
Niebuhr Gears A/S

La Cours Vej 8, DK-7430 Ikast

Annual Report for 1 January - 31 December 2021

CVR No 71 15 07 12

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/3 2022

Per Boie Sørensen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Niebuhr Gears A/S for the financial year 1 January - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ikast, 22 March 2022

Executive Board

Rasmus Holt Niebuhr
CEO

Board of Directors

Mogens Filtenborg
Chairman

Per Thy Sørensen

Rasmus Holt Niebuhr

Michael Sørensen
Staff Representative

Else Rasmussen
Staff Representative

Independent Auditor's Report

To the Shareholder of Niebuhr Gears A/S

Opinion

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's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Niebuhr Gears A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the 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 Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the 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 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group'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 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 Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

Independent Auditor's Report

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 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.
- 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.

Herning, 22 March 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen
statsautoriseret revisor
mne23324

Kim Vorret
statsautoriseret revisor
mne33256

Company Information

The Company

Niebuhr Gears A/S
La Cours Vej 8
DK-7430 Ikast

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E-mail: niebuhr@niebuhr.dk
Website: www.niebuhr.dk

CVR No: 71 15 07 12
Financial period: 1 January - 31 December
Municipality of reg. office: Ikast-Brandø

Board of Directors

Mogens Filtenborg, Chairman
Per Thy Sørensen
Rasmus Holt Niebuhr
Michael Sørensen
Else Rasmussen

Executive Board

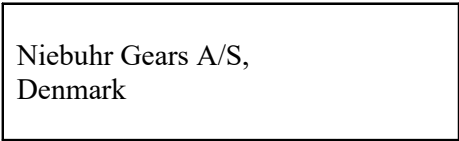
Rasmus Holt Niebuhr

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Platanvej 4
DK-7400 Herning

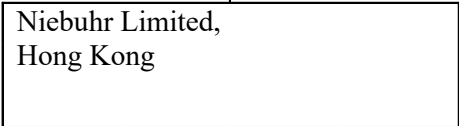
Group Chart

Parent Company

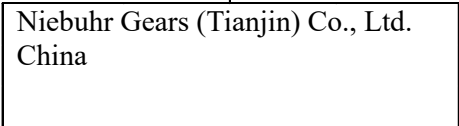


Consolidated subsidiaries

100 %



100%



Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Profit/loss					
Gross profit/loss	37,927	37,728	42,392	41,352	45,711
Operating profit/loss	13,891	15,660	18,739	20,276	26,430
Profit/loss before financial income and expenses	13,446	15,260	20,159	20,276	26,786
Net financials	-676	-2,449	-2,265	-10,051	-5,179
Net profit/loss for the year	9,895	9,582	13,839	7,928	16,555
Balance sheet					
Balance sheet total	262,388	233,448	253,529	267,632	308,023
Equity	119,622	111,677	111,738	100,674	98,128
Cash flows					
Cash flows from:					
- operating activities	38,256	46,132	26,917	42,835	20,393
- investing activities	-18,892	-9,882	-36,173	27,765	-60,115
including investment in property, plant and equipment	-18,809	-10,197	-36,787	27,765	-60,115
- financing activities	-18,041	-34,191	10,203	-84,587	22,772
Change in cash and cash equivalents for the year	1,323	2,059	947	-13,987	-16,950
Number of employees	163	167	181	172	178
Ratios					
Return on assets	5.1%	6.5%	8.0%	7.6%	8.7%
Solvency ratio	45.6%	47.8%	44.1%	37.6%	31.9%
Return on equity	8.6%	8.6%	13.0%	8.0%	17.4%

Management's Review

Key activities

The Group's most important activities

Niebuhr Gears A/S is Denmark's largest manufacturer of gears and transmission components, which are delivered to industrial customers in Europe, China, India and the USA. Niebuhr has own production facilities in Denmark and China.

