

BLÜCHER Metal A/S

Pugdalvej 1
DK-7480 Vibbjerg

CVR no. 49 26 00 16

Annual report 2023

The annual report was presented and approved at the
Company's annual general meeting on

26 June 2024

Henrik Skov Ladefoged

Chairman of the annual general meeting

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of BLÜCHER Metal A/S for the financial year 1 January – 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Vildbjerg 26 June 2024
Executive Board:

Henrik Skov Ladefoged
CEO

Board of Directors:

Christopher Wayne
Jamieson
Chairman

Henrik Skov Ladefoged

Koen Wilhelmus Antonius
Kloppenber

Jørgen Anker Jacobsen
Employee representative

Peer Nørbye
Employee representative



Independent auditor's report

To the shareholder of BLÜCHER Metal A/S

Opinion

We have audited the financial statements of BLÜCHER Metal A/S for the financial year 1 January – 31 December 2023 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 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 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.

Management's responsibility 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 that 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.



Independent auditor's report

- 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.

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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Aarhus, 26 June 2024

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant
mne34459

Niklas R. Filipsen
State Authorised
Public Accountant
mne47781

BLÜCHER Metal A/S
Annual report 2023
CVR no. 49 26 00 16

Management's review

Company details

BLÜCHER Metal A/S
Pugdalsevej 1
DK-7480 Vildbjerg

Telephone: +45 99 92 08 00
Website: www.blucher.dk
E-mail: mail@blucher.dk

CVR no.: 49 26 00 16
Established: 28 June 1974
Registered office: Herning
Financial year: 1 January – 31 December

Board of Directors

Christopher Wayne Jamieson, Chairman
Henrik Skov Ladefoged
Koen Wilhelmus Antonius Kloppenberg
Jørgen Anker Jacobsen, Employee representative
Peer Nørbye, Employee representative

Executive Board

Henrik Skov Ladefoged, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Frederiks Plads 42
DK-8000 Aarhus C
CVR no. 25 57 81 98

Management's review

Financial highlights

DKKm	2023	2022	2021	2020	2019
Key figures					
Revenue	524	563	505	462	519
Operating profit	75	61	80	76	97
Profit/loss from financial income and expenses	3	-2	-1	-1	-2
Profit before tax	99	66	79	75	95
Profit for the year	82	53	64	59	74
Fixed assets	161	168	174	169	141
Current assets	248	330	287	203	171
Total assets	409	499	461	372	312
Share capital	18	18	18	18	18
Equity	293	397	344	279	220
Non-current liabilities other than provisions	4	3	1	1	4
Current liabilities other than provisions	98	86	105	82	77
Investment in property, plant and equipment	7	6	18	39	14
Ratios					
Operating margin	14.3%	10.9%	15.8%	16.4%	18.7%
Current ratio	253.1%	384.4%	272.8%	247.9%	220.7%
Solvency ratio	71.6%	79.6%	74.4%	75.0%	70.7%
Average number of full-time employees	326	361	326	324	362

In 2023, BLÜCHER Metal A/S merged with Watts Denmark Holding ApS with accounting effect from 1 January 2023, with BLÜCHER Metal A/S as the succeeding company. Comparative figures have been restated accordingly to reflect the uniting-of-interests method applied in measuring the intra-group merger.

As from 2020, the financial statements were no longer prepared in accordance with IFRS, and instead the Danish Financial Statements Act was used as the financial reporting framework. The change from IFRS to the Danish Financial Statements Act has no effect on the financial highlights.

The financial ratios have been calculated as follows:

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Current ratio
$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Solvency ratio
$$\frac{\text{Equity} \times 100}{\text{Total equity and liabilities at year-end}}$$

Management's review

Operating review

Principal activities

BLÜCHER Metal A/S conducts business within the production and sale of stainless steel drainage systems. The products consist of standard products and customised products.

