BLÜCHER Metal A/S

Pugdalvej 1
7480 Vildbjerg

CVR-nr. 49 26 00 16

Annual report 2022

(49th financial year)

The annual report has been presented and approved at the Company's annual general meeting at 8 June 2023.

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 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)
	Peer Nørbye (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	2022	2021	2020	2019	2018
Key figures					
Revenue	562,8	505,0	462,0	519,4	480,4
Operating profit	61,6	79,8	75,8	97,0	87,2
Profit/loss from financial income and expenses	-2,0	-0,7	-0,5	-1,5	0,9
Profit before tax	65,9	79,1	75,4	95,5	88,1
Profit for the year	**53,3**	**64,4**	**58,7**	**74,2**	**68,5**
Fixed assets	168,4	174,4	168,7	141,0	135,7
Current assets	330,2	287,0	203,3	170,8	257,4
Total assets	**498,6**	**461,4**	**372,0**	**311,8**	**393,1**
Share capital	18,0	18,0	18,0	18,0	18,0
Equity	**396,8**	**343,5**	**279,1**	**220,4**	**291,2**
Non-current liabilities	2,7	0,7	1,4	4,0	8,3
Current liabilities	85,9	105,2	82,0	77,4	93,5
Investments in property, plant and equipment	6,0	18,4	39,3	14,4	28,2
Financial ratios					
Operating margin	10,9	15,8	16,4	18,7	18,1
Current ratio	384,3	272,7	248,0	220,8	275,2
Solvency ratio	79,6	74,5	75,0	70,7	74,1
Average number of employees	361	326	324	362	331

Calculation of financial ratios

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

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

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

From and including the 2019 financial year, BLÜCHER Metal A/S has implemented IFRS 16 Leases. The financial highlights for 2018 have not been restated accordingly. Comparative figures for 2018 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.

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 2022 came in at DKK 562.8 million as against DKK 505.0 million in 2021, accounting for an increase of 11.4%. The revenue increase was mainly driven by increased salesprices to cover some of the increase in steel prices.

Operating profit represented DKK 61.6 million as against DKK 79.8 million in 2021, accounting for an operating margin of 10.9% as against 15.8% in 2021. The decrease was mainly the result of increasing inflation on e.g. stainless steel and energy.

Profit after tax was DKK 53.3 million as against DKK 64.4 million for 2021. Results are below expected, but are considered satisfactory seen in the light of the general market situation.

Equity stood at DKK 396.8 million at 31 December 2022. The solvency ratio was up from 74.5% at year end 2021 to 79.6% at year end 2022.

The expectation for 2022 was an increase in revenue around 10%, which is in line with the realized increase of 11,4% in 2022. Despite increased revenue the result was expected to be in line with 2021 due to inflation. Cost reduction initiatives were implemented during 2022, but it was not enough to offset the increasing inflation, especially on stainless steel and energy. Result ended therefore around 17% below expectations.

Corporate Social Responsibility

The policies on social responsibility are developed in accordance with section 99a of the Danish Financial Statement Act.

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. During 2022 the Company has worked with "Energy-Hunt" project, which has resulted in energy reduction of more than 5%. The Company will continue to work with "Energy-Hunt" project, and learning from "Best-Practice" within the Group.

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 through internal training 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 and reporting of safety observations.

During 2022, the Company has held running workshops and training related to safety on job to ensure full commitment by its employees to the governance on working environment.

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).

Human right and anti-corruption
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, 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 2022, not identify any breaches of the Code of Conduct. In 2022, a risk analysis was made, which did not disclose any material risks within the relevant areas. Through continuous focus and open dialogue with vendors the Company do not expect to identify breaches of the Code of Conduct in 2023.

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
The policie on gender distribution is developed in accordance with section 99b of the Danish Financial Statement Act.
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. There has not been any changes in board members in 2022, so status is 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 defined a new target that no later than at the ordinary general meeting in 2026, the following members are to serve on the Board of Directors: 2 women and 3 men.

To meet the above target for more female board members, 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.

Management's review (continued)

Gender distribution
The Company has previously defined a minimum target for female executives of 10% no later than in 2023. There has not been any replacements in executive team in 2022, so status is that 7.7% 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.

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 2022.

Events after the balance sheet date
No events have occurred after the balance sheet date of importance to the financial statements for 2022.

Outlook for 2023
For 2023, the Company expects revenue to be in line with revenue for the year under review. This expectation is based on projected financial performance and the competitive situation in the most important markets. Cost reduction initiatives have been implemented and with an expected slowdown in inflation, the result is expected to increase in the range 10-15% compared to the year under review.

