BLÜCHER Metal A/S

Pugdalvej 1
7480 Vildbjerg

CVR-nr. 49 26 00 16

Annual report 2021

(48th financial year)

The annual report has been presented and approved at the Company's annual general meeting at 28 June 2022.

Henrik Skov Ladefoged
Chairman of the meeting

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Company details

The company:	BLÜCHER Metal A/S Pugdalvej 1 7480 Vildbjerg Denmark CVR no. 49 26 00 16 Telephone: +45 99 92 08 00 Telefax: +45 97 13 33 50 Website: www.blucher.dk E-mail: mail@blucher.dk Municipality: Herning Established: 28 June 1974 Reporting period: 1 January - 31 December
Board of Directors:	Christopher Wayne Jamieson (Chairman) Henrik Skov Ladefoged Koen Wilhelmus Antonius Kloppenberg Jørgen Anker Jacobsen (Employee representative) Kristian Hindkjær Andersen (Employee representative)
Executive Board:	Henrik Skov Ladefoged
Auditors:	KPMG Statsautoriseret Revisionspartnerselskab Frederiks Plads 42 DK-8000 Aarhus C CVR no. 25 57 81 98

Management's review

Financial highlights

DKKm	**2021**	**2020**	**2019**	**2018**	**2017**
Key figures					
Revenue	505,0	462,0	519,4	480,4	420,8
Operating profit	79,8	75,8	97,0	87,2	79,4
Profit/loss from financial income and expenses	-0,7	-0,5	-1,5	0,9	27,5
Profit before tax	79,1	75,4	95,5	88,1	107,0
Profit for the year	**64,4**	**58,7**	**74,2**	**68,5**	**89,1**
Fixed assets	174,4	168,7	141,0	135,7	117,5
Current assets	287,0	203,3	170,8	257,4	189,1
Total assets	**461,4**	**372,0**	**311,8**	**393,1**	**306,7**
Share capital	18,0	18,0	18,0	18,0	18,0
Equity	**343,5**	**279,1**	**220,4**	**291,2**	**222,7**
Non-current liabilities	0,7	1,4	4,0	8,3	7,7
Current liabilities	105,2	82,0	77,4	93,5	76,2
Investments in property, plant and equipment	18,4	39,3	14,4	28,2	6,2
Financial ratios					
Operating margin	15,8	16,4	18,7	18,1	18,9
Current ratio	272,7	248,0	220,8	275,2	248,1
Solvency ratio	74,5	75,0	70,7	74,1	72,6
Average number of employees	326	324	362	331	286

Calculation of financial ratios

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

Current ratio: $\frac{\text{Current assets x 100}}{\text{Current liabilties}}$

Solvency ratio: $\frac{\text{Closing equity x 100}}{\text{Total closing equity and liabilities}}$

From and including the 2019 financial year, BLÜCHER Metal A/S has implemented IFRS 16 Leases. The financial highlights for 2017-2018 have not been restated accordingly. Comparative figures for these years have been stated in accordance with IAS 17.

In 2020, the preparation of financial statements has changed from being prepared according to IFRS to being prepared according to the Danish Financial Statements Act. The change from IFRS to the Danish Financial Statements Act has no effect on the financial highlights.

In prior years, the financial highlights have contained highlights for the Blücher Metal A/S-group. As group financial statements are no longer prepared for the sub-group, the financial highlights have been updated to only reflect 5-years financial highlights of Blücher Metal A/S.

Minor reclassifications in the comparative financial statements for 2017-2019 have been incorporated to enhance presentation. The reclassifications have no effect on profit for the years. The financial ratios have been updated accordingly.

Management's review

Principal activities

BLÜCHER Metal A/S conducts business within the production and sale of stainless steel drainage systems. The products consist of standard products and customized products.

Development in activities and financial position

Revenue for 2021 came in at DKK 505.0 million as against DKK 462.0 million in 2020, accounting for an increase of 9.3%. The revenue increase was, for the most part, driven by the general market recovery after the Covid-19 pandemic.

Operating profit represented DKK 79,8 million as against DKK 75.8 million in 2020, accounting for an operating margin of 15.8% as against 16.4% in 2020. The decrease was mainly the result of increasing inflation.