Development and production preparation takes place primarily in the parent company in Denmark, where all types of gears and transmission components are manufactured. Large gears are also manufactured at the factory in China.

Niebuhr has consistently invested heavily in modern machines, robotic solutions and automation to ensure continued development and competitiveness.

Niebuhr contributes to the green conversion and production of clean energy, through the supply of key components to the wind turbine industry. All electric power consumed for the manufacturing processes in Denmark, is sourced from renewable energy.

Niebuhr also contributes to efficiency improvements in construction machinery, agricultural machinery, heavy-duty trucks and more, by supplying high quality transmission products.

Niebuhr Gears is certified globally within "Health And Safety Approval" according to ISO45001. Together with "Quality Approval" according to ISO9001 and "Environment Certification Approval", according to ISO14001, the company is ready to meet the demand from global customers, global employees, global suppliers and other partners, to ensure an ongoing development of the company.

Niebuhr Gears has started a project with focus on mapping our environmental footprint.

Niebuhr has 3 primary business areas:

Industrial Gears

Industrial Gears manufactures gearwheels and transmission components, in batches from one to several thousands, with a high degree of robotization and automation.

Heavy Duty

Heavy Duty produces large gears in Denmark and China, up to 6 meters in diameter. Niebuhr's Heavy Duty department is the world's leading manufacturer of large yawrings for the wind industry.

Process Gears

Process Gears offers mass production of gearwheels on state-of-the-art and fully automated production lines.

Management's Review

The past year and follow-up on development expectations from last year

The Group's share of the result for the financial year was MDKK 9.9 against MDKK 9.6 in 2020. Management considers results to be satisfactory, circumstances from a troubled year highly influenced by Covid-19, increasing prices on goods, freight and energy taken into consideration.

Expectations for the coming year

The company has a clear and strong strategy for growth, for all business units. 2022 is expected to be positive with increase in activity and result of operations. The order base for 2022 is solid and Niebuhr expects an EBT between MDKK 8 and MDKK 12.

Investments:

The total investments in 2021 was MDKK 19. The investments in 2022 are expected to be MDKK 30. Investments are primarily related to capacity increase and automatization for the factory in Denmark.

Special Risk

Capital resources

The company has the necessary credit facilities to finance operations and investments for the coming year.

Currency risks

The Company continuously assesses its exposure in foreign currency, and hedges any significant exposures. There is no speculation in foreign exchange investments or hedges.

Credit risks

The Group's maximum credit risk corresponds to the value of receivables, as shown in the balance sheet. Major customers are subject to credit assessment, and credit is only granted within the agreed credit limits.

Price Risks

The Company hedges its risks by entering into long-term price agreements with its customers, which are offset by similar price agreements with suppliers of raw materials / core services.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2021 DKK'000	2020 DKK'000	2021 DKK'000	2020 DKK'000
Gross profit/loss		37,927	37,728	31,039	24,356
Distribution expenses	1	-6,284	-6,116	-3,557	-2,894
Administrative expenses	1	-17,752	-15,952	-13,771	-12,893
Operating profit/loss		13,891	15,660	13,711	8,569
Other operating expenses		-445	-400	-445	-400
Profit/loss before financial income and expenses		13,446	15,260	13,266	8,169
Income from investments in subsidiaries	2	0	0	-237	3,536
Financial income	3	1,312	729	1,559	1,287
Financial expenses	4	-1,988	-3,178	-1,814	-2,285
Profit/loss before tax		12,770	12,811	12,774	10,707
Tax on profit/loss for the year	5	-2,875	-3,229	-2,879	-1,625
Net profit/loss for the year		9,895	9,582	9,895	9,082

