
Frese A/S

Sorøvej 8, DK-4200 Slagelse

Annual Report for 2024

CVR No. 12 37 53 44

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 9/4 2025

Paul Thomas
Gustavsson
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Frese A/S for the financial year 1 January - 31 December 2024.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2024 of the Company and of the results of the Company operations and cash flows for 2024.

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

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

Slagelse, 9 April 2025

Executive Board

Stig Peter Agneborn
CEO

Ulrich Gammelgaard
Chief Financial Officer

Board of Directors

Paul Thomas Gustavsson
Chairman

Riiko Johannes Kaurola
Vice chairman

René Barington

Ulrich Gammelgaard

Jens Axel Johansen
Employee representative

Jette Marie Sørensen
Employee representative

Independent Auditor's report

To the shareholder of Frese A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Frese A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

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

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the Financial Statements. We are responsible for the direction, supervision and review of the audit work performed. 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.

Independent Auditor's report

Ringsted, 9 April 2025

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Brian Pedersen

State Authorised Public Accountant

mne28701

Nikolaj Frausing Borch

State Authorised Public Accountant

mne44062

Company information

The Company	Frese A/S Sorøvej 8 DK-4200 Slagelse CVR No: 12 37 53 44 Financial period: 1 January - 31 December Municipality of reg. office: Slagelse
Board of Directors	Paul Thomas Gustavsson, chairman Riiko Johannes Kaurola, vice chairman René Barington Ulrich Gammelgaard Jens Axel Johansen, employee representative Jette Marie Sørensen, employee representative
Executive Board	Stig Peter Agneborn Ulrich Gammelgaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Eventyrvej 16 DK-4100 Ringsted

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2024	2023	2022	2021	2020
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	394,693	352,702	351,671		
Gross profit	135,003	110,820	105,722	95,160	93,281
Profit/loss of primary operations	29,839	23,139	24,811	31,660	29,490
Profit/loss of financial income and expenses	12,329	-1,669	5,228	3,675	2,415
Net profit/loss for the year	35,613	16,847	24,996	28,998	26,426
Balance sheet					
Balance sheet total	305,067	272,313	267,512	247,859	199,340
Investment in property, plant and equipment	11,338	4,841	4,114	5,325	3,509
Equity	214,116	189,506	175,760	158,214	135,352
Cash flows					
Cash flows from:					
- operating activities	25,303	33,234	19,392	8,133	40,986
- investing activities	-19,248	-11,112	-18,078	-12,282	-13,850
- financing activities	-3,020	-19,490	-922	6,095	-19,812
Change in cash and cash equivalents for the year	3,035	2,632	392	1,946	7,321
Number of employees	134	112	105	84	84
Ratios					
Gross margin	34.2%	31.4%	30.1%		
Profit margin	7.6%	6.6%	7.1%		
Return on assets	9.8%	8.5%	9.3%	12.8%	14.8%
Solvency ratio	70.2%	69.6%	65.7%	63.8%	67.9%
Return on equity	17.6%	9.2%	15.0%	19.8%	21.2%

Management's review

Key activities

The company develops, produces, and sells dynamic control valves and associated components for heating and cooling systems within the Buildings, District Heating, Marine segments, and other HVAC-related products. The products are sold primarily to wholesalers, distributors, OEM customers, and other partners in Denmark and abroad.

Production occurs mainly in Denmark and in Frese's subsidiary in China. The company's products are sold through the Danish company and foreign subsidiaries, affiliated distributors, and partners.

Development in the year

The income statement of the Company for 2024 shows a profit of TDKK 35,613, and at 31 December 2024 the balance sheet of the Company shows a positive equity of TDKK 214,116.

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

In 2024, the company achieved good growth in the activity level, with growth in sales in most areas. Revenue has increased from TDKK 352,702 to 394.693.

The company generally focuses strongly on product development, and new products contribute positively to its activities.