Profit after tax was DKK 64.4 million as against DKK 58.7 million for 2020. Results are above expected, and are considered satisfactory seen in the light of the general market situation.

Equity stood at DKK 343.5 million at 31 December 2021. The solvency ratio was down from 75.0% at year end 2020 to 74.5% at year end 2021.

The expectation for 2021 was an increase in revenue and result at 2-5% compared to prior year. The general market has recovered from the Covid-19 pandemic, which is the main reason for the 9% increase in revenue compared to prior year. Cost reduction initiatives were implemented during 2020, and was offset by the increasing inflation, and higher activity level. Result ended sligthly higher compared to prior year.

In 2021, a bigger and more automated piping machinery has been setup and implemented, and other investments and efficiency projects have been initiated, with the aim of increasing capacity and productivity. Investments in employees to develop competencies as well as to retain and attract relevant employee competencies will continue and be further intensified in 2022. Similarly, several automation and efficiency projects will be carried out to maintain and develop competitive products as well as product solutions, concepts and applications for current and new customers and not least for the sake of achieving the objective of producing and delivering with even higher level of sustainability.

Corporate Social Responsibility

Business model

BLÜCHER Metal A/S conducts business within the production and sale of stainless steel drainage systems. The products consist of standard products and customized products. The products is mainly produced in Denmark, and there is continually focus on reducing environmental impact and improving safety for the employees.

The Company takes a business approach to CSR, creating value both to the Company and its stakeholders - i.e. customers, vendors, employees, shareholders and the surrounding community.
The most important CSR activities comprise the following:
• Environment & Climate
• Employees
• Vendors

Environment

BLÛCHER Metal A/S is certified to the ISO 14.001:2015 standard, certification number: 157638-2014-AE-DEN-DANAK, meaning that a management system and policy are in place, ensuring that relevant legislation is complied with, and regular measures are taken to improve the Company's environmental impact.

Our environmental policy reads as follows:

In accordance with business and managerial objectives and approaches, the Company will reduce its impact on the surrounding community by regularly developing eco-friendly processes, efficiently using raw materials and energy and working with reducing emission from its processes.
The Company strives to:
· communicate openly about environmental impact from its processes and products.
· promote responsible behaviour on the part of its employees with regard to the environment and comply with internal and external rules and eliminate any risk of pollution.
· engage in positive co-operation with regulatory authorities and encourage our vendors to make use of environmentally acceptable raw materials, products and services.
· constantly promote a better environment, even though the legislative requirements have been met.
· subject new projects to an environmental assessment and encourage employees to take part in preventive environmental action.
· take care that external workers and contractors working for the Company are aware of and comply with the same environmental requirements when working at the Company.
- inform buyers of the Company's products about environmental aspects in relation to the use and disposal of the Company's products.

The Company is working together with Watts Water Technologies on a 5% Eco-efficiency improvement on Water Consumption, Greenhouse Gas and Hazardous Waste.

Working environment

The Company strives to ensure that each day all employees leave the workplace in the same healthy condition as they came to work. This is ensured in the form of hazard control, compliance with relevant legislation, regular optimisation and a proactive approach.

Management's review (continued)

Our working environment policy reads as follows:
The Company will ensure that all activities are planned and carried out considering the employees, working environment and their surroundings. Management is to ensure a dynamic working environment, allowing optimum utilisation of work efforts and resources while still taking technical and financial aspects into account.

All activities in the Company must, at any time, be conducted in accordance with relevant legislation and any corporate deadlines for maintaining a sound working environment.

The Company has high focus on improving safety for the employees, and will continue to encourage employees actively to contribute to this, e.g. through reporting of near misses.

Vendors
The Company strives to contract only with vendors working in accordance with the same ethical guidelines as the Company. Accordingly, the Company strives to work with vendors pursuing good business ethics as described in the Watts Water Technologies' (WWT´s) Code of Conduct (https://investors.wattswater.com/corporate-governance/code-of-conduct/default.aspx).

We conduct business in a manner respecting human rights and requiring dignity from us all, and we support international measures promoting and protecting human rights, including measures to prevent slavery and human trafficking.