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2021 DKK'000	2020 DKK'000	2021 DKK'000	2020 DKK'000
Acquired licenses		1,024	1,737	1,024	1,737
Intangible assets	6	1,024	1,737	1,024	1,737
Plant and machinery		101,360	101,265	76,166	83,042
Other fixtures and fittings, tools and equipment		2,657	3,140	2,657	3,140
Leasehold improvements		3,931	3,846	2,756	3,550
Property, plant and equipment in progress		1,342	1,540	1,342	1,540
Property, plant and equipment	7	109,290	109,791	82,921	91,272
Investments in subsidiaries	8	0	0	44,118	39,825
Receivables from group enterprises	9	0	740	740	740
Other investments	9	300	300	300	300
Fixed asset investments		300	1,040	45,158	40,865
Fixed assets		110,614	112,568	129,103	133,874
Inventories	10	71,795	56,721	55,285	45,634
Trade receivables		46,624	45,735	30,591	23,624
Receivables from group enterprises		15,346	7,559	31,767	23,188
Other receivables		7,233	1,467	5,291	1,037
Corporation tax		956	0	866	0
Prepayments	11	4,835	5,736	1,920	4,456
Receivables		74,994	60,497	70,435	52,305
Cash at bank and in hand		4,985	3,662	1,031	2,299
Currents assets		151,774	120,880	126,751	100,238
Assets		262,388	233,448	255,854	234,112

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2021 DKK'000	2020 DKK'000	2021 DKK'000	2020 DKK'000
Share capital		1,000	1,000	1,000	1,000
Reserve for net revaluation under the equity method		0	0	18,942	14,649
Reserve for hedging transactions		3,571	56	3,571	56
Reserve for exchange adjustments		4,247	-288	0	0
Retained earnings		100,804	100,909	86,109	85,972
Proposed dividend for the year		10,000	10,000	10,000	10,000
Equity		119,622	111,677	119,622	111,677
Provision for deferred tax	13	3,301	1,689	3,343	1,821
Provisions		3,301	1,689	3,343	1,821
Lease obligations		57,064	67,453	57,064	67,453
Other payables		6,763	0	6,763	0
Long-term debt	14	63,827	67,453	63,827	67,453
Credit institutions		19,335	8,845	19,335	8,845
Lease obligations	14	17,039	17,266	17,039	17,266
Trade payables		24,829	9,961	17,721	6,537
Payables to group enterprises		0	865	2,699	6,227
Corporation tax		0	349	0	0
Payables to group enterprises relating to corporation tax		0	1,514	0	1,514
Other payables	14	14,435	13,829	12,268	12,772
Short-term debt		75,638	52,629	69,062	53,161
Debt		139,465	120,082	132,889	120,614
Liabilities and equity		262,388	233,448	255,854	234,112

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>
Distribution of profit	12
Contingent assets, liabilities and other financial obligations	17
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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for hedging transactions	Reserve for exchange adjustments	Retained earnings	Proposed dividend for the year	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	1,000	0	56	-288	100,909	10,000	111,677
Exchange adjustments	0	0	0	4,535	0	0	4,535
Ordinary dividend paid	0	0	0	0	0	-10,000	-10,000
Fair value adjustment of hedging instruments, end of year	0	0	4,507	0	0	0	4,507
Tax on adjustment of hedging instruments for the year	0	0	-992	0	0	0	-992
Net profit/loss for the year	0	0	0	0	-105	10,000	9,895
Equity at 31 December	1,000	0	3,571	4,247	100,804	10,000	119,622

Statement of Changes in Equity

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Reserve for hedging transactions	Reserve for exchange adjustments	Retained earnings	Proposed dividend for the year	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	1,000	14,649	56	0	85,972	10,000	111,677
Ordinary dividend paid	0	0	0	0	0	-10,000	-10,000
Exchange adjustments relating to foreign entities	0	4,535	0	0	0	0	4,535
Fair value adjustment of hedging instruments, end of year	0	0	4,507	0	0	0	4,507
Tax on adjustment of hedging instruments for the year	0	0	-992	0	0	0	-992
Net profit/loss for the year	0	-242	0	0	137	10,000	9,895
Equity at 31 December	1,000	18,942	3,571	0	86,109	10,000	119,622