The financial year 2024 resulted in a growth in profit before tax of TDKK 20,698, from TDKK 21,470 in 2023 to TDKK 42,268 in 2024. The increase is due to revenue growth and increased margins on sales. Fixed costs increased in 2024, primarily due to personnel costs to strengthen the organization.

The annual report for 2023 announced an expectation for 2024 of an increase in profit before tax to approximately DKK 35-45 million. With a profit before tax of TDKK 42,168 in 2024, the expectation has been met.

Capital resources

The company's cash and cash equivalents increased by TDKK 3,035 in 2024 from TDKK 17,622 to TDKK 20,657, and the company's total working capital increased by TDKK 11,034 in 2024 from TDKK 105,503 to TDKK 116,537.

Working capital has increased due to increased inventory, which consists of slightly larger stocks of raw materials and consumables at the end of the year, an increase in debtors, and a decrease in creditors, following the higher activity level in 2024.

The free cash flow from operating activities was positive, with TDKK 25,303.

The company's total investments in tangible and intangible fixed assets amounted to a net TDKK 19,248. TDKK 11,339 was used for property, plant, and equipment, while approximately TDKK 9,208 was invested in developing new and existing products.

Cash flows from financing activities amounted to TDKK -3,020.

Foreign exchange risks

The company is exposed to currency risks in EUR, GBP, USD, and CNY. The exposure to fluctuations between EUR/DKK is considered insignificant due to Denmark's fixed exchange rate policy towards EUR. To a significant extent, the company has an operational hedging of income in foreign currency (other than EUR) against costs in foreign currency (other than EUR). Commercial currency risks are, therefore, usually not hedged via banks, etc.

Interest rate risks

Moderate changes in the interest rate will not significantly affect the company's earnings.

Management's review

Credit risks

The company is primarily exposed to credit risks on trade receivables. All customers are assessed individually and assigned a credit limit. Credit exposure is monitored and adjusted continuously for the company's risk management.

Targets and expectations for the year ahead

In 2025, an increase in profit before tax to approximately DKK 60-65 million is expected.

Research and development

The company is constantly developing its valve products and other products. Continuous product development is essential for the company's growth, so development activities will continue.

External environment

Relevant authorities have approved the company's environmental conditions (Slagelse Municipality).

Intellectual capital resources

The company's work is based on professional and commercial expertise within the industry. Exceptional knowledge of dynamic string regulation, mechanical processing, and assembly, and marketing is vital to the company.

Statement of corporate social responsibility

Frese A/S is aware of its corporate social responsibility in the regions and countries where it operates, as described under Main Activities above at page 7. The activities follow national and local laws and regulations regarding the employees' social conditions, environmental and climate conditions, and all corporate laws and tax conditions.

Frese's work with corporate social responsibility is reflected in the company's Code of Conduct, which guides the business behavior we want from employees, suppliers, and business partners. Frese's Code of Conduct is based on the UN Global Compact. It is divided into main groups with guidelines on human rights, workers' rights, health and safety, anti-corruption, competition law, sanctions compliance, environment, etc.

Since the company operates within the guidelines and requirements of Danish and international legislation and works with the values, attitudes, and policies in Frese's Code of Conduct, management assesses the risk of the company having a significant negative impact on the environment and climate, human rights, social and employee relations, and anti-corruption and bribery is limited.

Among other things, because of our work with social responsibility, Frese A/S has not experienced any cases of (or risk of) human rights violations or corruption/bribery in connection with the company's activities in 2024.

Management expects that Frese A/S's continued work on social and employee relations, human rights, anti-corruption and bribery, and environmental relations will result in the company being perceived as an exemplary corporate citizen by both internal and external stakeholders.

Management's review

Environment and Climate

The company has established processes to limit its environmental impact. From the start of product development, consideration is given to the choice of environmentally friendly materials and functions, if possible. The processes also focus on reducing waste in production and sorting residual materials and waste products so that they can later be recycled either in production or by external customers. Ongoing investments are made to reduce waste and ensure optimal material recycling.

The Group continuously works to reduce energy consumption in production, warehouse, and administration. Energy consumption is constantly monitored, and investments in machinery and properties, among other things, focus on reducing total energy consumption, e.g., electricity used in production processes and heat waste.