The Company's global policy to combat human trafficking reflects our obligation to comply with all anti-slavery and anti-child labour legislation as laid down in local legislation, including the British Modern Slavery Act, California Transparency in Supply Chains Act of 2010 and International Labour Organization (ILO) Standards.

This i.a. involves that we
- Ensure that all new employees are aware of our policy (Code of Conduct)
- Train our employees in our Code of Conduct
- The Company has a hotline to report breaches thereof
- The Company carries out control of relevant work aspects to ensure compliance with the Code of Conduct.

WWT´s Code of Conduct, applying to the Company, lay down additional guidelines for employee rights, environment/climate and anti-corruption.

The Company will maintain an open and active dialogue with employees, authorities, customers, vendors and other stakeholders.

Regarding policies for corporate social responsibility, human rights, environmental and climate impact, see section 99a of the Danish Financial Statements Act, reference is made to the Code of Conduct prepared by the Parent Company, Watts Water Technologies, which is effective for the entire Watts Group.

Within the relevant areas, the Group did, during 2021, not identify any breaches of the Code of Conduct. In 2021, a risk analysis was made, which did not disclose any material risks within the relevant areas.

Research and development activities
The Company regularly engages in product development and business optimisation.

Intellectual capital
It is important for the Company to develop and retain know-how accumulated in the Company both with regard to products, processes and business aspects.

Gender distribution
BLÜCHER Metal A/S believes that diversity among its employees, including equal distribution among the sexes, contributes positively to the working environment and improves corporate performance and working environment. Consequently, BLÜCHER Metal A/S strives to increase the number of female executives and has, against this background, defined specific targets for the share of the underrepresented gender and relevant policies.

The Company has previously defined the following targets for board members elected at the general meeting no later than at the ordinary general meeting in 2023: 2 women and 3 men. As a result of resignations, two new board members, an internal male resource and the new Managing Director, was appointed during 2021. This has the outcome that the gender distribution on the Board remains unchanged, meaning that no women serve on the Board of Directors of BLÜCHER Metal A/S.

The Company has previously defined a minimum target for female executives of 10% no later than in 2023. As a result of resignation, the executive team has been reduced in 2021, so status is that 7.1% of the executive team is female.

To meet the above target for more female executives, BLÜCHER Metal A/S strives to foster a sound and versatile workspace, promoting equal career opportunities for the sexes, e.g. through competence development. For this purpose, both male and female candidates must be considered in the recruitment process even though BLÜCHER Metal A/S operates in a male-dominated industry. The principle applies to both internal and external job openings.

The above objectives are not firm or invariable quotas, as the right competences of the board members must always be the decisive aspect.

Management's review (continued)

Data ethics
The company is part of the group Watts Water Technologies in the US. The group has several different policies related to the use of IT-systems, security on systems, storage, handling and collection of data, including data with ethic related issues. Group companies have to follow these policies and the company does follow these policies. The company is mainly handling data related to employees, customers and suppliers.

Risks
The Company is only to a limited extent affected by financial risks.

Receivables and payables do not carry any unusual business risks.

The Company does not engage in any speculation, and forward contracts are entered into only to hedge future cash flows.

Currency risks are, only to a limited extent, hedged in the form of forward contracts deemed in relation to outstanding exchange credits and debits.

The Company was not a party to any forward contracts in 2021.

Events after the balance sheet date
No events have occurred after the balance sheet date of importance to the financial statements for 2021.

Outlook for 2022
For 2022, the Company expects an increase in revenue around 10% compared to the year under review. This expectation is based on projected financial performance and the competitive situation on the most important markets. At the present moment, we see high increases in inflation, which will impact the 2022 financial statements. Therefore the result is expected to be in line with the year under review (around DKK 65 million).

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of BLÜCHER Metal A/S for the financial year 1 January – 31 December 2021.

The annual report has been 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Vildbjerg, 28 June 2022

Executive Board:

Henrik Skov Ladefoged
CEO

Board of Directors:

Christopher Wayne Jamieson
Chairman

Henrik Skov Ladefoged

Koen Wilhelmus Antonius Kloppenberg

Kristian Hindkjær Andersen
Employee representative

Jørgen Anker Jacobsen
Employee representative

Independent auditor's report

To the shareholder of BLÜCHER Metal A/S

Opinion
We have audited the financial statements of BLÜCHER Metal A/S for the financial year 1 January – 31 December 2021 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

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.