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 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

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, 8 June 2023

Executive Board:

Henrik Skov Ladefoged
CEO

Board of Directors:

Christopher Wayne Jamieson
Chairman

Henrik Skov Ladefoged

Koen Wilhelmus Antonius Kloppenberg

Peer Nørbye
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 2022 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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 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, 8 June 2023

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	2022	2021
Revenue	**2**	562.770	505.024
Production costs	**3,4,5**	-391.272	-323.764
Gross profit		171.498	181.260
Distribution costs	**3,4,5**	-70.872	-63.467
Administrative expenses	**3,4,5**	-39.115	-37.991
Other operating income		73	0
Operating profit		61.584	79.802
Income from equity investments in subsidiaries		6.323	0
Financial income	**6**	271	122
Financial expenses	**7**	-2.296	-805
Profit before tax		65.882	79.119
Tax on profit for the year	**8**	-12.593	-14.742
Profit for the year	**9**	53.289	64.377

Balance sheet at 31 December

DKK'000	Note	2022	2021
ASSETS			
Fixed Assets			
Intangible assets	**3**		
Software		343	716
		343	716
Property, plant and equipment	**4**		
Land and buildings		65.173	65.847
Plant and machinery		61.898	67.194
Fixtures and fittings, tools and equipment		1.242	1.193
Property, plant and equipment under construction		1.197	3.737
Right-of-use assets		4.496	1.676
		134.006	139.647
Other fixed assets			
Investments in subsidiaries	**10**	33.934	33.934
Deposits, etc.	**11**	122	116
		34.056	34.050
Total fixed assets		168.405	174.413
Current assets			
Inventories			
Raw materials and consumables		25.752	30.599
Work in progress		17.087	19.302
Finished goods and goods for resale		40.066	36.254
		82.905	86.155
Receivables			
Trade receivables		46.017	50.163
Receivables from group entities		110.468	80.107
Other receivables		299	274
Prepayments	**12**	1.596	984
Corporation tax		0	891
		158.380	132.419
Cash at bank and in hand		88.937	68.383
Total current assets		330.222	286.957
TOTAL ASSETS		498.627	461.370

Balance sheet at 31 December

DKK'000	Note	2022	2021
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		18.000	18.000
Retained earnings		192.793	325.504
Proposed dividends		186.000	0
Total equity		396.793	343.504
Provisions			
Deferred tax	**13**	12.213	10.863
Other provisions	**14**	1.025	1.025
Total provisions		13.238	11.888
Liabilities			
Non-current liabilities	**15**		
Lease liabilities		2.670	749
		2.670	749
Current liabilities			
Current portion of non-current liabilities	**15**	1.488	1.009
Credit institutions		36	23
Prepayments received from customers		2.550	3.548
Trade payables		41.814	69.131
Payables to group entities		9.769	10.411
Other payables		28.165	21.107
Corporation tax		2.104	0
		85.926	105.229
Total liabilities		88.596	105.978
TOTAL EQUITY, PROVISIONS AND LIABILITIES		498.627	461.370

Leases	**16**
Collaterals	**17**
Contingent liabilities	**18**
Related parties	**19**
Fees to auditors appointed at the general meeting	**20**

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2022	18.000	325.504	0	343.504
Profit appropriation	0	-132.711	186.000	53.289
Equity at 31 December 2022	18.000	192.793	186.000	396.793

Notes

Note 1

Accounting policies

The Annual Report of Blücher Metal A/S for 2022 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 2022 are presented in TDKK.

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., 815 Chestnut Street, North Andover, MA 01845, USA, 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., 815 Chestnut Street, North Andover, MA 01845, USA, 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.

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.

Segment information is provided on geographical markets. The segment information is in line with the Company's accounting policies, risks and internal financial management. No segment information is disclosed in regards to business segments as the revenue patterns don't differ.

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.

Other operating income and other operating expenses
Other operating income and costs comprise items secondary to the activities of the Company, including gains and/or losses on the disposal of intangible assets and property, plant and equipment.

Income from equity investments in subsidiaries
Income from equity investments in subsidiaries comprises received dividends. Dividends from equity investments in subsidiaries measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

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.

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 other operating income and other operating costs.

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 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:	2022	2021
Domestic	129.143	112.695
Abroad	433.627	392.329
	562.770	505.024

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 2022	4.317
Cost at 31 December 2022	4.317
Amortisation at 1 January 2022	3.601
Amortisation	373
Amortisation at 31 December 2022	3.974
Carrying amount at 31 December 2022	343

Amortisation is recognised in the following income statement captions:

	2022	2021
Production costs	162	160
Distribution costs	40	17
Administrative expenses	171	469
	373	646

