

Approved by the company at the general meeting on 25/5 221

Chairman

BROEN A/S | Skovvej 30 • DK-5610 Assens | Tel±+45 6471 2095 | CVR-nr. 71 17 25 11 | www.broen.com

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#### **COMPANY INFORMATION**

#### Company

**BROEN A/S** 

Skovvej 30

5610 Assens

Telephone: +45 64 71 20 95

Website: www.broen.com

Company registration no.: 71 17 25 11

Registered in: Assens

#### **Supervisory Board**

Wiebe Arnold Pelsma, Chairman

Arno Rudolf Monincx

Mogens Garde Laursen

Stefan Klaaborg, elected by the employees

Claus Lund, elected by the employees

#### **Executive Board**

Mogens Garde Laursen, CEO

Lene Schwartz, CFO

## Company auditor

Deloitte

Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

DK-8000 Aarhus

## STATEMENT BY THE EXECUTIVE AND SUPERVISORY BOARDS ON THE ANNUAL REPORT

The Executive and Supervisory Boards have today considered and adopted the Annual Report of BROEN A/S for the financial year 1 January – 31 December 2020.

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 2020 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2020.

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

Assens, May 25, 2021

**Executive Board** 

Mogens Garde Laursen

Lene Schwartz

**Supervisory Board** 

Wiebe Arnold Pelsma

Chairman

Arno Rudolf Moninx

Mogens Garde Laursen

Stefan Klashorg

Taus Lund

#### INDEPENDENT AUDITORS' REPORTS

#### To the Shareholder of BROEN A/S

We have audited the consolidated financial statements and the parent financial statements of Broen A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 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 financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 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 consolidated financial statements and the parent 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 Parent'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 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 Parent'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

#### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion there-on.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, May 25, 2021

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab CVR-no. 33 96 35 56

Henrik Vedel

State Authorised Public Accountant

MNE-nr. mne10052

#### **GROUP STRUCTURE AS PER 31.12.2020**

**BROEN A/S** 

Share capital: T.DKK 10,400

**Industrial Controls** 

Business area: Production and sale of control valves, etc.

**Building Installations** 

Business area: Production and sale of valves, etc.

District Energy

Business area: Production and sale of valves, etc.

**Natural Gas** 

Business area: Production and sale of valves, etc.

**BROEN AB** 

Proportion of shares:

Share capital: Domicile:

100 %

100 %

T.SEK 110

Gothenburg, Sweden

BROEN Poland sp. z.o.o.

Proportion of shares:

Share capital: Domicile:

T.PLN 5,363

Dzierzoniow, Polen

BROEN Valves Beijing Co., Ltd.

Proportion of shares:

Share capital: Domicile:

100 % T.CNY 1,126

Beijing, China

**BROEN SEI srl** 

Proportion of shares:

75 %

Share capital:

T.RON 1

Domicile:

Bucharest, Romania

Valves Investments B.V.

Proportion of shares:

100 %

Share capital:

T.EUR 500

Domicile:

Utrecht, The Netherlands

**BROEN ASIA PTE LTD** 

Proportion of shares:

100 %

Share capital:

T.SGD 100

Domicile:

Singapore, Asia

#### HIGHLIGHTS AND FINANCIAL RATIOS FOR THE GROUP

	2020	2019	2018	2017	2016
	T.DKK/	T.DKK/	T.DKK/	T.DKK/	T.DKK/
	T.EUR	T.EUR	T.EUR	T.EUR	T.EUR
Five years' highlights					
Net turnover	557,386	611,273	599,101	605,145	610,962
	74,902	81,825	80,238	81,277	82,058
Operating profit	58,986	62,598	58,899	98,704	77,164
	7,927	8,379	7,888	13,257	10,364
Net financial costs	(1,653)	(5,088)	(101)	(6,647)	(7,643)
	(222)	(681)	(14)	(893)	(1,027)
Profit before tax	57,333	57,510	58,798	92,057	69,521
	7,704	7,698	7,875	12,364	9,337
Net Profit of the year	46,009	42,392	45,351	73,596	51,667
	6,183	5,675	6,074	9,885	6,939
Total assets	606,712	634,460	594,281	560,752	549,109
	81,530	84,929	79,592	75,315	73,751
Investments in tangible fixed assets	45,603	48,838	35,972	36,517	16,812
	6,128	6,537	4,818	4,905	2,258
Equity	357,050	363,912	328,251	300,038	271,301
	47,980	48,713	43,963	40,298	36,438
Profit margin	10.3%	9.4%	9.8%	15.2%	11.4%
Asset turnover Return on capital and reserves Solvency ratio Average number of employees	0.9	1.0	1.0	1.1	1.1
	12.6%	12.9%	15.1%	27.1%	22.8%
	58.8%	57.4%	55.2%	53.5%	49.4%
	619	634	609	574	569

Key ratios are defined and calculated in accordance with the latest "Recommendation & Ratios" issued by the Danish Finance Society.