- 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.

Independent auditor's report (continued)

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, 28 June 2022

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no.: 25 57 81 98

Mikkel Trabjerg Knudsen	Niklas R. Filipsen
State Authorised Public Accountant	State Authorised Public Accountant
mne34459	mne47781

Income statement

DKK'000	Note	2021	2020
Revenue	**2**	505.024	461.975
Production costs	**3,4,5**	-323.764	-287.173
Gross profit		181.260	174.802
Distribution costs	**3,4,5**	-63.467	-64.169
Administrative expenses	**3,4,5**	-37.991	-34.809
Operating profit		79.802	75.824
Financial income		122	96
Financial expenses		-805	-549
Profit before tax		79.119	75.371
Tax on profit for the year	**6**	-14.742	-16.672
Profit for the year	**7**	64.377	58.699

Balance sheet at 31 December

DKK'000	Note	2021	2020
ASSETS			
Fixed Assets			
Intangible assets	**3**		
Software		716	1.076
		716	1.076
Property, plant and equipment	**4**		
Land and buildings		65.847	69.228
Plant and machinery		67.194	19.863
Fixtures and fittings, tools and equipment		1.193	1.169
Property, plant and equipment under construction		3.737	40.301
Right-of-use assets		1.676	3.013
		139.647	133.574
Other fixed assets			
Investments in subsidiaries	**8**	33.934	33.934
Deposits, etc.	**9**	116	124
		34.050	34.058
Total fixed assets		174.413	168.708
Current assets			
Inventories			
Raw materials and consumables		30.599	14.441
Work in progress		19.302	15.514
Finished goods and goods for resale		36.254	23.520
		86.155	53.475
Receivables			
Trade receivables		50.163	34.950
Receivables from group entities		80.107	57.498
Other receivables		274	164
Prepayments	**10**	984	1.192
Corporation tax		891	0
		132.419	93.804
Cash at bank and in hand		68.383	55.998
Total current assets		286.957	203.277
TOTAL ASSETS		461.370	371.985

Balance sheet at 31 December

DKK'000	Note	2021	2020
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		18.000	18.000
Retained earnings		325.504	261.127
Total equity		343.504	279.127
Provisions			
Deferred tax	**11**	10.863	8.467
Other provisions	**12**	1.025	1.000
Total provisions		11.888	9.467
Liabilities			
Non-current liabilities	**13**		
Lease liabilities		749	1.414
		749	1.414
Current liabilities			
Current portion of non-current liabilities	**13**	1.009	1.475
Credit institutions		23	33
Prepayments received from customers		3.548	2.091
Trade payables		69.131	33.164
Payables to group entities		10.411	13.684
Other payables		21.107	30.479
Corporation tax		0	1.051
		105.229	81.977
Total liabilities		105.978	83.391
TOTAL EQUITY, PROVISIONS AND LIABILITIES		461.370	371.985

Leases	**14**
Collaterals	**15**
Contingent liabilities	**16**
Related parties	**17**
Fees to auditors appointed at the general meeting	**18**

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2021	18.000	261.127	279.127
Profit appropriation	0	64.377	64.377
Equity at 31 December 2021	18.000	325.504	343.504

Notes

Note 1

Accounting policies

The Annual Report of Blücher Metal A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2021 are presented in TDKK.

Minor reclassifications in the comparative financial statements for 2020 have been incorporated to enhance presentation. The reclassifications have no effect on profit for the year. The financial ratios have been updated accordingly.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Watts Water Technologies Inc., the Company has not prepared consolidated financial statements.

Cash flow statement

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

Business combinations

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquirer at the acquisition date that are not a part of the acquisition are included in the pre-acquisition balance sheet and thus the determination of goodwill. Restructuring that is adopted after the acquisition is recognised in the income statement. The tax effect of revaluations is recognised as deferred tax.

The date of acquisition is when the Parent Company acquires control of the entity acquired.

The acquisition price for an entity consists of the fair value of the agreed consideration with the addition of costs attributable to acquisition. If elements of the consideration is conditional upon the future events, these elements are recognised in cost to the extent that these events are probable, and the consideration can be reliably stated.

