

BROEN A/S

ANNUAL REPORT 2022

CVR-NR.: 71 17 25 11

Approved by the company at the general meeting on

Chairman of the General Meeting

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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 2022.

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 2022 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2022.

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

Assens, June 15, 2023

Executive Board

Mogens Garde Laursen

Lene Schwartz

Supervisory Board

Wiebe Arnold Pelsma
Chairman

Arno Rudolf Moninx

Mogens Garde Laursen

Stefan Klaaborg

Claus Lund

INDEPENDENT AUDITORS' REPORTS

To the Shareholder of BROEN A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Broen A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the 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.

Emphasis of matter

We draw attention to note 1, which states that there are uncertainties relating to the recognition and measurement related to Russian assets due to the current market conditions in the region. Our opinion has not been modified with respect to this matter.

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 Entity'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 misstate-

ment 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 Entity'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 Entity'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 thereon.

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.

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, June 15, 2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR-no. 33 96 35 56

Henrik Vedel
State Authorised Public Accountant
Identification No (MNE) mne10052

Abdul Wahab Ashraf
State Authorised Public Accountant
Identification No (MNE) mne46664

HIGHLIGHTS AND FINANCIAL RATIOS FOR THE GROUP

	2022 T.DKK/ T.EUR	2021 T.DKK/ T.EUR	2020 T.DKK/ T.EUR	2019 T.DKK/ T.EUR	2018 T.DKK/ T.EUR
Five years' highlights					
Net turnover	736,706 99,072	594,995 80,003	557,386 74,902	611,273 81,825	599,101 80,238
Operating profit	91,571 12,314	69,391 9,330	58,986 7,927	62,598 8,379	58,899 7,888
Net financial costs	(17,801) (2,394)	(1,885) (253)	(1,653) (222)	(5,088) (681)	(101) (14)
Profit before tax	73,770 9,921	67,506 9,077	57,333 7,704	57,510 7,698	58,798 7,875
Net Profit of the year	60,566 8,145	66,534 8,946	46,009 6,183	42,392 5,675	45,351 6,074
Total assets	945,148 127,104	728,969 98,017	606,712 81,530	634,460 84,929	594,281 79,592
Investments in tangible fixed assets	114,495 15,397	56,090 7,542	45,603 6,128	48,838 6,537	35,972 4,818
Equity	467,541 62,875	402,623 54,137	357,050 47,980	363,912 48,713	328,251 43,963
Profit margin	10.0%	11.3%	10.3%	9.4%	9.8%
Asset turnover	0.8	0.8	0.9	1.0	1.0
Return on capital and reserves	13.9%	17.5%	12.8%	12.2%	14.4%
Solvency ratio	49.5%	56.5%	58.8%	57.4%	55.2%
Average number of employees	727	679	619	634	609

Financial highlights are defined and calculated in accordance with the current version of Recommendation & Ratios" issued by the CFA Society Denmark.

1 Profit margin (%) :

$$\frac{\text{Profit/loss before tax} * 100}{\text{Net turnover}}$$

2 Asset turnover :

$$\frac{\text{Net turnover}}{\text{Total assets}}$$

3 Return on capital and reserves (%) :

$$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$$

4 Solvency ratio (%) :

$$\frac{\text{Equity} * 100}{\text{Total assets}}$$

MANAGEMENT'S REVIEW

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

Principal activities

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

The result of year 2022 and follow up from last year expected development

In 2022 group sales were mDKK 737 compared to mDKK 595 in 2021, which represents a positive growth of 23.8%, this include a positive affected by the currency development of 2,6%. The sales development in 2022 has exceeded the expectations the management had for the year 2022, driven by the unexpected accelerated demand for our products after lower demand during the pandemic.

The ordinary consolidated operating profit was mDKK 92 compared to mDKK 69 in 2021. Overall profit before tax was thus mDKK 74 compared to mDKK 68 in 2021. The operating profit has exceeded the expectations the management had before the year 2022, due to higher sales than expected.

In 2022 our company in Russia was influenced by mandatory regulations, where 80 % of incoming payment in foreign currency was immediately converted to RUB, this resulted in significant currency losses during the year.

With the world trade coming fast back after 2 years pandemic, and the conflict between Ukraine and Russia, the global supply chains became overloaded and limitations in raw material availability arose. This made it very difficult to maintain normal service level to our customers, and high price increases on nearly everything, was a constant challenge during the year. The situation was managed best possible way by extra efforts from the whole organization, and extraordinary price increases was given to the market, to cover the increases from our suppliers.

The stock increased during 2022 due to the heavy raw material price increases and the production level was increased heavily to improve stock availability for the season 2023.

BROEN Poland Sp.z.o.o has during the year acquired machinery and stock for 17mDKK from a sister company within Aalberts Group to increase their capacity.