1 Profit margin (%):
Profit/loss before tax \* 100
Net turnover

2 Asset turnover : Net turnover Total assets

3 Return on capital and reserves (%): Profit/loss for the year \* 100 Equity beginning of the year

4 Solvency ratio (%): Equity \* 100
Total assets

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#### MANAGEMENT'S REVIEW

The BROEN group is part of the international group Aalberts N.V. listed on the Euro-next Amsterdam and on the AEX index.

#### **Principal activities**

The BROEN group's activities are the development, production, marketing and sale of valves and fittings worldwide.

#### The result of year 2020

In 2020 group sales were mDKK 557 compared to mDKK 611 in 2019, which represents a negative growth of 8.8%. Group sales in Russia were severely affected by a major fall in the RUB/DKK rate, which during 2020 fell by 13%.

The ordinary consolidated operating profit was mDKK 59 compared to mDKK 63 in 2019. Overall profit before tax was thus mDKK 57, this result is same level as last year.

The global pandemic COVID-19 started in March and the decrease in the Rubel rate has an impact on the annual report 2020. The decline in revenue is a result of postponed projects, activity level in general in several countries and destocking among our distributors. BROEN has managed to uphold market shares concurrently with a continuous adjustment of cost levels. Even considering the global pandemic COVID-19 and difficult market conditions, the result of the year is as expected.

#### The market

Our Danish market has remain positive and in first half year 2020 several European countries dropped but they came back in second half year of 2020, both in Western and Eastern Europe, but unfortunately the PLN/DKK rate declined 3% during 2020. The China market developed lower than expected and lover than 2019. The remaining market was flat or positive.

The Russian market has been positive this year, even though there are still limited liquidity in the market and the government still postpone projects. The rouble rate has declined with 13% and had a major impact on the development in sales.

#### **Products and product Development**

The positive sales development of our Full flow valve continue, and further investments have been implemented in capacity increase during the year. This product will contribute to further growth in 2021 and the years to come. The development of the product line will continue in 2021 for expansion of this product range and further investments in expansion of production capacity.

New Temperature control valves, with Internal temperature sensor, for the Industrial market has been introduced to the market.

In the course of the year BROEN's investments amounted to mDKK 46, primarily in Poland and Denmark.

#### Organisation

In 2020 the group had an average number of staff members of 619 compared to last year 634.

#### Statement of the gender composition of management.

BROEN believes that a diverse and versatile composition of employees, including that gender distribution contributes to an innovative organization and a positive work environment, resulting in increased competitiveness and profitability.

The company has set a target figure for the under-represented gender on the Board of Directors at 20% by the end of the financial year 2024. At present, the board consists of 0 women and 3 men, which means that the goal has not been met. In order to ensure diversity among the other levels of management, BROEN has set a policy

to increase the proportion of the underrepresented gender in the other management.

Other management positions include the Executive Board, BROEN management team and other managers in the group.

In 2020, BROEN reassessed the target figure to 20% for the proportion of the under-represented gender in other management by the end of the financial year 2024.

BROEN will seek to increase the proportion of the under-represented gender in the other management through the following initiatives:

- The aim is to have at least one of each gender among the last three candidates in the recruitment process.
- In connection with internal promotions for management positions, we strive to propose at least one female candidate.

In 2020 in all positions, the share of the under-represented gender has been at the same level as 2019 17,5%.

#### **Corporate Social Responsibility**

The company has not prepared a local CSR policy, but observes and complies with the CSR stipulations, guidelines and statutory CSR statement is accounted for in the 2020 annual report of the ultimate parent company Aalberts N.V. - see Annual Report 2020 for Aalberts N.V. on the website <a href="https://www.aalberts.com/investors/results-and-presentations">www.aalberts.com/investors/results-and-presentations</a>.

#### **Environmental policy**

The company processes and manufactures products and materials with due consideration to the lowest possible impact on the environment. This includes limiting the discharge of waste water, air pollution, noise pollution and waste products. It also includes the observance of existing regulations and approvals. There are ongoing environmental improvements in the above areas as well as within the working environment.

#### Outlook

Overall growth for 2021 expects to be in the level of 3-5% and on profit from ordinary activities will be above the 2020 level of 3-5%.

A slight improvement in the Russian economy is expected and will have a positive impact on the market opportunities in Russia in 2021. In Europe, USA and China markets expect to come back positively both within the building industry segment, the district heating and natural gas segment. The improved projects and activity level in the market combined with the marketing of the new products will be sufficient to create further growths.

The group will thus focus on innovation and invest in new products, strengthen the organisation and increase sales efforts in key markets. Further investment in production capacity increase and automation is planned to support further growth in 2021.