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2021 DKK'000	2020 DKK'000
Net profit/loss for the year		9,895	9,582
Adjustments	15	28,186	27,994
Change in working capital	16	5,916	13,301
Cash flows from operating activities before financial income and expenses		43,997	50,877
Financial income		1,313	729
Financial expenses		-1,979	-3,180
Cash flows from ordinary activities		43,331	48,426
Corporation tax paid		-5,075	-2,294
Cash flows from operating activities		38,256	46,132
Purchase of intangible assets		-133	-546
Purchase of property, plant and equipment		-18,809	-10,197
Fixed asset investments made etc		-5	0
Sale of property, plant and equipment		55	861
Cash flows from investing activities		-18,892	-9,882
Repayment of mortgage loans		0	-1,086
Change in loans from credit institutions		10,488	-32,297
Reduction of lease obligations		-18,292	-15,364
Change in payables to group enterprises		-7,912	23,424
Lease obligations incurred		7,675	0
Minority interests		0	-8,868
Dividend paid		-10,000	0
Cash flows from financing activities		-18,041	-34,191
Change in cash and cash equivalents		1,323	2,059
Cash and cash equivalents at 1 January		3,662	1,603
Cash and cash equivalents at 31 December		4,985	3,662
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4,985	3,662
Cash and cash equivalents at 31 December		4,985	3,662

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK'000	DKK'000	DKK'000	DKK'000
1 Staff				
Wages and Salaries	59,296	52,009	52,885	45,160
Pensions	4,181	3,752	4,181	3,752
Other social security expenses	3,682	2,327	1,329	1,310
	67,159	58,088	58,395	50,222
Including remuneration to the Executive and Supervisory Boards of:				
Executive Board	3,693	1,717	3,693	1,717
Supervisory Board	243	255	243	255
	3,936	1,972	3,936	1,972
Average number of employees	163	167	111	115

	Parent Company	
	2021	2020
	DKK'000	DKK'000
2 Income from investments in subsidiaries		
Share of profits of subsidiaries	-1,593	3,862
Change in intercompany profit on inventories purchased within the Group	1,356	-326
	-237	3,536

Notes to the Financial Statements

	Group		Parent Company	
	2021 DKK'000	2020 DKK'000	2021 DKK'000	2020 DKK'000
3 Financial income				
Interest received from group enterprises	357	177	976	742
Other financial income	49	7	0	0
Exchange adjustments	906	545	583	545
	1,312	729	1,559	1,287
4 Financial expenses				
Interest paid to group enterprises	107	10	107	10
Other financial expenses	1,829	2,061	1,707	1,899
Exchange adjustments, expenses	52	1,107	0	376
	1,988	3,178	1,814	2,285
5 Tax on profit/loss for the year				
Current tax for the year	2,255	3,256	2,349	1,572
Deferred tax for the year	1,612	-27	1,522	53
	3,867	3,229	3,871	1,625
which breaks down as follows:				
Tax on profit/loss for the year	2,875	3,229	2,879	1,625
Tax on changes in equity	992	0	992	0
	3,867	3,229	3,871	1,625

Notes to the Financial Statements

6 Intangible assets

Group

	Acquired licenses DKK'000
Cost at 1 January	4,218
Additions for the year	133
Cost at 31 December	4,351
Impairment losses and amortisation at 1 January	2,481
Amortisation for the year	846
Impairment losses and amortisation at 31 December	3,327
Carrying amount at 31 December	1,024
Amortised over	3 years

Parent Company

	Acquired licenses DKK'000
Cost at 1 January	4,218
Additions for the year	133
Cost at 31 December	4,351
Impairment losses and amortisation at 1 January	2,481
Amortisation for the year	846
Impairment losses and amortisation at 31 December	3,327
Carrying amount at 31 December	1,024
Amortised over	3 years