Russian business

By the end of February 2022 the conflict between Ukraine and Russia started, which has a significant impact on our Russian business. The situation is very difficult for our employees, and in respect for our employees, BROEN still maintain business in Russia, but on a lower activity level. The internal sales to and from Russia has been limited, to make sure that we operate within the sanctions and restrictions imposed by EU and US, and procedures and internal controls have been established to secure compliance with all sanctions. BROEN follows the situation closely, and will adjust our business if needed.

Uncertainty relating to recognition and measurement related to business in Russia

Due to the situation there are uncertainties relating to the recognition and measurement related to Russian assets. The Russian subsidiary accounts for 25 % of the total assets and 33% in net assets of the Group figures.

BROEN is restricted for dividend from Russia but the passive ownership and the control over the Russian company has been maintained and therefore the subsidiary is fully consolidated within BROEN Group financial statements.

BROEN has used the following exchange rates in connection with their recognition of the subsidi-

ary in Russia in their consolidation:

- Result: 1 RUB = 0,10385 DKK

- Balance 1 RUB = 0,096228 DKK

The Group has carried out an impairment test that supports the valuation of the Russian subsidiary. Assumptions of the impairment test are based on Management's forecast for 2023 as expected to be at the same level as 2022. A discount rate of 18,2% was used for the impairment test.

The impairment test does not show any indication of impairment.

The Russian activity shows positive results in 2023.

There is more than usual uncertainties associated with the determination of the discount rate, which is used in the impairment test. This is because the market is currently affected by a very fluctuating interest rate level.

The market

Most of our markets and segments had a very positive development in 2022. Especially District Heating in Europe & China, and Natural Gas market in USA had high growth rates. Building Industry market had a very good development 1HY, but in 2HY a drop was experienced in the Industry driven by postponed projects due to increase of building cost and interest rate. Our new products introduced the last years continued to contributed very well to our growth in 2022.

Products and product Development

Our Full Flow valve continues the positive development in the markets, and additional investments have been implemented for further automatization and to increase capacity during the year. This product will contribute to further growth in 2023 and the years to come. The development of valves for bigger dimension for District Energy and Building Installation is in progress. For these new product lines and growth we have and expect in the coming years, more production space is needed, and a new production facility has been built which will be ready in mid-2023.

In the course of the year BROEN investments amounted to mDKK 114, primarily in Denmark and Poland.

It is important for the Group in both short and long term that the right portfolio of products and production technologies is ensured and that existing products and production technologies are continuously developed. The main focus of our ongoing projects is, to improve the features and quality of our products, and at the same improve the sustainable foot print of our products.

Organisation

In 2022 the group had an average number of staff members of 727 compared to last year 679.

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. 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.

BROEN has the target figure to 20% for the proportion of the under-represented gender in other management by the end of the financial year 2024. For 2022 the share of the under-represented gender in other management has been 18,2%.

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 2022 in all positions, the share of the under-represented gender has been 17,8% compared to 2021 with 18,1%.

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 2022 annual report of the ultimate parent company Aalberts N.V. - see Annual Report 2022 for Aalberts N.V. on the website www.aalberts.com/investor#webcasts.

Data etic

Currently the Company does not have a policy on data ethics. The Company has a policy covering Personal Data, which is continuously updated in relation to current GDPR legislation. The purpose of the personal data policy is to explain how the company collects and processes personal data. The Board of Directors have started formulating a Data Ethics Policy. The Policy is expected to be finalized in 2023.

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.

During 2022 an analysis of Scope 1-2-3 emission has been carried out based on the regulations of the Greenhouse Gas Protocol. Based on this analysis an ambitious reduction plan has been established at BROEN Group level, where the goal is a 70% reduction of direct CO2 emissions Scope 1-2 by 2026. The plan is to achieve this goal primarily through product and technology development as well as general process and energy optimization.

A process has been initiated to prepare Life Cycle Analyses (LCAs) and Environmental Product Declarations (EPDs) for the primary product areas. The first EPDs are expected to be 3rd party verified and published in summer 2023.

□

Risks

Operating risks

The Group is not predisposed to special risks in addition to ordinary risks within the industry, including business and financial risks. As a company working with international markets the Group is exposed to a certain financial risks. BROEN is monitoring the financial risk from the headquarter in Denmark in terms of interest, currency, liquidity and funding risk.

Currency risks

Currency risks is primarily based in trade across borders as most of our trade is done in DKK, EUR, PLN, USD, SEK as well as NOK. RUB is only traded locally.

Market risks

The management assesses that the Group is not affected by special market risks beyond the common risks in the industry. However, the activity of BROEN is dependent on domestic and global economies and development and the resulting impact on our customers' needs for transportation.

Capital resources

The Group's capital resources are still assessed to be fully adequate.□

Outlook

Overall growth for 2023 expects to be more than 5% and on profit from ordinary activities is expected to be 5% above the 2022 level.