#### Subsequent events

The authorities in Denmark and in a number of export markets have at the beginning of 2021 extended the COVID-19 restrictions introduced at the end of 2020.

The company and its subsidiaries are currently not significantly affected by restrictions, but any

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continuation of the tightened restrictions may be significant socio-economic consequences, which can negatively affect the company's subsidiaries and thus also the company's earnings and financial position negative.

Apart from this, no circumstances have occurred from the balance sheet date until today that upset the assessment of the annual report.

#### **ACCOUNTING POLICIES**

The Annual Report for 2020 is presented in DKK thousands.

#### Basis of preparation

The Annual Report of BROEN A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies are the same compared to last year.

#### **Consolidation policy**

The group accounts include BROEN A/S, Denmark, the parent company, and companies where the parent company directly or indirectly has the voting right majority or in which the parent company through a shareholding or in any other way has a controlling interest. Companies in which the group owns between 20 % and 50 % of the voting rights or has a substantial, but not controlling interest are considered affiliated companies.

The consolidation sums up items of a uniform nature. Inter-group income and expenses, shareholdings, dividends and outstanding accounts as well as non-realized internal gains and losses related to transactions between the consolidated companies are eliminated.

The parent company's investment interests in the consolidated subsidiaries are offset by the parent company's share of the book value of the subsidiaries at the date of the establishment of the relationship.

#### Investments in subsidiaries

Investments in subsidiaries are recognised under the equity method.

The items "Income from investments in subsidiaries after tax" in the income statement include the proportionate share of the profit after tax less goodwill amortisation.

The items "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of any remaining value of goodwill or negative goodwill.

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.

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.

At the acquisition of subsidiaries their assets and liabilities are measured at the realisable value at the time of acquisition and with due consideration to the inclusion of possible restructuring provisions made for the company acquired. Goodwill paid for at the acquisition is included in "Investments in subsidiaries" and is amortized on a straight-line basis over the estimated useful life. The maximum amortization period is 20 years, which is based on the estimated useful lifetime.

#### **Minority holdings**

At the preparation of the consolidated accounts and the group equity, the shares of the subsidiary's result and equity attributable to minority holdings are entered as separate items in the profit and loss account and in the balance sheet. Minority holdings are included on the basis of the revaluation of the acquired assets and liabilities at market value at the date of acquisition.

Subsequent adjustments in minority holdings are included in the accounts at the time of adjustment.

#### Leases

Finance leases in respect of property, plant and equipment are recognised in the balance sheet at the cost value of the leased asset. Assets acquired under finance leases are depreciated and written down for impairment like the other property, plant and equipment of the Company.

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 operational leases. Payments made under operational leases are recognised in the income statement over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at transaction dates. 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. Gains and losses from foreign currencies are recognised in financial income and expenses in the income statement.

Foreign subsidiaries and associates of the Company are separate legal entities and the income statements are translated at average exchange rates, whereas balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange adjustments arising on the translation of the opening equity of foreign enterprises and exchange adjustments arising from the translation at average exchange rates of the income statements of foreign enterprises are recognized directly in equity.

Exchange adjustments of loans in foreign currencies contracted for the hedging of investments in foreign subsidiaries and associates or loans considered to be derived from the investment are recognized directly in equity. If the hedge is not effective, the ineffective portion is reported immediately in net profit or loss.

#### Corporation tax and deferred tax

The Company is jointly taxed with the Danish companies that form part of the overall parent company. The tax effect of the joint taxation of the enterprises is allocated to both profitable and unprofitable Danish enterprises in relation to their taxable income (full allocation with refund of fiscal losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Tax for the year consists of current tax for the year and deferred tax for the year.

Current tax is recognised in receivables in the balance sheet in the event of overpayment of tax on account, and in debt in the event of underpayment of tax on account.

Deferred tax provisions are made for the deviations between the accounting value and the tax value of assets and liabilities. Deferred tax assets are included at the expected realizable value.

Adjustment is made for deferred tax concerning unrealised intercompany gains and losses.

#### PROFIT AND LOSS ACCOUNT

#### Net turnover

The revenue from sale of manufactured goods and goods for resales is recognised in the income statement, when delivery is made and risk has passed to the purchaser. Revenue is recognised net of VAT, duties and sales discounts and measured at fair value of the consideration fixed.

#### **Production costs**

Production costs comprise all costs incurred in connection with annual sales. The cost price includes raw materials, consumables, direct wages and salaries, indirect production costs, such as mainte-

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nance, depreciation, etc. as well as operational, administrative and management costs related to the production facilities.

#### **Distribution costs**

Distribution costs comprise salaries to sales and distribution staff, advertising and marketing costs as well as automobile costs, depreciation, etc. Depreciation of goodwill is included to the extent that goodwill relates to the distribution activities.