The company has previously wholly phased out the use of fossil fuels in production. In addition, the company has set CO2 reduction targets based on projections from the effects of the company's implemented and planned CO2 reduction initiatives. Concerning the principles of the Science-Based Target initiative (SBTi), for companies with fewer than 500 employees, a CO2 emission reduction target of 75% in 2030 compared to 2019 has been set, as well as a target of being CO2 neutral by 2050.

The company will continue working towards measurable results in this area, however no specific results have been achieved in the area of environment and climate in 2024, as the focus has been on other areas.

Suppliers and Human Rights

The company typically enters long-term supplier relationships primarily in Europe or Asia. In addition to financial and quality assessments, a comprehensive evaluation of the supplier also includes assessing whether the supplier demonstrates general social responsibility. All customers and suppliers are asked to comply with Frese's Code of Conduct to address the risk of human rights, anti-corruption, and bribery violations because of the company's operations.

Every year, Frese conducts several supplier audits, during which these conditions are assessed, and corrective actions are agreed upon in the event of deviations. 2024 audits were conducted at ten critical Far East and Turkey suppliers. Only minor corrective actions regarding the working environment have been identified. We expect to conduct similar audits at other European and Asian suppliers in 2025.

The company translates its anti-corruption and bribery policies into appropriate behavior and action by ensuring that employees know and understand the policies and their importance and by maintaining focus on this, e.g., through the exchange of Best Practices in the area.

There have been no cases in 2024 where the company's policies have been violated. Frese sees the policies in this area as adequate and will continue in 2025 to govern the business according to the guidelines.

Social conditions and employee relations

At Frese, we are committed to promoting the well-being of our employees and have intensified our efforts to strengthen a diverse, inclusive, healthy, and safe working environment. Among other things, we work continuously with well-being/development interviews and well-being and APV measurements, as we recognize these as key risk factors in this area.

Frese takes responsibility for ensuring the socially sustainable development of young people and citizens who have difficulty finding a foothold in education or workplaces. We contribute to relevant vocational education and bridge the gap between citizens on the margins of society. Our commitment means that we continuously offer internships to mentally vulnerable citizens and flex-jobbers while creating a good framework for apprentices and students.

At the end of 2024, we had seven colleagues in flexi-jobs, 1 with municipal supplementary benefits and four skilled apprentices and students, all of whom are a valuable part of Frese A/S - reflecting a positive development with more colleagues joining since 2023.

We look forward to strengthening our positive work community and making a difference for our employees and the society around us. Frese will continue in 2025 with the implemented initiatives and its efforts to be an attractive workplace.

Management's review

Statement on data ethics

Like other companies, Frese A/S is increasingly using data. The generally increased availability of data and better tools for data processing in connection with digitalization, including AI, open new opportunities for insight and potentially raise data ethics challenges. Frese, therefore, wants to follow a consistent data ethics line across the organization with due regard for the local context.

Frese A/S is an industrial company in a Business-to-business setup that does not have a significant degree of third-party personal information. Frese does not sell personal data; personal data is only used for the purpose for which it was collected, typically employee registration.

Data ethics work in Frese A/S occurs as an integrated part of daily management and execution and through guidelines and policies.

Frese A/S only collects and uses legitimately obtained data about the market, customers, competitors, and products.

Frese A/S will protect access to individuals' data and comply with all regulations protecting individuals' data in its operating countries. Our use of data must not discriminate against, for example, gender, race, ethnicity, or community.

Our data ethics values are, in addition:

- We only register and store personal data to the extent necessary.
- We work with data openly and transparently and strive to ensure that data is not used and presented in a way that misleads our stakeholders.
- We strive to ensure that our data provides as much value as possible to our internal and external users.
- We strive to ensure we possess the necessary skills to handle data ethics dilemmas.
- If you are in doubt, ask your manager.
- We do not use AI and automated decision-making involving personal data.
- Everyone at Frese must strive to ensure that the company's systems, including IT systems and how they are used, minimize the likelihood that unauthorized people will access the collected data.
- We strive to ensure that our business partners process data the same way we would, including following this policy.