The Russian market will be difficult to foresee in 2023, expects to be flat. In Europe, USA and China markets expect still to improve further especially in the District heating and Natural Gas segment and the Building Industry segment expect to be come back in 2nd half year. The improved projects and activity level in the market combined with the marketing of the new products will contribute to create further growths.

The group will still continue in focusing on innovation and further product development, strengthen the organisation and continue to invest in sales resources in key markets. Further investments in production facilities and in production capacity increase and automation is planned to support further growth in 2023 and coming years.

Subsequent events

The conflict between Ukraine and Russia has still a significant impact on our Russian subsidiary and our business. The situation is very difficult for our employees in the company and in respect for our employees, BROEN still continue to support our business in Russia. BROEN coordinate closely with our Russian subsidiary to still be in control of the company, local sourcing is in place and internal sales has been limited to meet the present international sanctions and restrictions. BROEN follows the situation daily, and will adjust our business if needed.

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 2022 is presented in DKK thousands.

Basis of preparation

The Annual Report of BROEN A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The 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 maintenance, 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.

Acquired customer rights

Acquired customer rights 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 10 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.

Stocks

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

Cash comprises cash in hand and bank deposits

PROFIT AND LOSS ACCOUNT FOR 2022

	<u>Note</u>	<u>Group</u>		<u>Parent</u>	
		<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>
Net turnover	2	736,706	594,995	351,709	306,529
Production costs	3,4	<u>(489,069)</u>	<u>(391,359)</u>	<u>(258,148)</u>	<u>(221,106)</u>
Gross profit		247,637	203,636	93,561	85,423
Distribution costs	3,4	<u>(65,025)</u>	<u>(53,646)</u>	<u>(38,534)</u>	<u>(32,297)</u>
Administrative costs	3,4,5	<u>(91,041)</u>	<u>(79,749)</u>	<u>(23,710)</u>	<u>(20,333)</u>
Profit from ordinary activities		91,571	70,241	31,317	32,793
Other operating expenses		<u>0</u>	<u>(850)</u>	<u>0</u>	<u>0</u>
Operating profit		91,571	69,391	31,317	32,793
Result after tax in affiliated undertakings	6	0	0	36,133	42,340
Financial income	7	6,890	5,057	4,345	3,183
Financial expenses	8	<u>(24,691)</u>	<u>(6,942)</u>	<u>(5,423)</u>	<u>(4,716)</u>
Profit before tax		73,770	67,506	66,372	73,600
Tax on profit of the year	9	<u>(13,087)</u>	<u>(933)</u>	<u>(5,806)</u>	<u>(7,066)</u>
Profit before minority interests		60,683	66,573	60,566	66,534
Shares of minority interests		<u>(117)</u>	<u>(39)</u>	<u>0</u>	<u>0</u>
NET PROFIT OF THE YEAR	10	<u>60,566</u>	<u>66,534</u>	<u>60,566</u>	<u>66,534</u>

BALANCE SHEET AT 31.12.2022**ASSETS**

	<u>Note</u>	<u>Group</u>		<u>Parent</u>	
		<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>
Goodwill	11	12,976	16,061	0	0
Acquired customer rights	11	29,109	33,179	0	0
Licenses	11	1,330	1,689	444	809
Development projects	11	11,483	6,834	11,398	6,457
Development projects in progress	11	<u>12,468</u>	<u>12,724</u>	<u>12,468</u>	<u>12,724</u>
Intangible fixed assets		<u>67,366</u>	<u>70,487</u>	<u>24,310</u>	<u>19,990</u>
Land and buildings	12	84,876	85,350	2,711	2,464
Plant and machinery	12	183,153	146,944	97,359	72,946
Other fixtures and fittings, tools and equipment	12	13,822	10,840	4,201	2,187
Tangible fixed assets in progress and prepayments for tangible assets	12	<u>86,174</u>	<u>40,810</u>	<u>52,743</u>	<u>17,000</u>
Tangible fixed assets		<u>368,025</u>	<u>283,944</u>	<u>157,014</u>	<u>94,597</u>
Capital participation in affiliated undertakings	13	0	0	391,136	355,877
Deposits	13	<u>81</u>	<u>76</u>	<u>81</u>	<u>76</u>
Financial fixed assets		<u>81</u>	<u>76</u>	<u>391,217</u>	<u>355,953</u>
FIXED ASSETS		<u>435,472</u>	<u>354,507</u>	<u>572,541</u>	<u>470,540</u>
Raw materials and consumables		100,687	74,116	17,313	14,466
Work in progress		57,368	42,868	12,105	8,365
Produced finished goods and commodities		<u>76,920</u>	<u>59,114</u>	<u>25,204</u>	<u>21,383</u>
Stocks		<u>234,975</u>	<u>176,098</u>	<u>54,622</u>	<u>44,214</u>

