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Ebeltoft

Mita-Teknik A/S
Håndværkervej 1, 8840 Rødkærsbro

Company reg. no. 66 08 92 15

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the **28-06-2022**

DocuSigned by:



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INGE LISE DISSING ANDERSEN
Chairman of the meeting

Medlem af:

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An association of legally independent firms

RGD REVISORGRUPPEN DANMARK

Statsautoriseret
revisionspartnerselskab

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Executive Board have approved the annual report of Mita-Teknik 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.

We consider the chosen accounting policy to be appropriate, and in our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021, and of the results of the Group and the Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2021.

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


We recommend that the annual report be approved at the Annual General Meeting.


Rødskærsbro, 28-06-2022

Executive board

DocuSigned by:

AE80A72B6F824D7...
Klaus Kromann Knudsen


DocuSigned by:

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Andy Yi-Feng Wang


DocuSigned by:

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Guido Wink


Board of directors


DocuSigned by:

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Robert Lewis Yeager

DocuSigned by:

AC0A4A9267C443D...
Richard Rodney Nelson

DocuSigned by:

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Richard William Kephart Jr.

DocuSigned by:

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Guido Wink

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Andy Yi-Feng Wang

Independent auditor's report

To the shareholders of Mita-Teknik A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Mita-Teknik A/S for the financial year 1 January to 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group the Parent Company, as well as consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021, and of the results of the Group and the Company's operations as well as the consolidated cash flows 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 Consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group 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 Responsibilities for the Consolidated Financial Statements and the Parent Company Financial Statements

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent company 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 Group's and 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 consolidated financial statements and the parent company 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the consolidated financial statements and the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that 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 Management's Review.

Aarhus, 28.06.2022

Kovsted & Skovgård

Company reg. no. 38 75 16 46

DocuSigned by:


Johnny Skovgård Rasmussen

State Authorised Public Accountant
mne32079

DocuSigned by:


Karen Kragesand Thomsen

State Authorised Public Accountant
mne34460

Company information

The company

Mita-Teknik A/S
Håndværkervej 1
8840 Rødkærsbro

Company reg. no. 66 08 92 15
Financial year: 1 January - 31 December

Board of directors

Robert Levis Yeager
Richard Rodney Nelson
Richard William Kephart Jr.
Guido Wink
Andy Yi-Feng Wang

Executive board

Klaus Kromann Knudsen
Andy Yi-Feng Wang
Guido Wink

Auditors

Kovsted & Skovgård Statsautoriseret revisionspartnerselskab

Subsidiary

Mita-Teknik, Udlejning ApS, Danmark
Mita-Teknik (Ningbo) co. Ltd, Kina
Mita-Teknik Ltd, Ukraine

Consolidated financial highlights

DKK in thousands.	2021	2020	2019	2018	2017
Income statement:					
Gross profit	55.560	67.882	53.571	44.582	44.868
Profit from operating activities	-9.784	6.059	-13.421	-37.463	-7.614
Net financials	1.417	-38	-1.232	22.480	617
Net profit or loss for the year	-6.061	5.173	-10.686	-11.823	-5.929
Statement of financial position:					
Balance sheet total	117.624	117.320	124.372	128.082	236.270
Investments in property, plant and equipment	377	526	1.785	-368	-3.362
Equity	40.626	44.456	40.238	39.597	145.003
Employees:					
Average number of full-time employees	143	148	147	199	238
Key figures in %:					
Return on equity investment	-15,6	9,5	-22,0	-32,4	-4,4
Solvency ratio	34,5	37,9	32,4	30,9	61,4
Return on equity	-14,2	12,2	-26,8	-12,8	-4,0

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Return on equity investment	$\frac{\text{Operating profit or loss (EBIT)} \times 100}{\text{Average invested capital}}$
Invested capital	Operational intangible and tangible assets and net working capital
Solvency ratio	$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$
Return on equity	$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$

Management's review

The principal activities of the group

The principal activities of the company include development, production, sale and service of control and monitoring solutions.

Operations are carried on from the company's headquarters in Rødkærsbro, Denmark, as well as from our subsidiaries in Ukraine and China. The operations are supported with sale and technical support on our main markets. As a system supplier and subcontractor, Mita-Teknik works in the areas of sustainable energy, marine, mechanical engineering as well as other industries. Mita-Teknik has gained traction as an important supplier to the wind turbine industry in Europe, the USA and Asia.

