1,642
Cost end of year	1,642
Amortisation for the year	(569)
Amortisation and impairment losses end of year	(569)
Carrying amount end of year	1,073

11 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	218,660	0
Additions	556	8,577
Cost end of year	219,216	8,577
Impairment losses for the year	(189,998)	0
Depreciation for the year	(7,435)	0
Depreciation and impairment losses end of year	(197,433)	0
Carrying amount end of year	21,783	8,577

12 Financial assets

	Deposits DKK'000	Deferred tax DKK'000
Cost beginning of year	0	26,437
Additions	602	9,615
Cost end of year	602	36,052
Carrying amount end of year	602	36,052

13 Deferred tax

	2023 DKK'000	2022 DKK'000
Intangible assets	(236)	(1,004)
Property, plant and equipment	(686)	0
Inventories	17,688	22,998
Provisions	429	0
Tax losses carried forward	18,857	4,443
Deferred tax	36,052	26,437

	2023	2022
Changes during the year	DKK'000	DKK'000
Beginning of year	26,437	0
Recognised in the income statement	9,615	26,437
End of year	36,052	26,437

Deferred tax assets

The deferred tax asset recognized by the company relates to tax losses carried forward. The company's long-term budgets show that the company will start to utilize tax losses within the coming years. As long term budgets are subject to estimates, there is a natural uncertainty linked to the company's ability to realise their long term budgets.

14 Prepayments

Prepayments are mainly insurance and software licenses for the coming financial year.

15 Share capital

	Par value	Nominal	Recorded par
	DKK'000	value	value
		DKK'000	DKK'000
Share capital	40	40	40
		40	40

16 Other provisions

Other provisions comprises of warranty provisions.

17 Other payables

	2023	2022
	DKK'000	DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	17,591	15,146
Other costs payable	12,189	12,412
	29,780	27,558

18 Unrecognised rental and lease commitments

	2023	2022
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	51,645	67,911

19 Related parties with controlling interest

Knorr-Bremse Systeme für Schienenfahrzeuge GmbH
 Moosacher Strasse 80
 80809 München
 Germany

20 Transactions with related parties

	2023	2022
	DKK	DKK
	'000	'000
Purchase of goods	45,953	25,120
Purchase of services	13,823	0
Sale of services	8,716	1,336

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Knorr-Bremse AG, Moosacher Strasse 80, 80809 München, Germany

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Knorr-Bremse System für Schienenfahrzeuge GmbH, Moosacher Strasse 80, 80809 München, Germany

Copies of the consolidated financial statements of Knorr-Bremse System für Schienenfahrzeuge GmbH may be ordered at the following address:

Moosacher Strasse 80, 80809 München. Germany

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).

Change of reporting class

The annual report of Knorr-Bremse Rail Systems Denmark ApS for 2023 has been prepared in accordance with the provisions applying to reporting class C entities (large). The transition from provisions applying to reporting class B entities under the Danish Financial Statements Act applied last year did not give rise to any revised recognition or measurement.

Non-comparability

Few reclassifications have been made in the comparison figures to comply with the current presentation.

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.

Income statement

Revenue

Revenue from repair and maintenance of train equipment etc. is recognized as the production is carried out, whereby the turnover corresponds to the sales value of the work carried out for the year (the production cost). Revenue from the provision of preparation services is recognized in net revenue at the time the preparation service is delivered.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including salary refunds.

Cost of sales

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

writedowns.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and normal writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's normal 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.

Other financial income

Other financial income comprises, 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 income comprises , 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.

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.

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.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

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

Property, plant and equipment

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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:

	Useful life
Other fixtures and fittings, tools and equipment	3-15 years

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.

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.

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.

Inventories

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

Cost consists of purchase price plus delivery costs.

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 write downs for bad and doubtful debts.

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

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Other financial liabilities

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

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 Knorr-Bremse AG.