BALANCE SHEET AT 31.12.2022**ASSETS**

	<u>Note</u>	<u>Group</u>		<u>Parent</u>	
		<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>
Trade debtors		95,752	71,250	34,010	35,896
Receivables from affiliated undertakings		18,874	14,106	6.742	35,434
Deferred tax asset	15	14,382	15,980	0	0
Other receivables		12,131	8,938	6,629	4,645
Accruals and prepayments		<u>10,007</u>	<u>7,283</u>	<u>4,784</u>	<u>4,357</u>
Receivables		<u>151,146</u>	<u>117,557</u>	<u>52,165</u>	<u>80,332</u>
Cash funds		<u>123,555</u>	<u>80,807</u>	<u>733</u>	<u>579</u>
CURRENT ASSETS		<u>509,676</u>	<u>374,462</u>	<u>107,520</u>	<u>125,125</u>
ASSETS		<u>945,148</u>	<u>728,969</u>	<u>680,061</u>	<u>595,665</u>

BALANCE SHEET AT 31.12.2022**LIABILITIES AND EQUITY**

	<u>Note</u>	<u>Group</u>		<u>Parent</u>	
		<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>
Share capital	14	10,400	10,400	10,400	10,400
Reserve for currency translations		(39,615)	(43,852)	0	0
Reserve for net revaluation according to the equity value method		0	0	282,390	241,805
Reserve development projects		0	0	14,251	15,979
Retained profit		497,268	436,702	161,012	135,066
Proposed dividend for the year		0	0	0	0
Minority interests		<u>(512)</u>	<u>(627)</u>	<u>0</u>	<u>0</u>
EQUITY		<u>467,541</u>	<u>402,623</u>	<u>468,053</u>	<u>403,250</u>
Provisions for deferred tax	15	14,696	12,006	15,316	11,401
Provision for affiliated undertakings		<u>0</u>	<u>0</u>	<u>1,412</u>	<u>1,745</u>
PROVISIONS		<u>14,696</u>	<u>12,006</u>	<u>16,728</u>	<u>13,146</u>
Long term loan from affiliated undertakings		<u>179,276</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Long term debt	16	<u>179,276</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Suppliers of goods and services		98,810	64,078	58,573	26,026
Amount owed to affiliated undertakings		128,388	90,163	5,866	15,058
Other creditors		<u>56,437</u>	<u>60,099</u>	<u>31,981</u>	<u>38,185</u>
Short term debt		<u>283,635</u>	<u>214,340</u>	<u>96,420</u>	<u>79,269</u>
DEBT		<u>462,911</u>	<u>314,340</u>	<u>196,420</u>	<u>179,269</u>
LIABILITIES AND EQUITY		<u>945,148</u>	<u>728,969</u>	<u>680,061</u>	<u>595,665</u>

Change in working capital, note 17

Pledged assets and contingent liabilities, etc. note 18

Related parties, note 19

Subsequent events, note 20

STATEMENT OF CHANGES IN EQUITY

GROUP

	Share capital	Reserve for currency translation	Retained earnings	Proposed dividend	Minority interests	Total
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Equity at 01.01.2022	10,400	(43,852)	436,702	0	(627)	402,623
Dividend paid	0	0	0	0	0	0
Exchange rate adjustment concerning affiliated companies	0	4,237	0	0	(2)	4,235
Net profit for the year			60,566	0	117	60,683
Proposed dividend for the year			0	0	0	0
Equity at 31.12.2022	<u>10,400</u>	<u>(39,615)</u>	<u>497,268</u>	<u>0</u>	<u>(512)</u>	<u>467,541</u>

PARENT COMPANY

	Share capital	Reserve under the equity method	Reserve development project	Retained earnings	Proposed dividend	Total
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Equity at 01.01.2022	10,400	241,805	15,979	135,066	0	403,250
Dividend paid	0	0	0	0	0	0
Exchange rate adjustment concerning affiliated companies	0	4,237	0	0	0	4,237
Reserve concerning development projects	0	0	(1,728)	1,728	0	0
Received dividend from affiliated companies	0	(4,779)	0	4,779	0	0
Net profit for the year	0	41,127	0	19,439	0	60,566
Proposed dividend for the year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Equity at 31.12.2022	<u>10,400</u>	<u>282,390</u>	<u>14,251</u>	<u>161,012</u>	<u>0</u>	<u>468,053</u>