If there is any uncertainty relating to the measurement of identifiable assets, liabilities and contingent liabilities at the date of acquisition, recognition takes place on the basis of preliminarily stated fair values. If it subsequently turns out that identifiable assets, liabilities and contingent liabilities had a different fair value at the date of acquisition than initially assumed, goodwill is to be adjusted for 12 months after acquisition. The effect of adjustments is recognised in opening equity, and comparative figures are restated. Subsequently, goodwill is adjusted only as a result of changes in estimated contingent consideration unless it is a case of a material error. However, subsequent realisation of deferred tax assets of the acquired company which were not recognised at the date of acquisition will result in recognition of the tax benefit in the income statement and write-down of the carrying amount of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as a identifiable asset at the date of acquisition.

Gains or losses on the divestment of subsidiaries are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at periodic average exchange rates at the transaction date. Foreign exchange differences arising between the periodic average exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, 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 balance sheet date and the date at which the receivable or payable arose or was recognised in the latest 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 and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively. Fair values for derivative financial instruments are stated on the basis of relevant market data and in accordance with acknowledged valuation models.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability. Future cash flows are hedged in accordance with contract concluded apart from currency hedging, which are accounted for as hedging of the fair value of a recognised asset or liability.

Derivative financial instruments (continued)

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future assets or liabilities are recognised directly in equity. Income and expenses arising from such hedging transactions are transferred from equity on the realisation of the hedged item and are recognised in the same item as the hedged item.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

Income statement

Revenue

Income from the sale of goods for resale and the Company's own products is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

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

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries,, equivalent to revenue for the year.
Commercial entities recognise their cost of sales, whereas production entities recognise production costs, equivalent to revenue for the year.

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in subsidiaries measured at cost are recognised as income in the income statement in the financial year when the dividends are declared.

Loan costs from general lending or loans directly attributable to acquisition, construction or development of qualifying assets are added to the cost of such assets.

Tax on profit for the year

BLÜCHER Metal A/S is jointly taxed with Watts Denmark Holding ApS.

Current Danish corporation tax is allocated among the jointly taxed companies in proportion to their taxable income. Companies using tax losses in other companies pay joint taxation contribution to the Parent Company, equivalent to the tax value of utilised losses, while companies whose tax losses are used by other companies receive joint taxation contributions from the administration Company, equivalent to the tax value of the unutilised loss (full allocation). The jointly taxed companies are included in the on-account tax scheme.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Intangible assets

Software updates and new software are recognised as intangible assets.

Software are measured at cost less accumulated amortisation and impairment losses.

Amortisation is provided on a straight-line basis over the assets' expected useful lives.

Expected useful lives are as follows:

Software	3-5 years

Property, plant and equipment
Land and buildings, plant and machinery and fixtures and fittings are measured at cost less accumulated depreciation and impairment losses.

Cost comprises any costs directly atributable to acquisition until the date on which the asset is available for use.

Subsequent costs, e.g. arising from the replacement of components of property, plant and equipment are recognised in the carrying amount of the relevant asset when it is probable that it will crystallise future financial benefits. The components replaced will be derecognised from the balance sheet, and their carrying amount will be transferred to the income statement. Costs of regular repair and maintenance are recognised in the income statement as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the assets/components' useful lives, which are:

Buildings	10-40 years
Plant and machinery	3-15 years
Fixtures and fittings, tools and equipment	3-10 years

The right-of-use asset is depreciated on a straight-line basis over the shortest period of the lease period and the useful live of the right-of-use asset.

The basis of depreciation is determined taking into account the scrap value of the asset and is reduced by impairment losses. The scrap value is determined at the date of acquisition and is reassessed annually. If the scrap value is higher than the carrying amount of the asset, depreciation will be discontinued. In case of changes in depreciation period or scrap value, the prospective effect for depreciation will be recognised as a change in accounting estimates.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as production costs, distribution costs and administrative expenses.

Investments in subsidiaries
Investments in subsidiaries are measured at cost. If there is any indication of impairment, an impairment test is conducted. If costs exceed recoverable amount, impairment write-down is made to this lower value.