Development in activities and financial position

Revenue for 2023 came in at DKK 523.8 million as against DKK 562.8 million in 2022, accounting for an decrease of 6.9%.

Operating profit represented DKK 75.0 million as against DKK 61.4 million in 2022, accounting for an operating margin of 14.3% as against 10.8% in 2022. The increase was mainly the result of cost reduction initiatives and decreasing inflation on e.g. stainless steel and energy.

Profit after tax was DKK 82.4 million as against DKK 53.2 million for 2022. Results were up on forecast and are considered satisfactory seen in the light of the general market situation.

For 2023, the Company anticipated reporting revenue in line with prior year. However, revenue was 7% down on forecasted. The revenue decrease was, for the most part, driven by the general market situation. Despite unchanged revenue, results were expected to increase in the range 10-15% due to cost reduction and slowdown in inflation. Cost reduction initiatives were implemented, and inflation decreased, especially on stainless steel and energy. The result after tax for the year excl. income from subsidiaries ended with an increase of 14.4 % compared to 2022. Management outlooked in the Management's review for 2022 a projected increase between 10-15 % in result for the year and hence the result for the year was realised as projected.

In 2023, BLÜCHER Metal A/S merged with Watts Denmark Holding ApS with accounting effect from 1 January 2023, with BLÜCHER Metal A/S as the succeeding company. The merge was made to simplify the Group structure.

Branches

The Company has active branches in Finland, Australia and Poland where sales representatives are supporting Blücher Metal A/S with operations in the respective countries.

Outlook for 2024

For 2024, the Company expects to report revenue approx. 2% up on the year under review. This expectation is based on projected financial performance and the competitive situation in the most important markets. Cost reduction initiatives have been implemented, so results are expected to increase in the range of 3-4% compared to the year under review.

Corporate social responsibility

The policies on social responsibility are developed in accordance with section 99a of the Danish Financial Statement Act.

Business model

BLÜCHER Metal A/S conducts business within the production and sale of stainless steel drainage systems. The products consist of standard products and customised products. The products are mainly produced in Denmark, and there is a continuous focus on reducing environmental impact and improving safety for the employees.

Management's review

Operating review

The Company takes a business approach to CSR, creating value both for the Company and its stakeholders - i.e. customers, vendors, employees, shareholders and the surrounding community.

The most important CSR activities comprise the following:

- Environment & Climate
- Employees
- Vendors

Intellectual capital

It is important for the Company to develop and retain know-how accumulated in the Company both with regard to products, processes and business aspects.

Environment and Climate

The Company has intergrated Environment and Climate in one policy, as it is close connected.

BLÜCHER Metal A/S is certified to the ISO 14.001:2015 standard, certification number: 157638-2014-AE-DEN-DANAK, meaning that a management system and policy are in place, ensuring that relevant legislation is complied with, and regular measures are taken to improve the Company's environmental impact.

Our environmental policy reads as follows:

In accordance with business and managerial objectives and approaches, the Company will reduce its impact on the surrounding community by regularly developing eco-friendly processes, efficiently using raw materials and energy and reducing emission from its processes.

The Company strives to:

- communicate openly about environmental impact from its processes and products,
- promote responsible behaviour on the part of its employees with regard to the environment and comply with internal and external rules and eliminate any risk of pollution,
- engage in positive co-operation with regulatory authorities and encourage our vendors to make use of environmentally acceptable raw materials, products and services,
- constantly promote a better environment, even though legislative requirements have been met,
- subject new projects to an environmental assessment and encourage employees to take part in preventive environmental action,
- take care that external workers and contractors working for the Company are aware of and comply with the same environmental requirements when working at the Company and
- inform buyers of the Company's products about environmental aspects in relation to the use and disposal of the Company's products.

In 2023, the Company improved its eco efficiency on water consumption, greenhouse gas and hazardous waste accordingly to goals and plans. Energy hunt is implemented on a monthly basis. In 2023, the Company implemented a new waste handling system in terms of sorting in more fractions in both production and administrative areas. Learnings from best practices are shared on monthly corporate global EHS meetings.