Unusual events

The financial position at 31 December 2024 of the Company and the results of the activities and cash flows of the Company for the financial year for 2024 have not been affected by any unusual events.

Income statement 1 January - 31 December

	Note	2024	2023
		TDKK	TDKK
Revenue	1	394,693	352,702
Other operating income		13	0
Expenses for raw materials and consumables		-223,222	-209,657
Other external expenses		-36,481	-32,225
Gross profit		135,003	110,820
Staff expenses	2	-92,253	-74,910
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-12,911	-12,771
Profit/loss before financial income and expenses		29,839	23,139
Income from investments in subsidiaries	4	11,685	-3,062
Income from investments in associates		306	1,317
Financial income	5	1,542	1,807
Financial expenses	6	-1,204	-1,731
Profit/loss before tax		42,168	21,470
Tax on profit/loss for the year	7	-6,555	-4,623
Net profit/loss for the year	8	35,613	16,847

Balance sheet 31 December

Assets

	Note	2024	2023
		TDKK	TDKK
Completed development projects		27,885	24,709
Acquired other similar rights		0	0
Development projects in progress		9,184	11,049
Intangible assets	9	37,069	35,758
Plant and machinery		23,228	20,239
Other fixtures and fittings, tools and equipment		555	265
Leasehold improvements		340	554
Property, plant and equipment in progress		6,113	2,847
Property, plant and equipment	10	30,236	23,905
Investments in subsidiaries	11	45,905	32,910
Investments in associates	12	2,634	2,641
Receivables from group enterprises	13	0	1,286
Fixed asset investments		48,539	36,837
Fixed assets		115,844	96,500
Inventories	14	77,244	75,100
Trade receivables		59,640	55,046
Contract work in progress	15	231	0
Receivables from group enterprises		13,453	13,439
Receivables from associates		11,865	11,116
Other receivables		4,605	2,473
Prepayments	16	1,528	1,017
Receivables		91,322	83,091
Cash at bank and in hand		20,657	17,622
Current assets		189,223	175,813
Assets		305,067	272,313

Balance sheet 31 December

Liabilities and equity

	Note	2024	2023
		TDKK	TDKK
Share capital	17	2,000	2,000
Reserve for net revaluation under the equity method		30,490	17,503
Reserve for development costs		28,914	27,891
Retained earnings		152,712	130,112
Proposed dividend for the year		0	12,000
Equity		214,116	189,506
Provision for deferred tax	18	9,809	9,150
Provisions		9,809	9,150
Lease obligations		2,080	3,384
Other payables		1,939	2,113
Long-term debt	19	4,019	5,497
Lease obligations	19	1,303	1,436
Trade payables		20,347	24,643
Contract work in progress	15	0	1,513
Payables to group enterprises		27,964	17,547
Corporation tax		5,896	3,902
Other payables	19	20,972	18,376
Deferred income	20	641	743
Short-term debt		77,123	68,160
Debt		81,142	73,657
Liabilities and equity		305,067	272,313
Contingent assets, liabilities and other financial obligations	23		
Related parties	24		
Subsequent events	25		
Accounting Policies	26		

Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	2,000	17,503	27,891	130,112	12,000	189,506
Ordinary dividend paid	0	0	0	0	-12,000	-12,000
Exchange adjustments relating to foreign entities	0	997	0	0	0	997
Development costs for the year	0	0	7,175	-7,175	0	0
Depreciation, amortisation and impairment for the year	0	0	-6,152	6,152	0	0
Net profit/loss for the year	0	11,990	0	23,623	0	35,613
Equity at 31 December	2,000	30,490	28,914	152,712	0	214,116