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 2022	118.956	243.413	3.749	3.737	369.855
Additions	0	0	0	5.990	5.990
Transfer	2.962	5.109	459	-8.530	0
Disposals	0	-582	-754	0	-1.336
Cost at 31 December 2022	121.918	247.940	3.454	1.197	374.509
Depreciation at 1 January 2022	53.109	176.219	2.556	0	231.884
Depreciation	3.636	10.404	346	0	14.386
Disposals	0	-581	-690	0	-1.271
Depreciation at 31 December 2022	56.745	186.042	2.212	0	244.999
Carrying amount at 31 December 2022	65.173	61.898	1.242	1.197	129.510

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 2022	0	94	1.582	0	1.676
Addition	0	1.186	3.418	0	4.604
Disposals	0	0	-127	0	-127
Depreciation	0	-295	-1.362	0	-1.657
Carrying amount at 31 December 2022	0	985	3.511	0	4.496

Depreciation is recognised in the following income statement captions:

	2022	**2021**
Production costs	14.175	10.638
Distribution costs	951	1.111
Administrative expenses	917	854
	16.043	12.603

5 **Staff matters**

	2022	**2021**
Based on type of expenditure		
Payroll and remuneration	168.615	157.753
Pensions	18.741	17.376
Other social security costs	4.198	3.767
	191.554	178.896
Based on function		
Production costs	141.302	132.188
Distribution costs	33.966	30.055
Administrative expenses	16.286	16.653
	191.554	178.896
Average number of employees	361	326

Pursuant to 98b (3) (II) of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors is not disclosed in 2022. 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 2022 for their roles as members of the Board of Directors.

Notes continued …

Note **DKK'000**

6 **Financial income**

	2022	2021
Interest income from group entities	5	0
Other financial income	266	122
	271	122

7 **Financial expenses**

	2022	2021
Interest expense to group entities	32	0
Other financial expenses	2.264	805
	2.296	805

8 **Tax on profit for the year**

	2022	2021
Tax on taxable income for the year	11.376	14.560
Adjustment of deferred tax	1.350	2.396
Correction in respect of prior years	-133	-2.214
Tax on profit/loss for the year	12.593	14.742

9 **Profit appropriation**

	2022	2021
Retained earnings	239.289	64.377
Proposed dividends	-186.000	0
Transferred to equity	53.289	64.377

10 **Investments in subsidiaries**

	2022	2021
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%	19.775	3.804
BLÜCHER France S.A.R.L., France	Evry	100%	13.454	3.120
BLÜCHER Norway AS, Norway	Siljan	100%	9.489	1.660
BLÜCHER Sweden AB, Sweden	Kalmar	100%	7.562	1.035
BLÜCHER Germany GmbH, Germany	Reichenau	100%	7.622	1.783

* figures are from the latest published statutory annual reports (2021).

Notes continued …

Note **DKK'000**

11 **Deposits, etc.**

	2022	2021
Carrying amount at 1 January	116	124
Additions	6	0
Disposals	0	-8
	122	116

12 **Prepayments**

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

13 **Deferred tax**

	2022	2021
Intangible assets	75	158
Property, plant and equipment	10.839	9.516
Current assets	1.525	1.415
Current liabilities	-226	-226
Deferred tax at 31 December	12.213	10.863
Movements in deferred tax	1.350	2.396
Recognised in the income statement	1.350	2.396

14 **Other provisions**

	2022	2021
Warranty obligations at 1 January	1.025	1.000
Additions	90	375
Settled warranties	-90	-175
Reversed non-settled warranty obligations	0	-175
Warranty obligations at 31 December	1.025	1.025

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

15 **Non-current liabilities**

	Falling due for payment within one year	Falling due for payment within 1-5 years	Carrying value at 31/12 22
Lease liability	1.488	2.670	4.158
Total non-current liabilities	1.488	2.670	4.158

16 **Leases**

An amount of DKK 174 thousand (31 December 2021: DKK 212 thousand) has been recognised in the income statement for 2022 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.

Notes continued …

Note **DKK'000**

17 **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 65,173 thousand as of 31 December 2022. The mortgage debt as of December 31, 2022 is DKK 0.

As collateral for prepayments received from customers, guarantees through credit institution have been issued with an amount of DKK 1,829 thousand as of 31 December 2022.

18 **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.

BLÜCHER Metal A/S is party to a few pending legal actions. In Management's opinion, the outcome of these legal actions will not affect the Company's financial position apart from what has already been recognised in the financial statements.

19 **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:

	2022
Purchase of goods, group entities	391
Purchase of services, group entities	27.192
Sale of goods, group entities	190.091
Sale of services, group entities	10.586

Financial income and expenses from/to group entities are disclosed in notes 6 and 7, and receivables and payables from/to group entities are disclosed in the balance sheet.

A reference is made to note 5 for remuneration of the Executive Board and Board of Directors.

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.

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

	2022	2021
Audit	504	497
Tax review	29	27
Other services	9	135
	542	659