Management's review

Operating review

Working environment

The Company strives to ensure that each day all employees leave the workplace in the same healthy condition as they came to work. This is ensured in the form of hazard control, compliance with relevant legislation, regular optimisation and a proactive approach.

Our working environment policy reads as follows:

The Company will through internal training ensure that all activities are planned and carried out considering the employees, working environment and their surroundings. Management is to ensure a dynamic working environment, allowing optimum utilisation of work efforts and resources while still taking technical and financial aspects into account.

All activities in the Company must, at any time, be conducted in accordance with relevant legislation and any corporate deadlines for maintaining a sound working environment.

The Company has high focus on improving safety for the employees, and will continue to encourage employees actively to contribute to this, e.g. through reporting of near misses and reporting of safety observations.

During 2023, the Company held regular workshops and training related to safety on job to ensure full commitment by its employees to working environment governance on working environment. The company will continue the high focus on proactive safety approach by training of employees, and faster response and action on reported safety observations and near misses.

Vendors

The Company strives to contract only with vendors working in accordance with the same ethical guidelines as the Company. Accordingly, the Company strives to work with vendors pursuing good business ethics as described in the Watts Water Technologies' (WWT's) Code of Conduct (<https://investors.wattswater.com/corporate-governance/code-of-conduct/default.aspx>).

Human right and anti-corruption

We conduct business in a manner respecting human rights and requiring dignity from us all, and we support international measures promoting and protecting human rights, including measures to prevent slavery and human trafficking.

The Company's global policy to combat human trafficking reflects our obligation to comply with all anti-slavery and anti-child labour legislation as laid down in local legislation, including the British Modern Slavery Act, California Transparency in Supply Chains Act of 2010 and International Labour Organization (ILO) Standards.

This i.a. involves that we:

- Ensure that all new employees are aware of our policy (Code of Conduct),
- Train our employees in our Code of Conduct,
- The Company has a hotline to report breaches thereof, and
- The Company carries out control of relevant work aspects to ensure compliance with the Code of Conduct

WWT's Code of Conduct, applying to the Company, lay down additional guidelines for employee rights, environment/climate and anti-corruption.

Management's review

Operating review

The Company will maintain an open and active dialogue with employees, authorities, customers, vendors and other stakeholders.

Regarding policies for corporate social responsibility, human rights, environmental and climate impact, reference is made to the Code of Conduct prepared by the Parent Company, Watts Water Technologies, which is effective for the entire Watts Group.

Within the relevant areas, the Company did, during 2023, not identify any breaches of the Code of Conduct. In 2023, a risk analysis was made, which did not disclose any material risks within the relevant areas. Through continuous focus and open dialogue with its vendors, the Company does not expect to identify any breaches of the Code of Conduct in 2024.

Data ethics

The Company is part of the group Watts Water Technologies in the US. The company adheres to various IT-systems, security, storage, and data policies established by the group. These policies encompass the ethical use, security, and management of data, particularly data with ethical implications. A key objective of the Company with regards to data ethics is to ensure responsible data practices consistently and promote transparency in the handling, collection, and development of data within the organization.

The Company primarily manages data associated with employees, customers, and suppliers. Data collection primarily serves statistical and analytical purposes aimed at enhancing the efficiency of production and sales of stainless steel drainage systems.

The Company ensures that employees contribute to the ethical and responsible processing of personal information and other data. Therefore, the Company continuously focuses on training, education, and further development of all employees to ensure they are well-informed about data ethics, data security, and proper handling of personal information and other data. In 2024, there will continue to be a strong emphasis on ongoing employee training and monitoring of data processing.

Gender distribution

The policy on gender distribution is developed in accordance with section 99b of the Danish Financial Statements Act.