Cash flow statement 1 January - 31 December

	Note	2024	2023
		TDKK	TDKK
Result of the year		35,613	16,847
Adjustments	21	7,118	19,821
Change in working capital	22	-13,864	-188
Cash flow from operations before financial items		28,867	36,480
Financial income		1,542	1,807
Financial expenses		-1,204	-1,731
Cash flows from ordinary activities		29,205	36,556
Corporation tax paid		-3,902	-3,322
Cash flows from operating activities		25,303	33,234
Purchase of intangible assets		-9,208	-11,684
Purchase of property, plant and equipment		-11,339	-4,842
Fixed asset investments made etc		0	-5,000
Sale of property, plant and equipment		13	0
Loans		1,286	10,414
Cash flows from investing activities		-19,248	-11,112
Reduction of lease obligations		-1,437	-1,418
Repayment of payables to group enterprises		0	-18,072
Raising of payables to group enterprises		10,417	0
Dividend paid		-12,000	0
Cash flows from financing activities		-3,020	-19,490
Change in cash and cash equivalents		3,035	2,632
Cash and cash equivalents at 1 January		17,622	14,990
Cash and cash equivalents at 31 December		20,657	17,622
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		20,657	17,622
Cash and cash equivalents at 31 December		20,657	17,622

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
1. Revenue		
Geographical segments		
Europe	251,103	238,090
Rest of the world	143,590	114,612
	<u>394,693</u>	<u>352,702</u>
Business segments		
Valves products	312,639	282,829
Other products and services	82,054	69,873
	<u>394,693</u>	<u>352,702</u>

Other products and services are composed of multiple smaller business segments, which are individually below 5 % of total revenue. These have therefore not been specified further

	2024	2023
	TDKK	TDKK
2. Staff expenses		
Wages and salaries	82,510	67,199
Pensions	7,490	5,874
Other social security expenses	1,258	928
Other staff expenses	995	909
	<u>92,253</u>	<u>74,910</u>
Including remuneration to the Executive Board and Board of Directors:		
Executive board	5,560	2,310
Board of directors	247	225
	<u>5,807</u>	<u>2,535</u>
Average number of employees	<u>134</u>	<u>112</u>

The company has chosen to include costs for temporary workers as part of staff expenses, as costs for temporary workers are considered a substitute for staff expenses. Costs for temporary workers amount to DKK 1,069k in 2024 (2023: DKK 4,153k).

Remuneration to Management has partially been paid by the parent company and are recognized under other external expenses.

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	7,887	6,604
Depreciation of property, plant and equipment	5,024	6,167
	<u>12,911</u>	<u>12,771</u>
	2024	2023
	TDKK	TDKK
4. Special items		
Loss on disposal of investment in subsidiary	0	-3,910
	<u>0</u>	<u>-3,910</u>
	2024	2023
	TDKK	TDKK
5. Financial income		
Interest received from group enterprises	179	1,160
Other financial income	542	321
Exchange gains	821	326
	<u>1,542</u>	<u>1,807</u>
	2024	2023
	TDKK	TDKK
6. Financial expenses		
Interest paid to group enterprises	0	495
Other financial expenses	1,204	1,236
	<u>1,204</u>	<u>1,731</u>

Notes to the Financial Statements

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
7. Income tax expense		
Current tax for the year	5,896	3,902
Deferred tax for the year	659	721
	<u>6,555</u>	<u>4,623</u>
	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
8. Profit allocation		
Proposed dividend for the year	0	12,000
Reserve for net revaluation under the equity method	11,990	2,165
Retained earnings	23,623	2,682
	<u>35,613</u>	<u>16,847</u>

Notes to the Financial Statements

9. Intangible fixed assets

	Completed development projects	Acquired other similar rights	Develop- ment projects in progress
	TDKK	TDKK	TDKK
Cost at 1 January	79,342	2,892	11,049
Additions for the year	3,000	0	6,208
Disposals for the year	0	0	-10
Transfers for the year	8,063	0	-8,063
Cost at 31 December	<u>90,405</u>	<u>2,892</u>	<u>9,184</u>
Impairment losses and amortisation at 1 January	54,633	2,892	0
Amortisation for the year	7,887	0	0
Impairment losses and amortisation at 31 December	<u>62,520</u>	<u>2,892</u>	<u>0</u>
Carrying amount at 31 December	<u>27,885</u>	<u>0</u>	<u>9,184</u>
Amortised over	<u>3-5 years</u>	<u>5 years</u>	<u></u>