Mita-Teknik was taken over by Emerson on 15 December 2021. The acquisition holds an immense potential for the company, with many synergies that can be utilised across companies. We expect 2022 to be devoted to Mita-Teknik's integration into Emerson's organisation.

Development in activities and financial matters

Gross profit for the year stands at DKK 55,560,000 compared with DKK 67,882,000 for the previous year. There is a net loss on ordinary activities of DKK 6,061,000 for the year versus a profit of DKK 5,173,000 for the previous year.

2021 has been characterised by a number of external impacts. COVID-19 has adversely affected the cost of business, while also postponing customer projects because of travel restrictions. The situation with regard to materials, involving very long delivery times, general price hikes and higher transport costs has impacted earnings for 2021. Similarly, it has postponed a large portion of the sales for 2021 until 2022.

Our operations, in particular, in China have been placed under pressure. Here we continue to observe a major price pressure as well as tougher market conditions. Nevertheless, we continue to see positive signs and developments in the wind turbine industry outside China as well as in new business areas.

Overall, the Management is satisfied with developments, but does not consider earnings for the year to be satisfactory, even though they have been materially impacted by the challenging market conditions.

Expected developments

In order to match the Emerson Group's financial year, from 2022, the company intends to change its financial year so that it starts on 1 October and ends on 30 September, meaning that it will submit a financial report for 9 months for the period from 1 January 2022 to 30 September 2022.

Despite expectations of a neat increase in business activity and a strong order book, the lack of materials, COVID-19 lockdowns in China, continued travel restrictions and the war in Ukraine are expected to adversely impact earnings for 2022.

The financial year 2022 (9 months) is expected to end with a gross profit of DKK 46-56 million and a pre-tax loss of DKK 5-0 million.

Management's review

Know how resources

The company develops and manufactures high-tech products based on the know-how accumulated in the cooperation with the company's customers and in market analyses. The company has highly specialised employees, with extensive experience in the areas of control, regulation and monitoring, including specialists in the company's business areas of sustainable energy, marine, mechanical engineering and other industries.

The employees' competencies are reinforced and continuously maintained by means of challenging development projects, joint developments with customers and internal/external training.

In addition to the company's own skill set, we occasionally purchase expertise as part of the development work with new products and hire students as interns as part of their training in relevant specialities.

Research and development activities

The company continuously implements a number of development projects that account for a significant part of the overall expenditure. The operations in 2020 have, as expected, been positively affected by the new products launched on the market in recent years.

Special risks

Financial risks

The Group operates with a low risk profile, to the effect that any foreign exchange, interest rate and credit risks can only arise based on market conditions.

The Management continuously evaluates if the Group has adequate capital structure, and the Board of Directors also continuously evaluates if this capital structure complies with the interests of the company and its stakeholders.

No changes have been implemented to the Group's guidelines and procedures for governance of capital structure and its management in 2021.

The Group's financing is anchored in floating-rate loans, which means that results are affected by interest rate fluctuations.

The Group's foreign trade is primarily conducted in CNY, EUR and USD, which is why earnings, cash flows and equity can be impacted by foreign exchange rate developments. The Group continuously enters into financial contracts in order to hedge the risk to the Group's net position in USD. Positions in EUR and CNY, or the exchange rate risk for the Group's subsidiaries, are not hedged. The Company does not have any speculative foreign exchange rate holdings.

Management's review

Market risks

The wind turbine industry is subject to political regulations, with all entailing risks this involves. The Group is particularly exposed to downturns in the installation of new wind turbines and the ability to form long-term partnerships with the company's customers. The Group manufactures to order custom-made high-tech products and has a highly flexible workforce that enables the Group to quickly react to market changes. The Company's investments in activities outside the wind turbine area generate a better balance in the company's activity level and production capacity.

Risks related to quality/customer claims

The company's customer segments place severe demands on product quality in order to safeguard stable and efficient operations. Therefore, all operational companies with the Group are ISO 9001 certified. The Group is under way with the implementation of APQP as part of its quality assurance system.

Subcontracting risks

The company aims to have several different suppliers for its most important sub-components and continuously canvasses the market for alternative suppliers of such components in order to ensure reductions in both price and dependence on individual suppliers.

Safety and pollution risks

In connection with Emerson's acquisition of Mita-Teknik, the Management has decided not to extend the membership in the UN Global Compact. Going forward, Mita-Teknik will be covered by Emerson's ESG policies. Occupational safety and health conditions and prevention of pollution are continuously discussed in, among other things, the company's Joint Consultative Committee and Safety Committee. The Chinese subsidiary is certified according to OHSAS 18000 and ISO 14001. The Group is insured against material damages and is in close dialogue with authorities and insurance companies with an eye to continued improved coverage of insurable risks.