#### **Administrative costs**

Administrative costs comprise costs related to management, the administrative staff, office expenses, depreciation, etc.

#### Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

#### **BALANCE SHEET**

#### Intangible assets

#### Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience with the individual business areas. The maximum amortisation period is 20 years, which is based on the estimated useful lifetime.

#### Development projects, patents and licences

Development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities The amortisation period is 5 years.

Patents and licences are measured at cost less accumulated amortisation. Patents are amortised over the remaining patent period, and licences are amortised over the period of the agreement, but not exceeding 5 years.

#### Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and less any accumulated impairment losses.

The carrying amounts and the useful lives of property, plant and equipment are reviewed annually to determine any indications of impairment in addition to those reflected in depreciation.

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:

Buildings 20-40 years
Plant and machinery 10-15 years
Other fixtures and fittings, tools and equipment 3-5 years

Gains and losses on current replacement of tangible fixed assets are recognised as depreciations and impairments of fixed assets.

#### Impairment of fixed assets

The carrying amounts of both 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.

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

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. Indirect production costs do not comprise interests.

#### Receivables

Receivables are recognised in the balance sheet at nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable and a general provision is also made based on the Company's experience.

#### **Prepayments**

Prepayments comprise prepaid expenses concerning the following year.

#### Equity

The dividend proposed by the management for the financial year is entered as a separate item under equity.

#### Financial debts

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

Other debts are measured at amortized 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 Company's cash and cash equivalents at the beginning and end of the year.

Cash flow statement for the parent company is not prepared, due to the parent company is a part of the cash flow statement for the Group.

#### Cash and cash equivalents

The cash and cash equivalents of the cash flow statement cover cash and cash equivalents with the deduction of bank debts, this forms the basis of the cash flow control of the company.

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

## PROFIT AND LOSS ACCOUNT FOR 2020

		Group		Parent	
	Note	2020 DKK'000	2019 DKK'000	2020 DKK'000	2019 DKK'000
Net turnover	1	557,386	611,273	281,841	306,575
Production costs	2,3	(371,472)	(404,293)	(204,339)	(218,890)
Gross profit		185,914	206,980	77,502	87,685
Distribution costs	2,3	(49,719)	(59,651)	(31,899)	(38,229)
Administrative costs	2,3,4	(74,800)	(81,822)	(22,630)	(23,543)
Profit from ordinary activities		61,395	65,507	22,973	25,913
Other operating expenses		(2,409)	(2,909)	0	0
Operating profit		58,986	62,598	22,973	25,913
Result after tax in affiliated undertakings	5	0	0	29,351	24,069
Financial income	6	10,441	9,302	7,405	7,321
Financial expenses	7	(12,094)	(14,390)	(8,667)	(8,766)
Profit before tax		57,333	57,510	51,062	48,537
Tax on profit of the year	8	(11,368)	(15,205)	_(5,053)	(6,145)
Profit before minority interests		45,965	42,305	46,009	42,392
Shares of minority interests		44	87	0	0
NET PROFIT OF THE YEAR	9	46,009	42,392	46,009	42,392

BALANCE SHEET AT 31.12.2020 ASSETS

		Group		Parent	
	Note	2020 DKK'000	2019 DKK'000	2020 DKK'000	2019 DKK'000
					- 14-14
Goodwill	10	19,146	22,231	0	0
Licenses	10	2,120	2,367	1,292	1,494
Development projects	10	10,550	8,063	9,858	7,024
Development projects in progress	10	8,647	10,766	8,647	10,766
Intangible fixed assets		40,463	43,427	19,797	19,284
Land and buildings	11	72,009	88,193	3,001	3,655
Plant and machinery	11	116,340	87,983	69,713	39,072
Other fixtures and fittings, tools and equipment	11	9,521	10,896	2,137	1,889
Tangible fixed assets in progress and prepayments for tangible assets	11	47,756	49,894	5,012	12,657
_	11				
Tangible fixed assets		245,626	236,966	79,863	57,273
	10	0	2	222 422	251 455
Capital participation in affiliated undertakings	12	0	0	328,433	351,477
Deposits	12	171	207	<u> 171</u>	147
Financial fixed assets		<u> 171</u>	207	328,604	351,624
FIXED ASSETS		286,260	280,600	428,264	428,181
Raw materials and consumables		56,980	73,237	10,400	13,131
Work in progress		34,509	47,105	3,674	4,282
Produced finished goods and commodities		45,483	61,219	15,845	19,665
Stocks		136,972	181,561	29,919	37,078