CASH FLOW STATEMENT FOR THE GROUP FOR 2022

	<u>Note</u>	<u>2022 DKK'000</u>	<u>2021 DKK'000</u>
Operating profit		91,571	69,391
Depreciation		32,681	31,260
Changes in working capital	16	<u>(15,285)</u>	<u>26,076</u>
Cash flows from operating activities before financial income and expenses		108,967	126,727
Net interest, dividends and exchange rate gains		(17,801)	(1,885)
Net paid tax		<u>(13,506)</u>	<u>(8,433)</u>
Cash flow from operating activities		<u>77,660</u>	<u>116,409</u>
Purchase of intangible fixed assets		(7,712)	(39,675)
Purchase of tangible fixed assets		(114,495)	(56,090)
Sale of tangible fixed assets		8,024	138
Sale of intangible fixed assets		0	(95)
Purchase of financial fixed assets		<u>(5)</u>	<u>0</u>
Cash flows from investment activities		<u>(114,188)</u>	<u>(95,722)</u>
Long term loan to affiliated undertakings		79,276	0
Dividend paid		<u>0</u>	<u>(30,000)</u>
Cash flow from financing activities		<u>79,276</u>	<u>(30,000)</u>
CHANGE IN CASH FUNDS		42,748	(9,313)
Cash funds at 01.01.2022		80,807	90,120
CASH FUNDS AT 31.12.2022		<u>123,555</u>	<u>80,807</u>
Cash funds comprise:			
Cash at bank and in hand		<u>123,555</u>	<u>80,807</u>
		<u>123,555</u>	<u>80,807</u>

NOTES TO THE ANNUAL REPORT

1. Uncertainty relating to recognition and measurement related to business in Russia

Due to the situation there are uncertainties relating to the recognition and measurement related to Russian assets. The Russian subsidiary accounts for 25 % of the total assets and 33% in net assets of the Group figures.

BROEN is restricted for dividend from Russia but the passive ownership and the control over the Russian company has been maintained and therefore the subsidiary is fully consolidated within BROEN Group financial statements.

BROEN has used the following exchange rates in connection with their recognition of the subsidiary in Russia in their consolidation:

- Result: 1 RUB = 0,10385 DKK

- Balance 1 RUB = 0,096228 DKK

The Group has carried out an impairment test that supports the valuation of the Russian subsidiary. Assumptions of the impairment test are based on Management's forecast for 2023 as expected to be at the same level as 2022. A discount rate of 18,2% was used for the impairment test.

The impairment test does not show any indication of impairment.

The Russian activity shows positive results in 2023.

There is more than usual uncertainties associated with the determination of the discount rate, which is used in the impairment test. This is because the market is currently affected by a very fluctuating interest rate level.

	<u>Group</u>		<u>Parent</u>	
	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>	<u>2022</u> <u>DKK'000</u>	<u>2021</u> <u>DKK'000</u>
2. Net turnover				
Denmark	98,278	84,444	98,278	84,444
Europe	558,465	435,986	195,536	175,192
Others	<u>99,963</u>	<u>74,565</u>	<u>57,895</u>	<u>46,893</u>
	<u>756,706</u>	<u>594,995</u>	<u>351,709</u>	<u>306,529</u>

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

3. Employment costs

Salaries and wages	140,453	119,354	65,598	59,148
Pensions	18,099	16,835	8,881	8,518
Other social security costs	<u>10,965</u>	<u>7,668</u>	<u>641</u>	<u>639</u>
	<u>169,517</u>	<u>143,857</u>	<u>75,120</u>	<u>68,305</u>

Of this total fees comprise:

Supervisory Board	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
Executive Board	<u>4,976</u>	<u>4,682</u>	<u>4,976</u>	<u>4,682</u>
Number of employees (converted to full-time)	<u>727</u>	<u>679</u>	<u>125</u>	<u>119</u>

NOTES TO THE ANNUAL REPORT

	<u>Group</u>		<u>Parent</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
4. Depreciation				
Depreciation is distributed as follows:				
Production costs	15,773	15,957	10,096	10,324
Distribution costs	3,650	1,728	21	21
Administrative costs	<u>13,801</u>	<u>13,439</u>	<u>309</u>	<u>505</u>
	<u>33,224</u>	<u>31,124</u>	<u>10,426</u>	<u>10,850</u>
Depreciation includes losses/(gains)				
from the sale of fixed assets	<u>543</u>	<u>(136)</u>	<u>16</u>	<u>0</u>
5. Auditors fee				
Audit fee Deloitte	891	911	459	379
Audit fee others	444	70	0	0
Fee for tax advice Deloitte	0	0	0	0
Fee for tax advice others	793	171	(75)	34
Fee for other services, other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2,128</u>	<u>1,152</u>	<u>384</u>	<u>413</u>
6. Result after tax in affiliated undertakings				
Share of profit after tax			38,613	45,436
Share of losses after tax			0	(24)
Change in unrealized internal profit on stocks			605	13
Depreciation on goodwill			<u>(3,085)</u>	<u>(3,085)</u>
			<u>36,133</u>	<u>42,340</u>
7. Financial income				
Interest from affiliated undertakings	906	905	668	284
Currency deviations	3,754	2,529	3,676	2,876
Other interest	<u>2,230</u>	<u>1,623</u>	<u>1</u>	<u>23</u>
	<u>6,890</u>	<u>5,057</u>	<u>4,345</u>	<u>3,183</u>