Risk management and internal control

The company's Board of Directors and Executive Board are in an ongoing dialogue on important conditions in the company, including on risks that are considered to have the potential to materially impact the company. As part of the annual ISO 9001 audit, the Management conducts an assessment of business risks.

Events occurring after the end of the financial year

After the balance sheet date and until today, we have observed greater business risks owing to the war in Ukraine and lockdowns in China due to COVID-19. Similarly, we see continued hikes in the prices of materials and transportation, albeit to a lesser extent, and these may adversely affect our delivery capability and thus our expected earnings for the financial year..

Accounting policies

The annual report for Mita-Teknik A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the group and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Accounting policies

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

The consolidated financial statements

The consolidated income statements comprise the parent company Mita-Teknik A/S and those group enterprises of which Mita-Teknik A/S directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control.

Consolidation policies

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' market value of net assets and liabilities at the acquisition date.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Accounting policies

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in subsidiaries and associates

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual subsidiaries are recognised in the income statement of the parent as a proportional share of the subsidiaries' post-tax profit or loss.

After full elimination of intercompany profit or loss less amortised of consolidated goodwill, the investment in the individual associates are recognised in the income statement of both the group and the parent as a proportional share of the associate' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The parent and the Danish group enterprises are subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Accounting policies

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 3-5 years.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant, and equipment

Property is measured at cost and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Buildings	25 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Accounting policies

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the group holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The group's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in subsidiaries and associates are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Investments in subsidiaries and associates with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries and associates transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries and associates.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Accounting policies

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries og associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Accounting policies

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

According to the rules of joint taxation, Mita-Teknik A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Accounting policies

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the group has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the group.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

Accounting policies

Cash flows from operating activities

Cash flows from operating activities are calculated as the group's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under "Interest income and dividend received".

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the group's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and shortterm financial instruments with a term of less than 3 months, which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.

Income statement 1 January - 31 December

DKK thousand.

Note	Group		Parent	
	2021	2020	2021	2020
	55.560	67.882	32.149	38.224
Gross profit				
1 Staff costs	-55.091	-50.001	-34.801	-32.611
Depreciation, amortisation, and impairment	-10.253	-11.822	-9.905	-11.214
Operating profit	-9.784	6.059	-12.557	-5.601
Income from investments in subsidiaries	0	0	3.333	9.310
Other financial income	1.807	1.632	104	1.055
2 Other financial expenses	-390	-1.670	-392	-1.670
Pre-tax net profit or loss	-8.367	6.021	-9.512	3.094
Tax on net profit or loss for the year	2.306	-848	3.451	2.079
3 Net profit or loss for the year	-6.061	5.173	-6.061	5.173

Balance sheet at 31 December

DKK thousand.

Note	Group		Parent		
	2021	2020	2021	2020	
Assets					
Non-current assets					
4	Completed development projects	29.836	33.520	29.836	33.520
5	Acquired concessions, patents, licenses, trademarks, and similar rights	146	98	0	0
	Total intangible assets	29.982	33.618	29.836	33.520
6	Property	16.167	17.557	11.283	12.469
7	Plant and machinery	798	1.198	798	1.198
8	Other fixtures and fittings, tools and equipment	1.010	1.082	324	458
	Total property, plant, and equipment	17.975	19.837	12.405	14.125
9	Investments in subsidiaries	0	0	17.635	12.439
10	Deposits	0	120	0	120
	Total investments	0	120	17.635	12.559
	Total non-current assets	47.957	53.575	59.876	60.204

Balance sheet at 31 December

DKK thousand.

Note	Group		Parent		
	2021	2020	2021	2020	
Assets					
Current assets					
	Raw materials and consumables	22.875	14.599	10.361	6.059
	Work in progress	3.151	515	3.151	515
	Manufactured goods and goods for resale	0	1.652	0	1.652
	Total inventories	26.026	16.766	13.512	8.226
	Trade receivables	13.729	11.049	10.257	3.205
	Receivables from subsidiaries	0	0	15.925	32.233
	Income tax receivables	1.459	434	1.459	434
11	Deferred tax assets	6.032	6.597	0	0
	Other receivables	1.757	2.371	354	600
12	Prepayments	694	470	694	470
	Total receivables	23.671	20.921	28.689	36.942
	Cash and cash equivalents	19.970	26.058	8.197	169
	Total current assets	69.667	63.745	50.398	45.337
	Total assets	117.624	117.320	110.274	105.541

Balance sheet at 31 December

DKK thousand.

