# Elster - Instromet A/S

Laesovej 3B 9800 Hjorring, Denmark

CVR no. 76403112

# Annual report 2021

Approved at the Company's annual general meeting on

Chairman:

DocuSigned by:

Jens Christian Jensen

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Jens Christian Jensen

## Contents

## COMPANY INFORMATION

### Entity
Elster - Instromet A/S
Læsøvej 3B
9800 Hjørring

Company CVR: 76403112

Financial year: 2021-01-01 - 2021-12-31

Annual general meeting:

### Directors

Jensen, Jens Christian
Chairman

Gaardsvig, Rene
Director

Larsson, Bjorn Vilhelm Johan
Director

### Executive Board
Gaardsvig, Rene

### Bankers
Danske Bank
Holmes kanal 2
1092 København S

### Lawyers
HjulmandKaptain
Frederikshavnsvej 215
9800 Hjørring

### Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4 Sal
9000 Aalborg

**MANAGEMENT'S STATEMENT**

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Elster - Instromet A/S for the financial year 1 January - December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2021 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the parent company's operations and financial matters and the results of the Group's and the parent company's operations and financial position.

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

Executive Board:

DocuSigned by:
Rene Gaardsvig
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Gaardsvig, Rene

Board of Directors:

| | | |
|---|---|---|
| DocuSigned by: Jens Christian Jensen 37A13D924DC64ED... | DocuSigned by: Rene Gaardsvig 5A72A9BB4E064BB... | DocuSigned by: Bjorn Vilhelm Johan Larsson 253C2C82362B433... |
| Jensen, Jens Christian<br>Chairman | Gaardsvig, Rene<br>Director | Larsson, Bjorn Vilhelm Johan<br>Director |

**Independent auditor's extended review report**
**To the shareholders of Elster - Instromet A/S**

## Conclusion

We have performed an extended review of the financial statements of Elster-Instromet A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared inaccordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at. 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

## Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

## Statement on the management commentary

Management is responsible for the management commentary.

Our conclusion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

**Independent auditor's extended review report**
**To the shareholders of Elster - Instromet A/S**

Statement on the management commentary (continued)

In connection with our extended review of the financial statements our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with 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.

**Deloitte Statsautoriseret Revisionspartnerselskab**
*CVR no. 33963556*

Lars Birner Sørensen

**Lars Birner Sørensen**
State Authorised Public Accountant
*MNE no. 11671*

# Management commentary

## Business review

To manufacture and market measuring, regulating and process equipment, etc. To design and build meter— and/ or regulator stations as well as complete process solutions such as burner and engine trains. To be able to make preventive maintenance and service of equipment delivered by us in the Nordic Countries. To hold the market responsibility for the entire Elster-Instromet Group's product programme in the Nordic Countries.

## Financial review

The income statement of the Company for 2021 shows a profit of DKK 4,841k and at 31 December 2021 the balance sheet of the Company shows equity of DKK 48,666k.

The Operating Income for Elster-Instromet A/S was DKK 6,19m compared to DKK 5,71m for 2020. The gross profit for 2021 represents DKK 11,25m compared to DKK 10,67m for 2020 and is at expected level.

## Events after the balance sheet date

The ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation may have an impact on the European and global economy. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus. At the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

## STATEMENT OF PROFIT OR LOSS

| | Note | 2021<br>DKK | 2020<br>DKK |
|---|---|---|---|
| Gross profit | | 11.248.398 | 10.671.448 |
| Staff expenses | | (4.984.047) | (4.889.475) |
| Depreciation, amortization and impairment of intangible assets and property, plant and equipment | | (70.873) | (70.873) |
| **Operating profit** | | 6.193.478 | 5.711.100 |
| **Profit before net financials** | | 6.193.478 | 5.711.100 |
| Financial income | 3 | 54.095 | 33.120 |
| Finance expenses | | (41.014) | (35.350) |
| **Profit before tax** | | 6.206.559 | 5.708.870 |
| Tax | 4 | (1.365.443) | (1.255.952) |
| **Profit for the year** | | 4.841.116 | 4.452.918 |