BLÜCHER Metal A/S believes that diversity among its employees, including equal distribution among the sexes, contributes positively to the working environment and improves corporate performance and working environment. Consequently, BLÜCHER Metal A/S strives to increase the number of female executives and has, against this background, defined specific targets for the share of the underrepresented gender and relevant policies.

The Company has previously defined the following targets for board members elected at the general meeting no later than at the ordinary general meeting in 2026: 2 women and 3 men. The composition of the Board did not undergo any changes in 2023, so status is that gender distribution on the Board remains unchanged, meaning that no women serve on the Board of Directors of BLÜCHER Metal A/S.

To meet the above target for more female board members, BLÜCHER Metal A/S strives to foster a sound and versatile workspace, promoting equal career opportunities for the sexes, e.g. through competence development. For this purpose, both male and female candidates must be considered in the recruitment process even though BLÜCHER Metal A/S operates in a male-dominated industry.

Management's review

Operating review

The Company has previously defined a minimum target for female executives of 10% no later than in 2023. The executive team was expanded during 2023, so status is the executive team has a 13.3 female representation.

The Company has defined a new target of minimum 18% female executives no later than at the ordinary general meeting in 2027.

To meet the above target for more female executives, BLÜCHER Metal A/S strives to foster a sound and versatile workspace, promoting equal career opportunities for the sexes, e.g. through competence development. For this purpose, both male and female candidates must be considered in the recruitment process even though BLÜCHER Metal A/S operates in a male-dominated industry. The principle applies to both internal and external job openings.

The above objectives are not firm or invariable quotas, as the right competences of the board members must always be the decisive aspect.

	2023
Top management body	
Total number of members	5
Underrepresented gender in %	0%
Target figures in %	40%
The year in which the target figures are estimated to be fulfilled	2026
Other Management levels	
Total number of members	15
Underrepresented gender in %	13%
Target figures in %	18%
The year in which the target figures are estimated to be fulfilled	2027

Research and development activities

The Company regularly engages in product development and business optimisation.

Management's review

Operating review

Risks

The Company is only, to a limited extent, exposed to financial risks.

Receivables and payables do not carry any unusual business risks.

The Company does not engage in any speculation, and forward contracts are entered into only to hedge future cash flows.

Currency risks are, only to a limited extent, hedged in the form of forward contracts for outstanding exchange credit and debit.

The Company was not a party to any forward contracts in 2023.

Events after the balance sheet date

No events have occurred after the balance sheet date of material importance to the annual report for 2023.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2023	2022
Revenue	2	523,781	562,770
Production costs	3, 4, 5	-337,332	-391,272
Gross profit		186,449	171,498
Distribution costs	3, 4, 5	-69,937	-70,872
Administrative expenses	3, 4, 5	-41,235	-39,212
Operating profit		75,277	61,414
Other operating income		15	73
Operating profit		75,292	61,487
Income from equity investments in subsidiaries		21,500	6,323
Financial income	6	3,299	268
Financial expenses	7	-765	-2,298
Profit before tax		99,326	65,780
Tax on profit for the year	8	-16,964	-12,571
Profit for the year	9	82,362	53,209

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2023	31/12 2022
ASSETS			
Fixed assets			
Intangible assets	4		
Software		1,079	343
Property, plant and equipment	5		
Land and buildings		62,133	65,173
Plant and machinery		53,918	61,898
Fixtures and fittings, tools and equipment		2,330	1,242
Right-of-use assets		5,740	4,496
Property, plant and equipment under construction		1,485	1,197
		125,606	134,006
Financial assets			
Equity investments in subsidiaries	10	33,934	33,934
Deposits	11	185	122
		34,119	34,056
Total fixed assets		160,804	168,405
Current assets			
Inventories			
Raw materials and consumables		9,882	25,752
Work in progress		16,161	17,087
Finished goods and goods for resale		36,161	40,066
		62,204	82,905
Receivables			
Trade receivables		54,601	46,017
Receivables from group entities		63,699	109,997
Other receivables		1,039	299
Prepayments	12	1,727	1,596
		121,066	157,909
Cash at bank and in hand		65,209	89,412
Total current assets		248,479	330,226
TOTAL ASSETS		409,283	498,631