Note	Group		Parent	
	2021	2020	2021	2020
Equity and liabilities				
Equity				
Contributed capital	1.200	1.200	1.200	1.200
Reserve for development costs	23.271	26.345	23.271	26.345
Retained earnings	16.155	16.911	16.155	16.911
Total equity	40.626	44.456	40.626	44.456
Provisions				
13 Provisions for deferred tax	1.665	3.529	2.457	4.453
14 Other provisions	1.316	2.234	932	1.611
15 Provisions for investments in subsidiaries	0	0	0	466
Total provisions	2.981	5.763	3.389	6.530
Long term liabilities other than provisions				
Mortgage loans	12.549	13.786	12.549	13.786
Other payables	4.613	822	4.613	822
Total long term liabilities other than provisions	17.162	14.608	17.162	14.608

Balance sheet at 31 December

DKK thousand.

Note	Group		Parent	
	2021	2020	2021	2020
Equity and liabilities				
Current portion of long term liabilities	1.572	1.557	1.572	1.557
Bank loans	0	11.009	0	11.009
Prepayments received from customers	9.307	10.600	4.209	6.332
Trade payables	13.153	11.888	11.080	5.838
Payables to parent company	24.900	939	26.127	2.576
Other payables	7.923	16.500	6.109	12.635
Total short term liabilities other than provisions	56.855	52.493	49.097	39.947
Total liabilities other than provisions	74.017	67.101	66.259	54.555
Total equity and liabilities	117.624	117.320	110.274	105.541

16 Charges and security

17 Contingencies

18 Related parties

Consolidated statement of changes in equity

DKK thousand.

	Contributed capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity 1 January 2020	1.200	0	27.854	11.184	40.238
Share of results	0	0	0	5.173	5.173
Transferred from retained earnings	0	0	-1.509	1.509	0
Exchange rate adjustment	0	0	0	-955	-955
Equity 1 January 2021	1.200	0	26.345	16.911	44.456
Share of results	0	0	0	-6.061	-6.061
Transferred from retained earnings	0	0	-3.074	3.074	0
Exchange rate adjustment	0	0	0	2.231	2.231
	1.200	0	23.271	16.155	40.626

Statement of changes in equity of the parent

DKK thousand.

	<u>Contributed capital</u>	<u>Reserve for development costs</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2020	1.200	27.854	11.184	40.238
Profit or loss for the year brought forward	0	0	5.173	5.173
Transferred from retained earnings	0	-1.509	0	-1.509
Exchange rate adjustment	0	0	-955	-955
Transferred from retained earnings	0	0	1.509	1.509
Equity 1 January 2021	1.200	26.345	16.911	44.456
Profit or loss for the year brought forward	0	0	-6.061	-6.061
Transferred from retained earnings	0	-3.074	3.074	0
Exchange rate adjustment	0	0	2.231	2.231
	1.200	23.271	16.155	40.626

Statement of cash flows 1 January - 31 December

DKK thousand.

<u>Note</u>	Group 2021	2020
Net profit or loss for the year	-6.061	5.173
19 Adjustments	5.612	12.989
20 Change in working capital	-20.156	13.605
Cash flows from operating activities before net financials	-20.605	31.767
Interest received, etc.	1.809	340
Interest paid, etc.	-390	-388
Cash flows from ordinary activities	-19.186	31.719
Income tax paid	-18	2.397
Cash flows from operating activities	-19.204	34.116
Purchase of intangible assets	-4.313	-4.510
Change in deposits	120	0
Purchase of property, plant, and equipment	-377	-526
Sale of property, plant, and equipment	-65	14
Sale of financial instruments	0	120
Cash flows from investment activities	-4.635	-4.902
Change in debt to subsidiaries	23.961	0
Changes in long-term debt	2.569	-1.736
Changes in exchange rate adjustments	2.232	0
Changes in short-term debt (bank loans)	-11.009	-17.548
Cash flow from financing activities	17.753	-19.284
Change in cash and cash equivalents	-6.086	9.930
Cash and cash equivalents at 1 January 2021	26.056	16.128
Cash and cash equivalents at 31 December 2021	19.970	26.058
Cash and cash equivalents		
Cash and cash equivalents	19.970	26.058
Cash and cash equivalents at 31 December 2021	19.970	26.058

Notes

DKK thousand.