BALANCE SHEET

| | Note | 2021<br>DKK | 2020<br>DKK |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| ***Property, plant and equipment*** | **5** | | |
| Plant and machinery | | 52.395 | 123.268 |
| **Total non-current assets** | | 52.395 | 123.268 |
| | | | |
| **Current assets** | | | |
| ***Inventories*** | | | |
| Raw materials and consumables | | 2.177.353 | 4.641.129 |
| | | 2.177.353 | 4.641.129 |
| | | | |
| ***Receivables*** | | | |
| Trade receivables | | 9.892.411 | 3.537.474 |
| Other receivables | | 1.222.323 | 92.894 |
| Deferred tax asset | | 21.701 | 10.568 |
| Prepayments | | 3.767 | 11.511 |
| Receivables from group enterprises | | 41.039.981 | 46.985.965 |
| | | 52.180.183 | 50.638.412 |
| | | | |
| **Total current assets** | | 54.357.536 | 55.279.541 |
| | | | |
| **TOTAL ASSETS** | | 54.409.931 | 55.402.809 |

BALANCE SHEET (continued)

| | Note | 2021<br>DKK | 2020<br>DKK |
|---|---|---|---|
| **Equity and liabilities** | | | |
| ***Equity*** | | | |
| Retained earnings | | 47.766.148 | 42.925.033 |
| Share capital | 6 | 900.000 | 900.000 |
| **Equity holders' share of equity** | | 48.666.148 | 43.825.033 |
| **Total equity** | | 48.666.148 | 43.825.033 |
| ***Non-current liabilities*** | | | |
| Employee benefit obligations | | 704.204 | 523.233 |
| **Total non-current liabilities** | | 704.204 | 523.233 |
| ***Provisions*** | | | |
| Provisions | | 90.226 | 90.227 |
| | | 90.226 | 90.227 |
| ***Current liabilities*** | | | |
| Trade payables | | 737.466 | 2.250.956 |
| Payables to group enterprises | | 1.730.792 | 3.713.533 |
| Other payables | | 1.104.519 | 3.734.155 |
| Joint taxation contribution payable | | 1.376.576 | 1.265.672 |
| **Total current liabilities** | | 4.949.353 | 10.964.316 |
| **Total liabilities** | | 5.743.783 | 11.577.776 |
| **Total equity and liabilities** | | 54.409.931 | 55.402.809 |

**STATEMENT OF CHANGES IN EQUITY**

## 31 december

| | Note | Share Capital | Retained earning | Total |
|---|---|---|---|---|
| | | DKK | DKK | DKK |
| Equity at 1 January 2021 | | 900.000 | 42.925.032 | 43.825.032 |
| Transfer, see "Appropriation of profit/loss" | | 0 | 4.841.116 | 4.841.116 |
| **Equity at 31 December 2021** | | 900.000 | 47.766.148 | 48.666.148 |

NOTES TO THE FINANCIAL STATEMENTS

## Contents of the notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies

Financial Statements of Elster-Instromet A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Company's Articles of Association with addition of certain provisions for reporting class C.

Financial Statements for 2021 are presented in DKK.

Effective from the financial year 2021, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

### 1.1 Financial statements

The Financial Statements have been prepared under the historical cost method.

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.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions, existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

### 1.2 Translation policies

#### (a) Foreign currency translation

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

Non-current assets acquired in foreign currency are measured at the exchange rate at the transaction date.

## 1. Accounting policies (continued)

### 1.3 Income statement

#### (a) Revenue

The company has chosen IAS 18 as interpretation for revenue recognition.

*(i) Revenue from the sale of goods*

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

*(ii) Revenue from construction contracts*

Income from contract work is recognised as revenue at the time of delivery and the transfer of the risk to the buyer.

#### (b) 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 and administration.

Cost of sales also includes research and development costs that do not qualify for capitalisations well as amortisation of capitalised development costs. Finally, provisions for losses on contract work are recognised.

#### (c) Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, revenue is not disclosed in the annual report. Gross Profit includes net turnover, change in inventories, cost of material and other external costs.

#### (d) Cost of material

Cost of material comprises cost of material of the financial year measured at costs, and adjusted for usual inventory write-downs.

#### (e) Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

#### (f) Depreciation and impairment losses

Depreciation, and impairment losses comprise depreciation for the year on property, plant and equipment, and impairment losses.

#### (g) Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the company's employees. Refunds received from public authorities are deducted from staff costs.

## 1. Accounting policies (continued)

### (h) Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and financial expenses comprise interest, realised and unrealised exchange rate adjustments as well as value adjustment of securities.

### (i) Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Company is jointly taxed with the Danish subsidiaries in the Honeywell group. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

## 1.4 Balance sheet

*(a) 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. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub—suppliers.