NOTES TO THE ANNUAL REPORT

	<u>Group</u>		<u>Parent</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
8. Financial expenses				
Interest owed to affiliated undertakings	9,693	2,599	1,462	1,152
Currency deviations	14,442	3,789	3,564	3,368
Other interest expenses and similar charges	<u>556</u>	<u>554</u>	<u>397</u>	<u>196</u>
	<u>24,691</u>	<u>6,942</u>	<u>5,423</u>	<u>4,716</u>
9. Tax on profit for the year				
Current tax	9,045	11,563	2,740	4,964
Change in deferred tax	4,114	(10,715)	3,060	2,102
Adjustment tax relating to prior year	<u>(72)</u>	<u>85</u>	<u>6</u>	<u>0</u>
	<u>13,087</u>	<u>933</u>	<u>5,806</u>	<u>7,066</u>
10. Distribution of profit				
Proposed distribution of profit				
Proposed dividend for the year			0	0
Reserve for net revaluation according to the equity value method			41,127	42,340
Retained profit			<u>19,439</u>	<u>24,194</u>
			<u>60,566</u>	<u>66,534</u>

**NOTES TO THE ANNUAL REPORT
GROUP**

	Goodwill	Acquired customer rights	Licenses projects	Development ment in progress	Develop- ment projects
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
11. Intangible fixed assets					
Cost at 01.01.2022	68,210	34,925	24,022	28,210	12,724
Exchange rate adjustments	(172)	(679)	(280)	(38)	0
Additions	0	0	424	7,544	0
Disposals	<u>0</u>	<u>0</u>	<u>(56)</u>	<u>0</u>	<u>(256)</u>
Cost at 31.12.2022	<u>68,038</u>	<u>34,246</u>	<u>24,110</u>	<u>35,716</u>	<u>12,468</u>
Depreciation at 01.01.2022	(52,149)	(1,746)	(22,333)	(21,376)	0
Exchange rate adjustments	172	34	93	30	0
Depreciation	(3,085)	(3,425)	(596)	(2,887)	0
Disposals	<u>0</u>	<u>0</u>	<u>56</u>	<u>0</u>	<u>0</u>
Depreciation at 31.12.2022	<u>(55,062)</u>	<u>(5,137)</u>	<u>22,780</u>	<u>24,233</u>	<u>0</u>
Book value at 31.12.2022	<u>12,976</u>	<u>29,109</u>	<u>1,330</u>	<u>11,483</u>	<u>12,468</u>
Book value at 31.12.2021	<u>16,061</u>	<u>33,179</u>	<u>1,689</u>	<u>6,834</u>	<u>12,724</u>
Depreciated over years	<u>10-20</u>	<u>10</u>	<u>3-5</u>	<u>5</u>	<u>-</u>

Development projects relate to the development of products within the existing business. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The products are expected to be sold in the present market to the existing and potential new customers. Prior to the initiation of the projects, the Company research on return on investments on these products.

NOTES TO THE ANNUAL REPORT
PARENT COMPANY

	Goodwill	Licenses	Development projects	Development projects in progress
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
11. Intangible fixed assets				
Cost at 01.01.2022	1,138	18,553	26,280	12,724
Additions	0	0	7,544	0
Disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>(256)</u>
Cost at 31.12.2022	<u>1,138</u>	<u>18,553</u>	<u>33,824</u>	<u>12,468</u>
Depreciation at 01.01.2022	(1,138)	(17,744)	(19,823)	0
Disposal	0	0	0	0
Depreciation	<u>0</u>	<u>(365)</u>	<u>(2,603)</u>	<u>0</u>
Depreciation at 31.12.2022	<u>(1,138)</u>	<u>(18,109)</u>	<u>(11,398)</u>	<u>0</u>
Book value at 31.12.2022	<u>0</u>	<u>444</u>	<u>11,398</u>	<u>12,468</u>
Book value at 31.12.2021	<u>0</u>	<u>809</u>	<u>6,457</u>	<u>12,724</u>
Depreciated over years	<u>10</u>	<u>3-5</u>	<u>5</u>	<u>0</u>

Development projects relate to the development of products within the existing business. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The products are expected to be sold in the present market to the existing and potential new customers. Prior to the initiation of the projects, the Company research on return on investments on these products.