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000	Total DKK'000
Cost at 1 January	356,954	8,639	17,160	1,540	384,293
Exchange adjustment	6,743	0	462	0	7,205
Additions for the year	13,838	2,416	1,213	1,342	18,809
Disposals for the year	-2,381	-2,473	0	0	-4,854
Transfers for the year	1,540	0	0	-1,540	0
Cost at 31 December	376,694	8,582	18,835	1,342	405,453
Impairment losses and depreciation at 1 January	255,689	5,499	13,314	0	274,502
Exchange adjustment	4,757	0	429	0	5,186
Depreciation for the year	17,065	1,252	1,161	0	19,478
Reversal of impairment and depreciation of sold assets	-2,177	-826	0	0	-3,003
Impairment losses and depreciation at 31 December	275,334	5,925	14,904	0	296,163
Carrying amount at 31 December	101,360	2,657	3,931	1,342	109,290
Depreciated over	3-15 years	3-5 years	3-10 years		
Including assets under finance leases amounting to	69,278	2,276	1,785	1,332	74,671

Notes to the Financial Statements

7 Property, plant and equipment (continued)

Parent Company

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	295,093	8,639	12,926	1,540	318,198
Additions for the year	5,149	2,416	108	1,342	9,015
Disposals for the year	-2,177	-2,473	0	0	-4,650
Transfers for the year	1,540	0	0	-1,540	0
Kostpris at 31 December	299,605	8,582	13,034	1,342	322,563
Impairment losses and depreciation at 1 January	212,051	5,499	9,376	0	226,926
Depreciation for the year	13,565	1,252	902	0	15,719
Reversal of impairment and depreciation of sold assets	-2,177	-826	0	0	-3,003
Impairment losses and depreciation at 31 December	223,439	5,925	10,278	0	239,642
Carrying amount at 31 December	76,166	2,657	2,756	1,342	82,921
Depreciated over	3-15 years	3-5 years	3-10 years		
Including assets under finance leases amounting to	69,279	2,276	1,785	1,332	74,672

Notes to the Financial Statements

8 Investments in subsidiaries

	Parent Company	
	2021 DKK'000	2020 DKK'000
Cost at 1 January	25,176	16,308
Additions for the year	0	8,868
Cost at 31 December	25,176	25,176
Value adjustments at 1 January	14,649	11,160
Exchange adjustment	4,529	-253
Net profit/loss for the year	-1,592	3,862
Revaluations for the year, net	0	241
Change in intercompany profit on inventories	1,356	-326
Other adjustments	0	-35
Value adjustments at 31 December	18,942	14,649
Carrying amount at 31 December	44,118	39,825

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Niebuhr Limited	Hong Kong	TUSD 4.612	100%
Niebuhr Gears (Tianjin) Co., Ltd.	China	TCNY 34,137	100%

Niebuhr Limited, Hong Kong, holds all the shares in the Chinese company, Niebuhr Gears (Tianjin) Co., Ltd.

9 Other fixed asset investments

	Group	Parent Company	
	Other investments DKK'000	Receivables from group enterprises DKK'000	Other investments DKK'000
Cost at 1 January	300	740	300
Cost at 31 December	300	740	300
Carrying amount at 31 December	300	740	300

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK'000	DKK'000	DKK'000	DKK'000
10 Inventories				
Raw materials and consumables	28,965	14,763	23,997	11,577
Work in progress	20,135	19,019	16,014	14,573
Finished goods and goods for resale	15,227	14,589	7,806	11,134
Prepayments for goods	7,468	8,350	7,468	8,350
	71,795	56,721	55,285	45,634

11 Prepayments

Prepayments consist of prepaid expenses concerning raw materials, rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

	Group		Parent Company	
	2021	2020	2021	2020
	DKK'000	DKK'000	DKK'000	DKK'000
12 Distribution of profit				
Proposed dividend for the year	10,000	10,000	10,000	10,000
Reserve for net revaluation under the equity method	0	0	-242	3,536
Minority interests' share of net profit/loss of subsidiaries	0	500	0	0
Retained earnings	-105	-918	137	-4,454
	9,895	9,582	9,895	9,082