Interest expenses on loans raised specifically to finance the manufacture of property, plant and equipment are recognised in cost over the manufacturing period. All indirectly attributable borrowing costs are recognised in the income statement.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

| | |
|---|---|
| Other fixtures and fittings, plant and equipment | 3 - 10 years |

Assets costing less than DKK DKK 30,700 (USD 4,700) are expensed in the year of acquisition.

### (b) Impairment of 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.

NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies (continued)

### (c) Write-down of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

If this is the case, an impairment test is made in order to determine whether the recoverable amount is lower than the carrying amount, and a write-down is made to this lower value.

The recoverable amount for the asset concerned is made up as the higher of the net selling price and the net present value. If it is not possible to determine the recoverable amount for individual assets, the assets are assessed jointly in the smallest identifiable group of assets to determine a reliable recoverable amount.

Assets for which no separate value in use can be determinable, as the asset does not in itself generate any future cash flows, are subject to review for impairment together with the group of assets to which they belong.

### (d) 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 in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

### (e) 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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company’s experience from previous years.

Exchange rate adjustments of long-term loans to group enterprises are taken to equity, as these loans are considered "equity" loans.

### (f) Contract work in progress

Contract work in progress is measured at the selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies (continued)

### (f) Construction contracts (continued)

Prepayments and payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative. Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

### (g) Prepayments

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

### (h) Equity

*(i) Dividend*

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

### (i) Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

### (j) Other financial liabilities

Other financial liabilities are recognised at cost at the time of contracting the debt. Subsequently, it is stated at amortised cost, which in respect of short—term and non—interest Bearing debt and in respect of floating-rate loans usually corresponds to nominal value.

### (k) 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, including the tax base of tax loss carry-forwards, 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.

### (l) Joint taxation contribution receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

### (m) Financial debts

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

## 1. Accounting policies (continued)

### (n) Operating lease agreements

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

## 2. Staff costs and incentive plans

| | 2021<br>DKK | 2020<br>DKK |
|---|---|---|
| Wages and salaries | 3.697.253 | 3.766.576 |
| Pensions | 735.190 | 723.344 |
| Other social security costs | 365.290 | 399.555 |
| Other | 186.314 | 0 |
| | 4.984.047 | 4.889.475 |
| | | |
| Average number of full-time employees | 7 | 9 |

## 3. Financial income

| | 2021<br>DKK | 2020<br>DKK |
|---|---|---|
| Foreign exchange gains | 31.178 | 33.120 |
| Other interest income | 22.917 | 0 |
| | 54.095 | 33.120 |

## 4. Tax for the year

| | 2021<br>DKK | 2020<br>DKK |
|---|---|---|
| ***Tax for the year*** | | |
| Current tax charge for the year | 1.376.576 | 1.265.672 |
| Adjustment of the deferred tax charge for the year | (11.133) | (9.720) |
| | 1.365.443 | 1.255.952 |

## 5. Property, plant and equipment

**31 december**

**2021**

| | Plant and machinery DKK | Fixtures and fittings, plant and equipment DKK | Total |
|---|---|---|---|
| Cost at 1 January 2021 | 1.610.986 | 226.938 | 1.837.924 |
| Cost at 31 December 2021 | 1.610.986 | 226.938 | 1.837.924 |
| Depreciation and impairment losses at 1 January 2021 | 1.487.718 | 226.938 | 1.714.656 |
| Depreciation | 70.873 | 0 | 70.873 |
| Depreciation and impairment losses at 31 December 2021 | 1.558.591 | 226.938 | 1.785.529 |
| **Carrying amount at 31 December 2021** | 52.395 | 0 | 52.395 |

## 6. Share capital

| | 2021 DKK |
|---|---|
| ***The share capital comprises:*** | |
| Shares at DKK 300,000 | 900.000 |
| | 900.000 |

*The share capital has remained unchanged for the past five years.*

## 7. Contractual obligations and contingencies, etc.

### 7.1 Contingent liabilities

a) The Company has entered into a rental agreement and has a present yearly obligation for this rental agreement amounts to DKK 337,326.
b) The company has entered into Automobiles leasing agreement until August 31, 2023. The current liability is for DKK 83,916 and the non-current liability is for DKK 55,944.

The Company is jointly taxed with all other Danish companies in the Honeywell group. As a consolidated entity, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish corporation tax and withholding tax on dividends, interest and royalties within the jointly taxed companies.

## 8. Collateral

The company has not provided any security or other collateral in assets as at 31 December 2021.