Deposits
Other fixed assets consist of other financial receivables and deposits. Other financial receivables and deposits are measured at cost.

Impairment of fixed assets
The carrying amount of intangible assets and property, plant and equipment as well as other fixed assets 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 forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

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 and consumables with the addition of processing costs and other costs directly or indirectly attributable to the individual product.

For inventories where the projected sales price less costs of completion and costs to effect the sale (net realisable value) is lower than cost, write-down is made to net realisable value. Net realisable value is determined taking into account marketability, obsolescence and development in sales price.

Receivables
Receivables are measured at amortised cost less write-down for bad debts.

Write-down for bad debts is made on the basis of an assessment of the individual receivable.

Prepayments comprise prepayment of costs incurred relating to rent, insurance premiums and subscriptions.

Dividends
Proposed dividends are recognised as a liability at the time of adoption at the annual general meeting. The expected dividend payment for the year is shown as a separate entry under equity.

Provisions
Provisions comprise known warranty obligations regarding realised sales in former and current financial years.

Corporation tax and deferred tax
Current tax payable and receivable is recognised in 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 using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised as other non-current assets at the expected value of their utilisation within the foreseeable future; 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 or jurisdiction.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Financial liabilities
Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other financial liabilities are measured at amortised cost.

Leases
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 an 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 "Non-current lease 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.

Notes continued …

Note **DKK'000**

2 **Revenue**

Revenue broken down on markets:

	2021	2020
Domestic	112.695	94.816
Abroad	392.329	367.159
	505.024	461.975

The Company's activities relates to sales of drainage products, and there is no deviation in the sales patterns within the Company.

3 **Intangible assets**

	Software
Cost at 1 January 2021	4.031
Additions	286
Cost at 31 December 2021	4.317
Amortisation at 1 January 2021	2.955
Amortisation	646
Amortisation at 31 December 2021	3.601
Carrying amount at 31 December 2021	716

Amortisation is recognised in the following income statement captions:

	2021	2020
Production costs	160	123
Distribution costs	17	0
Administrative expenses	469	469
	646	592

Notes continued …

Note **DKK'000**

4 **Property, plant and equipment**

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2021	118.956	189.465	3.797	40.301	352.519
Additions	0	0	0	18.378	18.378
Transfer	0	54.566	376	-54.942	0
Disposals	0	-618	-424	0	-1.042
Cost at 31 December 2021	118.956	243.413	3.749	3.737	369.855
Depreciation at 1 January 2021	49.728	169.602	2.628	0	221.958
Depreciation	3.381	7.235	352	0	10.968
Disposals	0	-618	-424	0	-1.042
Depreciation at 31 December 2021	53.109	176.219	2.556	0	231.884
Carrying amount at 31 December 2021	65.847	67.194	1.193	3.737	137.971

Right-of-use assets have been recognised as follows:

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Carrying amount at 1 January 2021	0	255	2.758	0	3.013
Addition	0	0	585	0	585
Disposals	0	0	-287	0	-287
Depreciation	0	-161	-1.474	0	-1.635
Carrying amount at 31 December 2021	0	94	1.582	0	1.676

Depreciation is recognised in the following income statement captions:

	2021	**2020**
Production costs	10.638	10.873
Distribution costs	1.111	1.369
Administrative expenses	854	876
	12.603	13.118

5 **Staff matters**

	2021	**2020**
Based on type of expenditure		
Payroll and remuneration	157.753	136.387
Pensions (defined contribution plan)	17.376	16.891
Other social security costs	3.767	3.372
	178.896	156.650
Based on function		
Production costs	132.188	112.816
Distribution costs	30.055	29.074
Administrative expenses	16.653	14.760
	178.896	156.650
Average number of employees	326	324

Staff costs include remuneration of the Company's Executive Board of DKK 2,341 thousand in 2021 incl. pension of DKK 150 thousand. The Company's Board of Directors didn't receive remuneration in 2021 and 2020. Pursuant to 98b (3) (II) og the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors was not disclosed in 2020.