Development projects in progress include the development and testing of new products for the company's markets. It is the management's assessment that there is an increasing need for products that optimize energy consumption in systems that distribute liquids. The projects in progress are for products that ensure the above optimization. Capitalized costs primarily consist of internal wage hours and external costs. The projects are progressing as planned and are expected to be completed within 1 – 2 years. Completed projects are transferred to completed development projects and written off over a 3-5 year period, taking into account the technological development in the market. The management expects a gross profit on the products and, on the basis of this, has found no indications of a need for write-downs in relation to the accounting values.

Notes to the Financial Statements

10. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	84,081	6,029	2,028	2,847
Additions for the year	7,447	368	0	3,524
Disposals for the year	-80	0	0	0
Transfers for the year	258	0	0	-258
Cost at 31 December	<u>91,706</u>	<u>6,397</u>	<u>2,028</u>	<u>6,113</u>
Impairment losses and depreciation at 1 January	63,826	5,764	1,474	0
Depreciation for the year	4,732	78	214	0
Reversal of impairment and depreciation of sold assets	-80	0	0	0
Impairment losses and depreciation at 31 December	<u>68,478</u>	<u>5,842</u>	<u>1,688</u>	<u>0</u>
Carrying amount at 31 December	<u>23,228</u>	<u>555</u>	<u>340</u>	<u>6,113</u>
Amortised over	<u>10 years</u>	<u>3-5 years</u>	<u>10 years</u>	
Including assets under finance leases amounting to	<u>6,158</u>	<u>0</u>	<u>0</u>	<u>0</u>

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
11. Investments in subsidiaries		
Cost at 1 January	8,867	13,867
Additions for the year	0	6,954
Disposals for the year	0	-11,954
Cost at 31 December	<u>8,867</u>	<u>8,867</u>
Value adjustments at 1 January	24,043	16,942
Disposals for the year	0	8,044
Exchange adjustment	1,310	-1,791
Net profit/loss for the year	11,431	2,680
Amortisation of goodwill	0	-486
Change in intercompany profit on inventories	254	-1,346
Value adjustments at 31 December	<u>37,038</u>	<u>24,043</u>
Carrying amount at 31 December	<u>45,905</u>	<u>32,910</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Frese Armaturen GmbH	Germany	100%
Frese Ltd.	England	100%
Frese District Heating Ltd.	England	100%
Frese Valves (Ningbo) Co. Ltd.	China	100%

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
12. Investments in associates		
Cost at 1 January	1,137	1,137
Cost at 31 December	1,137	1,137
Value adjustments at 1 January	1,504	1,497
Exchange adjustment	-313	-1,310
Net profit/loss for the year	306	1,317
Value adjustments at 31 December	1,497	1,504
Carrying amount at 31 December	2,634	2,641

Investments in associates are specified as follows:

Name	Place of registered office	Ownership
Frese Eurasia Dis Ticaret Limited Sirketi	Turkey	50%

13. Other fixed asset investments

	Receivables from group enterprises
	TDKK
Cost at 1 January	1,286
Disposals for the year	-1,286
Cost at 31 December	0
Carrying amount at 31 December	0

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
14. Inventories		
Raw materials and consumables	6,341	10,326
Work in progress	59,175	47,705
Finished goods and goods for resale	11,728	15,956
Prepayments for goods	0	1,113
	<u>77,244</u>	<u>75,100</u>

	2024	2023
	TDKK	TDKK
15. Contract work in progress		
Selling price of work in progress	1,082	1,152
Payments received on account	-851	-2,665
	<u>231</u>	<u>-1,513</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	231	0
Prepayments received recognised in debt	0	-1,513
	<u>231</u>	<u>-1,513</u>

16. Prepayments

Prepayments are made up of prepaid costs relating to rent, insurance premiums, subscriptions and interest.