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2023	31/12 2022
EQUITY AND LIABILITIES			
Equity			
Share capital		18,000	18,000
Retained earnings		275,153	192,791
Proposed dividends		0	186,000
Total equity		293,153	396,791
Provisions			
Deferred tax	13	13,268	12,213
Other provisions	14	1,471	1,025
Total provisions		14,739	13,238
Liabilities other than provisions			
Non-current liabilities other than provisions			
Lease liabilities		3,552	2,670
Current liabilities other than provisions			
Current portion of non-current liabilities		1,824	1,488
Credit institutions		76	36
Prepayments received from customers		2,339	2,550
Trade payables		40,714	41,814
Payables to group entities		18,489	9,769
Corporation tax		1,480	2,082
Other payables		32,917	28,193
		97,839	85,932
Total liabilities other than provisions		101,391	88,602
TOTAL EQUITY AND LIABILITIES		409,283	498,631
Contractual obligations, contingencies, etc.	15		
Mortgages and collateral	16		
Related party disclosures	17		
Fees to auditor appointed at the general meeting	18		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>
Equity at 1 January 2023	18,000	192,791	186,000	396,791
Ordinary dividends paid	0	0	-186,000	-186,000
Transferred over the profit appropriation	<u>0</u>	<u>82,362</u>	<u>0</u>	<u>82,362</u>
Equity at 31 December 2023	<u>18,000</u>	<u>275,153</u>	<u>0</u>	<u>293,153</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of BLÜCHER Metal A/S for 2023 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The financial statements for 2023 are presented in DKK'000.

In 2023, BLÜCHER Metal A/S merged with Watts Denmark Holding ApS with accounting effect from 1 January 2023, with BLÜCHER Metal A/S as the succeeding company. In line with the uniting-of-interests method, comparative figures have been restated to reflect the intra-group merger. The following effects on the comparative figures have been recognised:

- Administrative expenses, increase of DKK 97 thousand
- Financial income, decrease of DKK 3 thousand
- Financial expenses, increase of DKK 2 thousand
- Profit before tax, decrease of DKK 102 thousand
- Tax on profit for the year, decrease of DKK 22 thousand
- Profit for the year, decrease of DKK 80 thousand
- Receivables from group entities, decrease of DKK 471 thousand
- Cash at bank and in hand, decrease of DKK 475 thousand
- Total assets, increase of DKK 4 thousand
- Total equity, decrease of DKK 2 thousand
- Other payables, increase of DKK 28 thousand
- Corporation tax, decrease of DKK 22 thousand.

The current year's effect is recognised directly in the relevant financial statements captions.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of BLÜCHER Metal A/S and group entities are included in the consolidated financial statements of Watts Water Technologies, Inc., 815 Chestnut Street, North Andover, MA 01845, USA.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Watts Water Technologies, Inc., 815 Chestnut Street, North Andover, MA 01845, USA.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Business combinations

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquirer at the acquisition date that are not a part of the acquisition are included in the pre-acquisition balance sheet and thus the determination of goodwill. Restructuring that is adopted after the acquisition is recognised in the income statement. The tax effect of revaluations is recognised as deferred tax.

The date of acquisition is when the Parent Company acquires control of the entity acquired.

The acquisition price for an entity consists of the fair value of the agreed consideration with the addition of costs attributable to acquisition. If elements of the consideration is conditional upon the future events, these elements are recognised in cost to the extent that these events are probable, and the consideration can be reliably stated.