	Group		Parent	
	2021	2020	2021	2020
1. Staff costs				
Salaries and wages	47.609	43.878	32.281	30.198
Pension costs	5.248	3.770	2.114	2.048
Other costs for social security	406	344	406	344
Other staff costs	1.828	2.009	0	21
	55.091	50.001	34.801	32.611
Executive board	6.031	1.767	6.031	1.767
Average number of employees	143	148	50	50
2. Other financial expenses				
Financial costs, group enterprises	22	0	22	0
Other financial costs	368	1.670	370	1.670
	390	1.670	392	1.670
3. Proposed appropriation of net profit				
Reserves for net revaluation according to the equity method			0	0
Dividend for the financial year			0	0
Transferred to retained earnings			0	5.173
Allocated from retained earnings			-6.061	0
Total allocations and transfers			-6.061	5.173

Notes

DKK thousand.

	Group		Parent	
	31/12 2021	31/12 2020	31/12 2021	31/12 2020
4. Completed development projects				
Cost 1 January 2021	144.817	140.307	144.817	140.307
Additions during the year	4.313	4.510	4.313	4.510
Cost 31 December 2021	149.130	144.817	149.130	144.817
Amortisation and writedown 1 January 2021	-111.297	-102.108	-111.297	-102.108
Amortisation for the year	-7.997	-9.189	-7.997	-9.189
Amortisation and writedown 31 December 2021	-119.294	-111.297	-119.294	-111.297
Carrying amount, 31 December 2021	29.836	33.520	29.836	33.520

Notes

DKK thousand.

	Group		Parent	
	31/12 2021	31/12 2020	31/12 2021	31/12 2020
5. Acquired concessions, patents, licenses, trademarks, and similar rights				
Cost 1 January 2021	2.762	2.954	2.488	2.488
Translation by use of the exchange rate valid on balance sheet date 31 December 2021	34	-85	0	0
Additions during the year	168	0	0	0
Disposals during the year	-132	-107	0	0
Cost 31 December 2021	2.832	2.762	2.488	2.488
Amortisation and writedown 1 January 2021	-2.664	-2.837	-2.488	-2.488
Translation by use of the exchange rate valid on balance sheet date 31 December 2021	-22	71	0	0
Amortisation for the year	-132	-5	0	0
Reversal of depreciation, amortisation and writedown, assets disposed of	132	107	0	0
Amortisation and writedown 31 December 2021	-2.686	-2.664	-2.488	-2.488
Carrying amount, 31 December 2021	146	98	0	0

Notes

DKK thousand.

	Group		Parent	
	31/12 2021	31/12 2020	31/12 2021	31/12 2020
6. Property				
Cost 1 January 2021	42.733	42.713	34.538	34.518
Additions during the year	144	20	144	20
Cost 31 December 2021	42.877	42.733	34.682	34.538
Depreciation and writedown 1 January 2021	-25.176	-23.643	-22.069	-20.741
Depreciation for the year	-1.534	-1.533	-1.330	-1.328
Depreciation and writedown 31 December 2021	-26.710	-25.176	-23.399	-22.069
Carrying amount, 31 December 2021	16.167	17.557	11.283	12.469
7. Plant and machinery				
Cost 1 January 2021	9.083	8.916	9.083	8.916
Additions during the year	20	166	20	166
Cost 31 December 2021	9.103	9.082	9.103	9.082
Depreciation and writedown 1 January 2021	-7.884	-7.361	-7.884	-7.361
Depreciation for the year	-421	-523	-421	-523
Depreciation and writedown 31 December 2021	-8.305	-7.884	-8.305	-7.884
Carrying amount, 31 December 2021	798	1.198	798	1.198
Lease assets are recognised at a carrying amount of	702	1.053	702	1.053

Notes

DKK thousand.

	Group		Parent	
	31/12 2021	31/12 2020	31/12 2021	31/12 2020
8. Other fixtures and fittings, tools and equipment				
Cost 1 January 2021	14.385	14.190	8.379	8.247
Translation by use of the exchange rate valid on balance sheet date 31 December 2021	449	0	0	0
Additions during the year	213	340	23	131
Disposals during the year	-156	-145	-156	0
Cost 31 December 2021	14.891	14.385	8.246	8.378
Depreciation and writedown 1 January 2021	-13.303	-12.846	-7.921	-7.746
Translation by use of the exchange rate valid on balance sheet date 31 December 2021	-385	-16	0	0
Depreciation for the year	-349	-572	-157	-174
Depreciation, amortisation and writedown for the year, assets disposed of	156	0	156	0
Reversal of depreciation, amortisation and writedown, assets disposed of	0	131	0	0
Depreciation and writedown 31 December 2021	-13.881	-13.303	-7.922	-7.920
Carrying amount, 31 December 2021	1.010	1.082	324	458

Notes

DKK thousand.