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK'000	DKK'000	DKK'000	DKK'000
13 Provision for deferred tax				
Provision for deferred tax at 1 January	1,689	1,700	1,821	1,753
Amounts recognised in the income statement for the year	620	-27	530	53
Amounts recognised in equity for the year	992	16	992	15
Provision for deferred tax at 31 December	3,301	1,689	3,343	1,821

Provisions regarding deferred tax comprise deferred tax relating to intangible assets, property, plant and equipment indirect production overheads regarding inventories, debtors and lease obligations.

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2021	2020	2021	2020
	DKK'000	DKK'000	DKK'000	DKK'000
Lease obligations				
After 5 years	5,132	10,913	5,132	10,913
Between 1 and 5 years	51,932	56,540	51,932	56,540
Long-term part	57,064	67,453	57,064	67,453
Within 1 year	17,039	17,266	17,039	17,266
	74,103	84,719	74,103	84,719
Other payables				
Between 1 and 5 years	6,763	0	6,763	0
Long-term part	6,763	0	6,763	0
Other short-term payables	14,435	13,829	12,268	12,772
	21,198	13,829	19,031	12,772

Notes to the Financial Statements

15 Cash flow statement - adjustments

	Group	
	2021	2020
	DKK'000	DKK'000
Financial income	-1,312	-729
Financial expenses	1,988	3,178
Depreciation, amortisation and impairment losses, including losses and gains on sales	16,513	22,526
Tax on profit/loss for the year	2,875	3,229
Other adjustments	8,122	-210
	28,186	27,994

16 Cash flow statement - change in working capital

Change in inventories	-15,075	9,367
Change in receivables	-5,754	-492
Change in trade payables, etc	22,238	4,355
Fair value adjustments of hedging instruments	4,507	71
	5,916	13,301

Notes to the Financial Statements

Group		Parent Company	
2021	2020	2021	2020
DKK'000	DKK'000	DKK'000	DKK'000

17 Contingent assets, liabilities and other financial obligations

The following assets have been provided as collateral vis-à-vis the Group's banks:

Lease assets are pledged as collateral

for lease obligations	74,672	81,582	74,672	81,582
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Contingent liabilities

Operating leases

The Company has entered into operating leases representing the following amounts remaining terms in 24-48 months with an average monthly payment of TDKK 296, totalling TDKK 7,043. Includes rent of property.

In addition the Company and the Group have entered into finance leases, which have been recognised in the balance sheet: see note 7.

The Group has entered into leases with a remaining term of 136 months with an average monthly lease payment of TDKK 69, totalling TDKK 9,423. Includes rent of property.

The Company has provided absolute guarantee for a Group entity.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Rasmus Investments ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

18 Related parties

	<u>Basis</u>
Controlling interest	
Rasmus Holding ApS, Ikast	Parent company
Rasmus Investments ApS, Ikast	Ultimate parent company
Rasmus Niebuhr, Ikast	Main shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

There are no transactions to disclose.

Consolidated Financial Statements

The company is included in the consolidated report of the parent company Rasmus Investments ApS, Denmark.

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Niebuhr Gears A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2021 are presented in DKK'000.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Niebuhr Gears A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

19 Accounting Policies (continued)

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt

Notes to the Financial Statements

19 Accounting Policies (continued)

arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Notes to the Financial Statements

19 Accounting Policies (continued)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of sales.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Rasmus Investments ApS and other Danish group entities. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

19 Accounting Policies (continued)

Balance Sheet

Intangible assets

Acquired licenses are measured at the lower of cost less accumulated amortisation and recoverable amount. Acquired licenses are amortised over the remaining period.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of

Notes to the Financial Statements

19 Accounting Policies (continued)

the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of receivables from group enterprises.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Notes to the Financial Statements

19 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rawmaterials, rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$