If there is any uncertainty relating to the measurement of identifiable assets, liabilities and contingent liabilities at the date of acquisition, recognition takes place on the basis of preliminarily stated fair values. If it subsequently turns out that identifiable assets, liabilities and contingent liabilities had a different fair value at the date of acquisition than initially assumed, goodwill is to be adjusted for 12 months after acquisition. The effect of adjustments is recognised in opening equity, and comparative figures are restated. Subsequently, goodwill is adjusted only as a result of changes in estimated contingent consideration unless it is a case of a material error. However, subsequent realisation of deferred tax assets of the acquired company which were not recognised at the date of acquisition will result in recognition of the tax benefit in the income statement and write-down of the carrying amount of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as a identifiable asset at the date of acquisition.

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up.

Intra-group business combinations

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled. The uniting of interests is considered completed as from the earliest accounting period included in the annual report, however, no earlier than the date when the companies became subject to joint control, including restatement of comparative figures.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale and the Company's own products is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Segment information is provided on geographical markets. The segment information is in line with the Company's accounting policies, risks and internal financial management. No segment information is disclosed in regards to business segments as the revenue patterns don't differ.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries, incurred in generating revenue for the year. Commercial entities recognise their cost of sales, whereas production entities recognise production costs incurred to generate revenue for the year.

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Income from equity investments in subsidiaries

Income from equity investments in subsidiaries comprises dividends received. Dividends from equity investments in subsidiaries measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding ROU leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

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

Balance sheet

Intangible assets

Software

Software updates and new software are recognised as intangible assets.

Software are measured at cost less accumulated amortisation and impairment losses.

Amortisation is provided on a straight-line basis over the assets' expected useful lives.

Expected useful lives are as follows:

Software	3-5 years
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Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Subsequent costs, e.g. arising from the replacement of components of property, plant and equipment are recognised in the carrying amount of the relevant asset when it is probable that it will crystallise future financial benefits. The components replaced will be derecognised from the balance sheet, and their carrying amount will be transferred to the income statement. Costs of regular repair and maintenance are recognised in the income statement as incurred.

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Notes

1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	10-40 years
Plant and machinery	3-15 years
Fixtures and fittings, tools and equipment	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

The right-of-use asset is depreciated on a straight-line basis over the shortest period of the lease period and the useful life of the right-of-use asset.

The basis of depreciation is determined taking into account the scrap value of the asset and is reduced by impairment losses. The scrap value is determined at the date of acquisition and is reassessed annually. If the scrap value is higher than the carrying amount of the asset, depreciation will be discontinued. In case of changes in depreciation period or scrap value, the prospective effect for depreciation will be recognised as a change in accounting estimates.

Property, plant and equipment under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Equity investments in subsidiaries

Equity investments in subsidiaries are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value. The cost is reduced by dividends received exceeding accumulated earnings after the acquisition date.

Deposits

Deposits are measured at cost.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Impairment of fixed assets

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

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred of rent, insurance premiums and subscriptions relating to subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

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Notes

1 Accounting policies (continued)

Equity

Dividends

Proposed dividends are recognised as a liability at the time of adoption at the annual general meeting. The expected dividends payment for the year is disclosed as a separate item under equity.

Provisions

Provisions comprise known warranty obligations regarding realised sales in former financial years and current financial year.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost.

Leases

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Lease liabilities recognised as "Non-current lease liabilities" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options if the Company is reasonably certain to exercise the option and termination penalties if the lease term reflects the Company exercising an option to terminate the lease. The lease liability is subsequently adjusted as follows if:

- The value of the index or rate on which the lease payments are based is changed.
- The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.
- The lease term is changed if the option is exercised in order to extend or terminate the lease.
- Estimated residual value guarantee is changed.
- The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognised as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is DKK 0, a negative adjustment to the right-of-use asset is, however, recognised in the income statement. The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognised in the balance sheet.

2 Revenue

DKK'000	2023	2022
Revenue broken down on markets:		
Domestic	103,279	129,143
Abroad	420,502	433,627
	<u>523,781</u>	<u>562,770</u>

The Company's activities relate to sales of drainage products, and there is no deviation in the sales patterns within the Company.