## BALANCE SHEET AT 31.12.2020 ÅASSETS

	Group		<b>Parent</b>	
Note	2020 DKK'000	2019 DKK'000	2020 DKK'000	2019 DKK'000
Trade debtors	71,320	78,593	34,250	31,976
Receivables from affiliated undertakings	5,205	10,182	37,996	33,066
Other receivables	6,792	10,102	4,169	5,929
Accruals and prepayments	10,043	7,576	4,088	4,012
Receivables	93,360	106,454	80,503	74,983
Cash funds	90,120	65,845	<u>470</u>	505
CURRENT ASSETS	320,452	353,860	110,892	112,566
ASSETS	606,712	634,460	539,156	540,747

BALANCE SHEET AT 31.12.2020 LIABILITIES AND EQUITY

		Group		<b>Parent</b>	
	Note	2020 DKK'000	2019 DKK'000	2020 DKK'000	2019 DKK'000
Share capital	13	10,400	10,400	10,400	10,400
Reserve for currency translations		(52,840)	0	0	0
Reserve for net revaluation according to the equity value method		0	0	218,736	232,170
Reserve development projects		0	0	13,160	10,400
Retained profit		370,168	354,159	85,432	111,589
Proposed dividend for the year		30,000	0	30,000	0
Minority interests		(678)	(647)	0	0
EQUITY		357,050	363,912	357,728	364,559
Provisions for deferred tax	14	6,727	4,715	9,299	7,014
Provision for affiliated undertakings		0	0	1,870	11,482
PROVISIONS		6,727	4,715	11,169	18,496
Long term loan to affiliated undertakings		100,000	100,000	100,000	100,000
Long term debt	15	100,000	100,000	100,000	100,000
Suppliers of goods and services		48,429	69,625	26,099	24,122
Amount owed to affiliated undertakings		42,412	59,244	13,009	13,728
Other creditors		52,094	36,964	31,151	19,842
Short term debt		142,935	165,833	70,259	57,692
DEBT		242,935	265,833	170,259	157,692
LIABILITIES AND EQUITY		606,712	634,460	539,156	540,747

Change in working capital, note 16 Pledged assets and contingent liabilities, etc. note 17 Related parties, note 18 Subsequent events, note 19

## STATEMENT OF CHANGES IN EQUITY

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GROUF	Share capital DKK'000	Reserve for currency translation DKK'000	Retained earnings	Proposed dividend	Minority interests  DKK'000	Total DKK'000
	DIKIK 000	DKK 000	DIXIX 000	DKK 000	DKK 000	DKK 000
Equity at 01.01.2020	10,400	0	354,159	0	(647)	363,912
Dividend paid				(0)		(0)
Exchange rate adjustment concerni	ng					
affiliated companies		(52,840)			13	(52,827)
Net profit for the year			46,009		(44)	45,965
Proposed dividend for the year			(30,000)	_30,000		0
Equity at 31.12.2020	10,400	(52,840)	370,168	30,000	(678)	357,050

## PARENT COMPANY

	Share capital	Reserve under the	Reserve development	Retained earnings	Proposed dividend	
	DKK'000	DKK'000	d project DKK'000	<u>DKK'000</u>	DKK'000	Total DKK'000
Equity at 01.01.2020	10,400	232,170	10,400	111,589	0	364,559
Dividend paid						(0)
Exchange rate adjustment concerning	ng					
affiliated companies		(52,840)				(52,840)
Reserve concerning development pr	ojects		2,760	(2,760)		0
Received dividend from affiliated						
companies						0
Remission of debt		10,055		(10,055)		0
Net profit for the year		29,351		16,658		46,009
Proposed dividend for the year				(30,000)	30,000	0
Equity at 31.12.2020	_10,400	_218,736	13,160	85,432	30,000	357,728

## CASH FLOW STATEMENT FOR THE GROUP FOR 2020

	Note	2020 DKK'000	2019 DKK'000
Operating profit		58,986	62,598
Depreciation		23,373	25,040
Changes in working capital	16	4,006	(85,318)
Cash flows from operating activities before financial income and expenses		86,365	2,320
Net interest, dividends and exchange rate gains		(1,653)	(5,088)
Net paid tax		(11,274)	(8,736)
Cash flow from operating activities		73,438	(11,504)
Purchase of intangible fixed assets		(4,562)	(7,540)
Purchase of tangible fixed assets		(45,603)	(48,838)
Sale of tangible fixed assets		970	902
Sale of intangible fixed assets		0	0
Purchase of financial fixed assets		32	586
Cash flows from investment activities		<u>(49,163)</u>	(54,890)
Long term loan to affiliated undertakings		0	100,000
Instalments on long term debt		0	(0)
Dividend paid		0	(30,000)
Cash flow from financing activities		0	70,000
CHANGE IN CASH FUNDS		24,275	3,606
Cash funds at 01.01.2020		65,845	62,239
CASH FUNDS AT 31.12.2020		90,120	65,845
Cash funds comprise:			
Cash at bank and in hand		90,120	65,845
		90,120	65,845

	Gro	Group		<u>nt</u>
	2020 DKK'000	2019 DKK'000	2020 DKK'000	2019 DKK'000
1. Net turnover				
Denmark	83,114	82,834	83,105	82,421
Europe	414,622	433,458	163,482	172,897
Others	59,650	94,981	35,254	51,257
	557,386	611,273	281,841	306,575

Net turnover per activity classification can be classified as one activity - sales of valves in various dimensions.