Notes continued …

Note **DKK'000**

6 **Tax on profit for the year**

	2021	2020
Tax on taxable income for the year	14.560	17.409
Adjustment of deferred tax	2.396	-571
Correction in respect of prior years	-2.214	-166
Tax on profit/loss for the year	14.742	16.672

7 **Profit appropriation**

	2021	2020
Profit for the year	64.377	58.699
Transferred to equity	64.377	58.699

8 **Investments in subsidiaries**

	2021	2020
Cost at 1 January	36.900	36.900
Cost at 31 December	36.900	36.900
Write-down at 1 January	2.966	2.966
Write-down at 31 December	2.966	2.966
Adjusted cost at 31 December	33.934	33.934

Name / legal form	Registered office	Equity interest	Equity* DKK'000	Profit/loss for the year* DKK'000
BLÜCHER UK Ltd., England	Tadcaster	100%	16.512	1.639
BLÜCHER France S.A.R.L., France	Evry	100%	10.344	1.524
BLÜCHER Norway AS, Norway	Siljan	100%	8.247	-498
BLÜCHER Sweden AB, Sweden	Kalmar	100%	7.097	831
BLÜCHER Germany GmbH, Germany	Reichenau	100%	5.845	439

* figures are from the latest published statutory annual reports (2020).

9 **Deposits, etc.**

	2021	2020
Carrying amount at 1 January	124	131
Disposals	-8	-7
	116	124

10 **Prepayments**

Prepayments comprise prepaid expenses regarding rent, insurance premium and subscriptions.

Notes continued …

Note **DKK'000**

11 **Deferred tax**

	2021	2020
Intangible assets	158	237
Property, plant and equipment	9.516	7.271
Current assets	1.415	1.179
Current liabilities	-226	-220
Deferred tax at 31 December	10.863	8.467
Movements in deferred tax	2.396	-571
Recognised in the income statement	2.396	-571

12 **Other provisions**

	2021	2020
Warranty obligations at 1 January	1.000	1.025
Additions	375	425
Settled warranties	-175	-220
Reversed non-settled warranty obligations	-175	-230
Warranty obligations at 31 December	1.025	1.000

Known warranty obligations regarding realised sales in prior and current financial periods are recognised as other provisions.

13 **Non-current liabilities**

	Falling due for payment within one year	Falling due for payment within 1-5 years	Carrying value at 31/12 21
Lease liability	1.009	749	1.758
Total non-current liabilities	1.009	749	1.758

14 **Leases**

The Company's lease liabilities not recognised in the balance sheet are primarily attributable to sales offices and cars.

An amount of DKK 212 thousand (2020: DKK 291 thousand) has been recognised in the income statement for 2021 regarding lease agreements with a term of less than 12 months.

The Company does not have any significant minor assets, so no liabilites have been recognised in this respect.

15 **Collaterals**

BLÜCHER Metal A/S holds mortgage deeds registered to the mortgagor of a nominal amount of EUR 1,668 thousand secured upon BLÛCHER Metal A/S' land and buildings with a carrying value at DKK 65,847 thousand as of 31 December 2021.

16 **Contingent liabilities**

BLÜCHER Metal A/S is jointly taxed with the subsidiary Watts Denmark Holding ApS. In its capacity as administration company, the Company is jointly and severally liable together with the other companies in the joint taxation for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the jointly taxed entity. Any subsequent corrections of taxable joint taxation income or withholding taxes may have the outcome that the Company incurs heavier liability.

BLÜCHER Metal A/S has a joint liability in connection to cash pooling agreement between European Watts companies.

Notes continued …

Note **DKK'000**

17 **Related parties**

Watts Denmark Holding ApS is the parent company and related party exercising control through majority of shares of BLÜCHER Metal A/S.

Related party transactions are specified as follows:

	2021	2020
Purchase of goods and services, group entities	24.988	25.157
Sale of goods and services, group entities	186.271	163.532
Sale of goods and services, Parent Company	15	15

Referring to note 5 for remuneration to the executive and board of directors in 2021.

BLÜCHER Metal A/S is part of the consolidated financial statements of Watts Water Technologies, Inc., Massachusetts, USA, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Watts Water Technologies, Inc. are available at www.watts.com.

18 **Fees to auditors appointed at the general meeting**

	2021	2020
Audit	497	540
Tax review	27	14
Other services	135	38
	659	592