	Group		Parent	
	31/12 2021	31/12 2020	31/12 2021	31/12 2020
9. Investments in subsidiaries				
Acquisition sum, opening balance 1 January 2021	0	0	16.940	16.939
Disposals during the year	0	0	-4.594	0
Cost 31 December 2021	0	0	12.346	16.939
Revaluations, opening balance 1 January 2021	0	0	-4.967	-12.952
Adjustment exchange rate on equity	0	0	2.028	-9
Adjustment exchange rate on P/L	0	0	201	-955
Results for the year	0	0	3.090	7.380
Reversals for the year concerning disposals	0	0	5.182	0
Dividend	0	0	-600	-362
Adjustment of internal profit	0	0	355	1.932
Revaluation 31 December 2021	0	0	5.289	-4.966
Transferred to provisions	0	0	0	466
Set off against debtors and provisions for liabilities	0	0	0	466
Carrying amount, 31 December 2021	0	0	17.635	12.439

Subsidiaries:

	Domicile	Equity interest
Mita-Teknik, Udlejning ApS	Danmark	100 %
Mita-Teknik (Ningbo) co. Ltd	Kina	100 %
Mita-Teknik Ltd	Ukraine	25 %

Notes

DKK thousand.

	Group		Parent	
	31/12 2021	31/12 2020	31/12 2021	31/12 2020
10. Deposits				
Cost 1 January 2021	120	240	120	240
Disposals during the year	-120	-120	-120	-120
Cost 31 December 2021	0	120	0	120
Carrying amount, 31 December 2021	0	120	0	120

11. Deferred tax assets

Deferred tax assets January 1, 2021	6.597	9.159	0	0
Deferred tax of the net profit or loss for the year	-565	-2.562	0	0
	6.032	6.597	0	0

The recognized deferred tax asset consists of tax losses carried forward, which are expected to be utilized within the next 3-5 years and time deviations between book value and tax value for certain assets.

12. Prepayments

Other prepayments	694	470	694	470
	694	470	694	470

Prepayments consist of prepaid expenses relating to rent, insurance premiums, subscriptions and interests.

13. Provisions for deferred tax

Provisions for deferred tax 1 January 2021	3.529	4.624	4.453	6.097
Deferred tax of the results for the year	-1.864	-1.095	-1.996	-1.644
	1.665	3.529	2.457	4.453

The deferred tax liability consists of tax relating to development projects as well as losses to be carried forward, which are expected to be utilized within the next 3-5 years.

Notes

DKK thousand.

	Group		Parent	
	31/12 2021	31/12 2020	31/12 2021	31/12 2020
14. Other provisions				
Other provisions 1 January 2021	2.913	900	1.611	586
Change of the year in other provisions	-1.597	1.334	-679	1.025
	1.316	2.234	932	1.611

Other provisions include provisions for expected liabilities on delivered products.

15. Provisions for investments in subsidiaries

Mita-Teknik India	0	0	0	466
	0	0	0	466

16. Charges and security

As collateral for mortgage loans, t.DKK 13.770, security has been granted on land and buildings representing a carrying amount of t.DKK 11.284 at 31 December 2021.

17. Contingencies**Contingent liabilities**

	DKK in thousands
Lease liabilities	501
Other contingent liabilities (buy of goods)	8.590
Total contingent liabilities	9.091

Joint taxation

With Aktieselskabet af 10. januar 2019, company reg. no 33771258 as administration company, the company is, until December 15, 2021, subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Notes

DKK thousand.

18. Related parties

Controlling interest

Emerson International Holding Company Limited Majority shareholder

Consolidated financial statements

The company is not included in any consolidated financial statements for the parent company.

19. Adjustments

Depreciation, amortisation, and impairment	10.253	11.822
Impairment of current assets	0	1.006
Adjustment other provisions	-918	0
Other financial income	-1.807	-1.632
Other financial expenses	390	1.670
Tax on net profit or loss for the year	-2.306	848
Other adjustments	0	-725
	<u>5.612</u>	<u>12.989</u>

20. Change in working capital

Change in inventories	-9.261	-2.920
Change in receivables	-2.290	8.954
Change in trade payables and other payables	-8.605	7.571
	<u>-20.156</u>	<u>13.605</u>