_	_		
2.	Emp	lovment	costs

Salaries and wages	114,343	119,491	62,025	59,895
Pensions	15,339	15,407	8,412	8,150
Other social security costs	5,977	<u>7,771</u>	531	524
	135,659	142,669	70,968	68,569
Of this total fees comprise:				
Supervisory Board	20	30	30	30
Executive Board	4,761	5,321	4,761	5,321
Number of employees (converted to full-time)	619	634	116	124

	Group		<u>Parent</u>	
	2020 DKK'000	2019 DKK'000	2020 DKK'000	2019 DKK'000
3. Depreciation				
Depreciation is distributed as follows:				
Production costs	13,896	14,061	7,408	6,412
Distribution costs	109	208	75	234
Administrative costs	_10,026	10,460	914	1,242
	24,031	24,729	8,397	7,888
Depreciation includes losses/(gains)				
from the sale of fixed assets	658	(311)	38	(55)
4. Auditors fee				
Audit fee Deloitte	973	1,004	406	439
Audit fee others	80	93	0	0
Fee for tax advice Deloitte	191	275	191	275
Fee for tax advice others	66	70	0	0
Fee for other services, other	0	0	0	0
		1,442	597	<u>714</u>
5. Result after tax in affiliated undertakings				
Share of profit after tax			32,852	28,451
Share of losses after tax			(837)	(2,614)
Change in unrealised internal profit on stocks			421	1,317
Depreciation on goodwill			(3,085)	(3,085)
			29,351	_24,069
6. Financial income				
Interest from affiliated undertakings	1,122	627	373	379
Currency deviations	8,155	7,464	7,031	6,941
Other interest	1,164	1,211	1	1
	10,441	9,302	7,405	7,321

	Gro	oup	Pare	nt
	2020 DKK'000	2019 DKK'000	2020 DKK'000	2019 DKK'000
7. Financial expenses				
Interest owed to affiliated undertakings	2,949	4,420	1,156	1,270
Currency deviations	8,574	9,956	7,447	7,420
Other interest expenses and similar charges	571	14	63	76
	12,094	14,390	8,666	8,766
8. Tax on profit for the year				
Current tax	11,445	11,669	2,750	4,418
Change in deferred tax	1,658	2,788	2,285	1,726
Adjustment tax relating to prior year	(1,735)	748	18	1
	_11,368	15,205	5,053	6,145
9. Distribution of profit				
Proposed distribution of profit				
Proposed dividend for the year			30,000	0
Reserve for net revaluation according to the equity value method			29,351	24,069
Retained profit			(13,342)	18,323
			46,009	42,392

# NOTES TO THE ANNUAL REPORT GROUP

	Goodwill	Licenses	Development projects	ment projects
	DKK'000	<u>DKK'000</u>	DKK'000	in progress DKK'000
10. Intangible fixed assets				
Cost at 01.01.2020	68,177	24,440	22,201	10,766
Exchange rate adjustments	87	(390)	(169)	0
Additions	0	759	5,922	0
Disposals	0	(1,271)	0	(2,119)
Cost at 31.12.2020	68,264	23,538	27,954	8,647
Depreciation at 01.01.2020	(45,946)	(22,073)	(14,138)	0
Exchange rate adjustments	(87)	325	87	0
Depreciation	(3,085)	(941)	(3,353)	0
Disposals	0	1,271	0	0
Depreciation at 31.12.2020	(49,118)	(21,418)	(17,404)	0
Book value at 31.12.2020	19,146	2,120	_10,550	8,647
Book value at 31.12.2019	22,231	2,367	8,063	10,766
Depreciated over years	10-20	3-5	5	

## NOTES TO THE ANNUAL REPORT PARENT COMPANY

	Goodwill	Licenses	Development projects	ment projects
	DKK'000	DKK'000	DKK'000	in progress DKK'000
10. Intangible fixed assets				
Cost at 01.01.2020	1,138	19,294	20,108	10,766
Additions	0	446	5,922	0
Disposals	0	(1,271)	0	(2,119)
Cost at 31.12.2020	1,138	18,469	26,030	8,647
Depreciation at 01.01.2020	(1,138)	(17,800)	(13,084)	0
Disposal	0	1,271	0	0
Depreciation	0	(648)	(3,088)	0
Depreciation at 31.12.2020	(1,138)	(17,177)	(16,172)	0
Book value at 31.12.2020	0	1,292	9,858	8,647
Book value at 31.12.2019	0	1,494	7,024	_10,766
Depreciated over years	10	3-5	5	0