**NOTES TO THE ANNUAL REPORT
GROUP**

	Land and Buildings DKK'000	Plant and Machinery DKK'000	Other Fixtures DKK'000	Prepayments for and tangible fixed assets in progress DKK'000
12. Tangible fixed assets				
Cost at 01.01.2022	163,952	276,117	44,611	40,810
Exchange rate adjustments	2,353	(563)	(46)	0
Additions	9,926	52,731	6,474	45,364
Disposals	(12,250)	(1,730)	(2,726)	0
Cost at 31.12.2022	<u>163,981</u>	<u>326,555</u>	<u>48,313</u>	<u>86,174</u>
Depreciation at 01.01.2022	(78,602)	(129,173)	(33,771)	0
Exchange rate adjustments	(630)	(288)	15	0
Depreciation	(3,876)	(15,671)	(3,141)	0
Depreciation concerning disposals of the year	4,003	1,730	2,406	0
Depreciation at 31.12.2022	<u>(79,105)</u>	<u>(143,402)</u>	<u>(34,491)</u>	<u>0</u>
Book value at 31.12.2022	<u>84,876</u>	<u>183,153</u>	<u>13,822</u>	<u>86,174</u>
Book value at 31.12.2021	<u>85,350</u>	<u>146,944</u>	<u>10,840</u>	<u>40,810</u>
Depreciated over years	<u>20-40</u>	<u>10-15</u>	<u>3-5</u>	<u>0</u>
Hereof included financially leased assets	<u>0</u>	<u>0</u>	<u>833</u>	<u>0</u>

NOTES TO THE ANNUAL REPORT
PARENT COMPANY

	Land and Buildings DKK'000	Plant and Machinery DKK'000	Other Fixtures DKK'000	Prepayments for and tangible fixed assets in progress DKK'000
12. Tangible fixed assets				
Cost at 01.01.2022	48,085	133,342	18,118	17,000
Additions	785	30,433	3,161	35,743
Disposals	<u>0</u>	<u>0</u>	<u>(578)</u>	<u>0</u>
Cost at 31.12.2022	<u>48,870</u>	<u>163,775</u>	<u>20,701</u>	<u>52,743</u>
Depreciation at 01.01.2022	(45,621)	(60,396)	(15,931)	0
Disposals	0	0	335	0
Depreciation	<u>(538)</u>	<u>(6,020)</u>	<u>(904)</u>	<u>0</u>
Depreciation at 31.12.2022	<u>(46,159)</u>	<u>(66,416)</u>	<u>(16,500)</u>	<u>0</u>
Book value at 31.12.2022	<u>2,711</u>	<u>97,359</u>	<u>4,201</u>	<u>52,743</u>
Book value at 31.12.2021	<u>2,464</u>	<u>72,946</u>	<u>2,187</u>	<u>17,000</u>
Depreciated over years	<u>20-25</u>	<u>10-15</u>	<u>3-5</u>	<u>-</u>
Hereof included financially leased assets	<u>0</u>	<u>0</u>	<u>833</u>	<u>0</u>

**NOTES TO THE ANNUAL REPORT
GROUP**

	Deposits DKK'000
13. Financial fixed assets	
Cost at 01.01.2022	76
Exchange rate adjustments	0
Additions	5
Disposals	<u>0</u>
Cost at 31.12.2022	<u>81</u>
Book value at 31.12.2022	<u>81</u>
Book value at 31.12.2021	<u>76</u>

NOTES TO THE ANNUAL REPORT
PARENT COMPANY

	Capital participation in affiliated undertakings DKK'000	Deposits DKK'000
13. Financial fixed assets		
Cost at 01.01.2022	107,333	76
Additions	0	5
Disposals	<u>0</u>	<u>0</u>
Cost at 31.12.2022	<u>107,333</u>	<u>81</u>
Revaluations at 01.01.2022	246,798	0
Direct equity movement	0	0
Exchange rate adjustment	4,236	0
Profit for the year of capital participation	38,616	0
Changes in intercompany profit	605	0
Depreciation on goodwill	(3,085)	0
Dividends for parent company	<u>(4,779)</u>	<u>0</u>
Revaluations at 31.12.2022	<u>282,391</u>	<u>0</u>
Provision for affiliated undertakings 31.12.2022	<u>1,412</u>	<u>0</u>
Book value at 31.12.2022	<u>391,136</u>	<u>81</u>
Book value at 31.12.2021	<u>355,877</u>	<u>76</u>
Hereof measured as goodwill	<u>12,976</u>	

NOTES TO THE ANNUAL REPORT

13. Financial fixed assets, continued

	---- <u>Domicile</u>	<u>Share capital</u> <u>DKK'000</u>	<u>Ownership</u> <u>DKK'000</u>
BROEN Poland Sp.z.o.o	Dzierzoniow, Poland	12,625	100%
- Aalberts Surface Technologies Heat Sp.z o.o.	Dzierzoniow, Poland	4,122	100%
BROEN LTD	Moscow, Russia	1,166	100%
BROEN SEI srl,	Bucharest, Rumania	2	75%
BROEN Valves Beijing Co. Ltd	Beijing, China	1,624	100%
BROEN AB,	Gothenburg, Sweden	74	100%
		<u>2022</u>	<u>2021</u>
		<u>DKK'000</u>	<u>DKK'000</u>