17. Share capital

The share capital consists of 200 shares of a nominal value of TDKK 10. No shares carry any special rights.

	2024	2023
	TDKK	TDKK
18. Provision for deferred tax		
Deferred tax liabilities at 1 January	9,150	8,429
Amounts recognised in the income statement for the year	659	721
Deferred tax liabilities at 31 December	<u>9,809</u>	<u>9,150</u>

Notes to the Financial Statements

2024	2023
TDKK	TDKK

19. Long-term debt

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

The debt falls due for payment as specified below:

Lease obligations

After 5 years	0	0
Between 1 and 5 years	2,080	3,384
Long-term part	2,080	3,384
Within 1 year	1,303	1,436
	3,383	4,820

Other payables

After 5 years	0	0
Between 1 and 5 years	1,939	2,113
Long-term part	1,939	2,113
Other short-term payables	20,972	18,376
	22,911	20,489

20. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

2024	2023
TDKK	TDKK

21. Cash flow statement - Adjustments

Financial income	-1,542	-1,807
Financial expenses	1,204	1,731
Depreciation, amortisation and impairment losses, including losses and gains on sales	12,892	13,529
Income from investments in subsidiaries	-11,685	3,062
Income from investments in associates	-306	-1,317
Tax on profit/loss for the year	6,555	4,623
	7,118	19,821

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
22. Cash flow statement - Change in working capital		
Change in inventories	-2,144	-7,329
Change in receivables	-8,231	-2,103
Change in trade payables, etc	-3,489	9,244
	<u>-13,864</u>	<u>-188</u>

	2024	2023
	TDKK	TDKK
23. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Floating charge on nom. TDKK 5,000 (2023: TDKK 5,000) in simple receivables from the sale of goods and services for a total accounting value of	84,958	79,835
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1,329	1,282
Between 1 and 5 years	1,221	1,147
	<u>2,550</u>	<u>2,429</u>
Rental and lease obligations to group enterprises	4,488	3,660

Guarantee obligations

The company has guaranteed the parent company Frese Holding ApS's engagement with its bank. The deposit is unlimited. The bank debt amounts to 31 December 2024 TDKK 0 (2023: TDKK 0).

The company has also provided a guarantee as security for a credit line in a sister company. The guarantee is maximized to TDKK 16,203 (2023: TDKK 16,203). The draw on the credit line amounts to 31 December 2024 TDKK 14,717 (2023: TDKK 15,475).

Notes to the Financial Statements

	<u>2024</u>	<u>2023</u>
	TDKK	TDKK
23. Contingent assets, liabilities and other financial obligations		
Other contingent liabilities		
The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Frese Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.		
Including to group enterprises		
Rental and lease obligations	4,488	3,660

24. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Frese Holding ApS, Slagelse	Moderselskab

Transactions

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

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Frese Holding ApS	Slagelse, Danmark

25. Subsequent events

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

Notes to the Financial Statements

26. Accounting policies

The Annual Report of Frese A/S for 2024 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 applied remain unchanged from last year.

The Financial Statements for 2024 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2024 of Frese Holding ApS, the Company has not prepared consolidated financial statements.

Recognition and measurement

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

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

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

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

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

Notes to the Financial Statements

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the 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 operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. 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.

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

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

Notes to the Financial Statements

Income statement

Revenue

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

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

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

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

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.

Tax on profit/loss for the year

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

The Company is jointly taxed with all Danish Group Companies. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

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.

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

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

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

Notes to the Financial Statements

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

Subsidiaries and associates 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.

Other fixed asset investments

Other fixed asset investments consist of receivables measured at amortized cost or a lower net realizable value, which usually amounts to nominal value with a write-down of expected losses.

Inventories

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

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

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

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

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.

Contract work in progress

Contract work in progress is measured at 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.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

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.

Prepayments

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

Notes to the Financial Statements

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

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

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Company'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 flows from operating activities

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

Cash flows from investing activities

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

Notes to the Financial Statements

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$