## NOTES TO THE ANNUAL REPORT GROUP

11. Tangible fixed assets	Land and Buildings DKK'000	Plant and Machinery DKK'000	Other Fixtures DKK'000	Prepayments for and tangible fixed assets in progress DKK'000
Cost at 01.01.2020	161,801	201,674	43,007	49,894
Exchange rate adjustments	(18,717)	(13,809)	(2,998)	0
Additions	1,123	43,855	2,763	0
Disposals	0	(979)	(799)	(2,138)
Cost at 31.12.2020	144,207	230,741	41,973	47,756
Depreciation at 01.01.2020	(73,608)	(113,691)	(32,111)	0
Exchange rate adjustments	4,650	8,241	1,996	0
Depreciation	(3,240)	(9,930)	(2,824)	0
Depreciation concerning disposals of the year	0	979	487	0
Depreciation at 31.12.2020	<u>(72,198)</u>	(114,401)	(32,452)	0
Book value at 31.12.2020	72,009	116,340	9,521	47,756
Book value at 31.12.2019	_ 88,193	87,983	10,896	49,894
Depreciated over years	20-40	10-15	3-5	0
Hereof included financially leased assets	0	0	408	0

## NOTES TO THE ANNUAL REPORT PARENT COMPANY

11. Tangible fixed assets	Land and Buildings DKK'000	Plant and Machinery DKK'000	Other Fixtures DKK'000	Prepayments for and tangible fixed assets in progress DKK'000
Cost at 01.01.2020	48,085	90,962	16,900	12,657
Additions	0	33,838	1,335	0
Disposals	0	0	(702)	(7,645)
Cost at 31.12.2020	48,085	124,800	_17,533	5,012
Depreciation at 01.01.2020	(44,430)	(51,890)	(15,011)	0
Disposals	0	0	390	0
Depreciation	(654)	(3,197)	(775)	0
Depreciation at 31.12.2020	(45,084)	(55,087)	(15,396)	0
Book value at 31.12.2020	3,001	69,713	2,137	5,012
Book value at 31.12.2019	3,655	39,072	1,889	12,657
Depreciated over years	20-25	10-15	3-5	
Hereof included financially leased assets	0	0	522	0

# NOTES TO THE ANNUAL REPORT GROUP

12. Financial fixed assets	Deposits DKK'000
Cost at 01.01.2020	207
Exchange rate adjustments	(4)
Additions	24
Disposals	(56)
Cost at 31.12.2020	171
Book value at 31.12.2020	171
Book value at 31.12.2019	207

# NOTES TO THE ANNUAL REPORT PARENT COMPANY

12. Financial fixed assets	Capital participation in affiliated undertakings DKK'000	Deposits DKK'000
Cost at 01.01.2020	107.825	1.47
Additions	107,825	147
Disposals	0	24
	0	0
Cost at 31.12.2020	107,825	<u> 171</u>
Revaluations at 01.01.2020	244,929	0
Direct equity movement	0	0
Exchange rate adjustment	(53,309)	0
Profit for the year of capital participation	33,952	0
Changes in intercompany profit	(333)	0
Depreciation on goodwill	(3,051)	0
Dividends for parent company	0	0
Revaluations at 31.12.2020	222,188	0
Amortization at 01.01.2020	(12,759)	0
Exchange rate adjustment	468	0
Profit for the year of capital participation	(1,151)	0
Changes in intercompany profit	(31)	0
Depreciation on goodwill	(34)	0
Remission of debt	_10,055	0
Amortization at 31.12.2020	(3,452)	0
Provision for affiliated undertakings 31.12.2020	1,870	0
Book value at 31.12.2020	328,431	171
Book value at 31.12.2019	351,477	147
Hereof measured as goodwill	19,146	

### 12. Financial fixed assets, continued

	Net profit DKK'000	Equity DKK'000	Share captal DKK'000	Ownership DKK'000
BROEN Poland	15,817	191,768	12,840	100%
Valves Investment BV	18,148	128,020	3,721	100%
BROEN SEI	(175)	(2,713)	2	75%
BROEN Beijing	(705)	3,556	1,508	100%
BROEN AB	389	5,192	81	100%
BROEN ASIA	(715)	0	0	100%
			2020 DKK'000	2019 DKK'000
13. Share capital The share capital of the company, T.DKK 10,400, consists of shares of DKK 1,000 or multiples thereof			10,400	10,400
Balance 01.01.2020 Addition			10,400	10,400
Balance 31.12.2020			10,400	10,400
				nt .
	2020 DKK'000	2019 DKK'000	2020 DKK'000	2019 DKK'000
14. Deferred tax asset / Provisions for deferred tax				
Intangible fixed assets	4,355	4,202	4,355	4,202
Tangible fixed assets	6,912	4,823	5,993	3,841
Financial fixed assets	88	(157)	0	0
Stocks	(1,507)	(1,696)	507	422
Receivables	(462)	(333)	(15)	(2)
Other creditors	(1,329)	(701)	(211)	(26)
Intercompany profit on stocks	(1,330)	(1,423)	(1,330)	_(1,423)
	6,727	4,715	9,299	7,014