14. Share capital

The share capital of the company, T.DKK 10,400, consists of shares of DKK 1,000 or multiples thereof

	<u>10,400</u>	<u>10,400</u>
Balance 01.01.2022	10,400	10,400
Addition	<u>0</u>	<u>0</u>
Balance 31.12.2022	<u>10,400</u>	<u>10,400</u>

<u>Group</u>		<u>Parent</u>	
<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>

15. Deferred tax asset / Provisions for deferred tax

Provisions for deferred tax

Intangible fixed assets	5,502	4,541	5,348	4,398
Tangible fixed assets	(839)	(3,744)	9,107	7,495
Financial fixed assets	(12)	(29)	0	0
Stocks	(1,129)	(1,051)	1,245	1,263
Receivables	(108)	(461)	(4)	(2)
Other creditors	(1,865)	(1,903)	0	(426)
Intercompany profit on stocks	<u>(1,235)</u>	<u>(1,327)</u>	<u>(1,235)</u>	<u>(1,327)</u>
	<u>314</u>	<u>(3,974)</u>	<u>14,461</u>	<u>11,401</u>

Deferred tax for the group has been provided in accordance with local tax rates. For parent it has been calculated at 22%.

NOTES TO THE ANNUAL REPORT

	<u>Group</u>		<u>Parent</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Deferred tax at 01.01.2022	(3,974)	6,727	11,401	9,299
Change in deferred tax in income statement	4,114	(10,715)	3,060	2,102
Change in deferred tax in Equity currency translations	174	14	0	0
Adjustment of deferred tax in previous years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	314	(3,974)	14,461	11,401
Deferred tax asset	(14,382)	(15,980)	0	0
Provision for deferred tax	<u>14,696</u>	<u>12,006</u>	<u>14,461</u>	<u>9,299</u>
	314	(3,974)	14,461	9,299

Deferred tax assets relate to unused tax deductions in the form of time differences. Based on budgets, management has assessed that there will be future taxable income in which unused tax deductions can be utilized.

16. Long term debt

Payment due

After 5 years	0	0	0	0
Between 1 and 5 years	<u>179,276</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
	179,276	100,000	100,000	100,000

	<u>2022</u>	<u>2021</u>
	<u>DKK'000</u>	<u>DKK'000</u>

NOTES FOR CASHFLOW STATEMENT

17. Change in working capital

Change in stocks	(58,877)	(39,126)
Change in receivables	(35,187)	(8,217)
Change in suppliers of goods and services, etc.	73,828	68,190
Currency regulations fixed assets/loans	175	3,853
Currency regulations New working capital	<u>4,776</u>	<u>1,376</u>
	(15,285)	26,076

NOTES TO THE ANNUAL REPORT

	<u>Group</u>		<u>Parent</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
18. Pledged assets and contingent liabilities, etc.				
Pledged assets				
Owner's mortgage deeds held by the company	<u>24,483</u>	<u>24,483</u>	<u>24,483</u>	<u>24,483</u>
Leasing commitments				
Leasing commitments, others				
Between 1 and 5 years	4,851	3,235	4,135	2,489
Within 1 year	<u>2,853</u>	<u>2,466</u>	<u>2,317</u>	<u>2,007</u>
	<u>7,704</u>	<u>5,701</u>	<u>6,452</u>	<u>4,496</u>
Rental commitments				
After 5 years	0	565	0	0
Between 1 and 5 years	0	501	0	0
Within 1 year	<u>2,397</u>	<u>2,142</u>	<u>255</u>	<u>244</u>
	<u>2,397</u>	<u>3,208</u>	<u>255</u>	<u>244</u>
Suretyship :				
The Company has not provided a suretyship in 2022.				
Other commitments				
Submitted guarantees for work	<u>5,775</u>	<u>9,221</u>	<u>5,775</u>	<u>9,221</u>

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.

NOTES TO THE ANNUAL REPORT

19. Related parties

BROEN A/S related parties is as followed:

Controlling influence:

Aalberts Scandinavia A/S, Skovvej 30, 5610 Assens

Other related parties

Other related parties include the company's Board of Directors, Executive Board, subsidiaries, and a number of affiliates in the Aalberts Industries NV Group.

Transactions

There have been no transactions in the financial year with members of the Board of Directors and Executive Board other than those which appear from note 3.

Consolidated financial statement

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.

20. Subsequent events

The conflict between Ukraine and Russia has still a significant impact on our Russian subsidiary and our business. The situation is very difficult for our employees in the company and in respect for our employees, BROEN still continue to supports our business in Russia. BROEN coordinate closely with our Russian subsidiary to still be in control of the company, local sourcing is in place and internal sales has been limited to meet the present sanctions and restrictions. BROEN follows the situation daily, and will adjust our business if needed.

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