**Parent** 

2019

2019 2020

## NOTES TO THE ANNUAL REPORT

	DKK'000	DKK'000	DKK'000	DKK'000
14. Deferred tax asset / Provisions for deferred tax				
Deferred tax at 01.01.2020	4,715	2,071	7,014	5,288
Change in deferred tax in income statement	1,658	2,788	2,285	1,726
Change in deferred tax in Equity currency translations	354	(144)	0	0
Adjustment of deferred tax in previous years	0	0	0	0
	6,727	4,715	9,299	7,014
15. Long term debt				
Payment due				
After 5 years	0	0	0	0
Between 1 and 5 years	100,000	100,000	100,000	100,000
	100,000	100,000	100,000	100,000
		202 DKK		2019 DKK'000
NOTES FOR CASHFLOW STATEMENT				
16. Change in working capital				
Change in stocks			44,589	(3,502)
Change in receivables			13,094	5,896
Change in suppliers of goods and services, etc.		(2	1,334)	(101,807)
Currency regulations fixed assets/loans		(2	0,434)	8,806
Currency regulations New working capital		(1	1,909)	5,289
			4,006	(85,318)

Group

2020

	<u>Gro</u> 2020 DKK'000	2019 DKK'000	Pare 2020 DKK'000	2019 DKK'000
17. Pledged assets and contingent liabilities, etc.				
Pledged assets				
Owner's mortgage deeds held by the company	24,483	24,483	_24,483	24,483
Leasing commitments				
Leasing commitments, others				
Between 1 and 5 years	2,117	4,314	1,651	3,511
Within 1 year	2,858	3,964	2,511	3,504
	4,975	8,278	4,162	7,015
Rental commitments				
After 5 years	551	729	0	0
Between 1 and 5 years	678	2,308	0	0
Within 1 year	1,933	1,503	238	292
	3,162	4,540	238	292
Suretyship:				
The Company has not provided a suretyship in 2020.				
Other commitments				
Submitted guarantees for work	4,856	1,709	4,856	1,709

The company has accepted a negative pledge from its main banker.

BROEN A/S participates in a Danish joint taxation arrangement where Aalberts Scandinavia A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, Aalberts Scandinavia A/S and also secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statement.

#### 18. Related parties

#### Shareholder relations

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year..

#### **Group relations**

The company is included in the Group Annual Report of Aalberts N.V., The Netherlands.

The Group Annual Report of Aalberts N.V. may be obtained upon application to BROEN A/S.

#### 19. Subsequent events

The authorities in Denmark and in a number of export markets have at the beginning of 2021 extended the COVID-19 restrictions introduced at the end of 2020.

The company and its subsidiaries are currently not significantly affected by restrictions, but any continuation of the tightened restrictions may be significant socio-economic consequences, which can negatively affect the company's subsidiaries and thus also the company's earnings and financial position negative.

Apart from this, no circumstances have occurred from the balance sheet date until today that upset the assessment of the annual report.



#### **BROEN Valve Technologies**

BROEN is a leading international manufacturer of valve technology and we operate on three continents across the world with key markets in Russia, Europe, China and USA.

For more than 70 years BROEN has been the global leader in the development and production of valve technology for the control of water, air and gas. BROEN delivers complete solutions for HVAC building installations and is a leading supplier of district energy valves and valve technology for natural gas.

We know application and valve technology in depth and in close dialogue with our customers and partners all over the world we create value and reliability with proven valves offering full quality assurance.

BROEN is headquartered in Assens, Denmark and is part of Aalberts N.V. listed on the EuroNext Stock Exchange (NL).

BROEN POLAND, Dzierżoniów (PL) BROEN POLAND, Rogoźno (PL) BROEN LLC, Kolomna (RU) BROEN INC., Houston (US) BROEN Clorius, Dzierżoniów (PL)

Sales- and productions sites •

BROEN A/S, Assens (DK)

#### Sales companies and offices O

BROEN Assens (DK) BROEN Helsinki (FI) BROEN SEI, Bucharest (RO) BROEN Beijing (CN) **BROEN Moscow (RU)** BROEN Clorius, Shanghai (CN)

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