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3 Staff costs and incentive schemes

DKK'000	2023	2022
Based on type of expenditure		
Payroll and remuneration	148,366	168,615
Pensions	18,477	18,741
Other social security costs	4,006	4,198
	<u>170,849</u>	<u>191,554</u>
Average number of full-time employees	<u>326</u>	<u>361</u>
Based on function		
Production costs	123,297	141,302
Distribution costs	31,149	33,966
Administration expenses	16,403	16,286
	<u>170,849</u>	<u>191,554</u>

Pursuant to 98b (3) (II) of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors is not disclosed for 2022 and 2023.

4 Intangible assets

DKK'000		Software
Cost at 1 January 2023		4,317
Additions for the year		<u>1,030</u>
Cost at 31 December 2023		5,347
Amortisation at 1 January 2023		-3,974
Amortisation for the year		<u>-294</u>
Amortisation and impairment losses at 31 December 2023		-4,268
Carrying amount at 31 December 2023		<u>1,079</u>
DKK'000	2023	2022
Depreciation is recognised in the following income statement captions:		
Production costs	130	162
Distribution costs	107	40
Administrative expenses	57	171
	<u>294</u>	<u>373</u>

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5 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Right-of-use assets	Property, plant and equipment under construction	Total
Cost at 1 January 2023	121,918	247,940	3,454	6,153	1,197	380,662
Additions for the year	0	0	0	2,964	3,781	6,745
Disposals for the year	0	-4,299	-359	-34	0	-4,692
Transfers for the year	356	1,665	1,472	0	-3,493	0
Cost at 31 December 2023	122,274	245,306	4,567	9,083	1,485	382,715
Depreciation at 1 January 2023	-56,745	-186,042	-2,212	-1,657	0	-246,656
Depreciation for the year	-3,396	-9,645	-384	-1,686	0	-15,111
Disposals	0	4,299	359	0	0	4,658
Depreciation at 31 December 2023	-60,141	-191,388	-2,237	-3,343	0	-257,109
Carrying amount at 31 December 2023	62,133	53,918	2,330	5,740	1,485	125,606

An amount of DKK 220 thousand (31 December 2022: DKK 174 thousand) has been recognised in the income statement for 2023 regarding lease agreements with a term of less than 12 months.

The Company does not have any significant minor assets, so no liabilities have been recognised in this respect.

DKK'000	2023	2022
Depreciation is recognised in the following income statement captions:		
Production costs	13,092	14,175
Distribution costs	1,041	951
Administrative expenses	978	917
	<u>15,111</u>	<u>16,043</u>

6 Financial income

Interest income from group entities	1,602	0
Other financial income	1,697	268
	<u>3,299</u>	<u>268</u>

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DKK'000	2023	2022		
7 Financial expenses				
Interest expense to group entities	454	32		
Other financial expenses	311	2,266		
	<u>765</u>	<u>2,298</u>		
8 Tax on profit for the year				
Tax on taxable income for the year	15,909	11,353		
Adjustment of deferred tax	1,055	1,351		
Correction in respect of prior years	0	-133		
	<u>16,964</u>	<u>12,571</u>		
9 Profit appropriation				
Proposed dividends for the year	0	-186,000		
Retained earnings	82,362	239,209		
	<u>82,362</u>	<u>53,209</u>		
10 Equity investments in subsidiaries				
DKK'000	31/12 2023	31/12 2022		
Cost at 1 January	36,900	36,900		
Cost at 31 December	36,900	36,900		
Write-down at 1 January	-2,966	-2,966		
Write-down at 31 December	-2,966	-2,966		
Adjusted cost at 31 December	<u>33,934</u>	<u>33,934</u>		
Name/legal form	Registered office	Equity interest	Equity*	Profit for the year*
Subsidiaries:			DKK'000	DKK'000
BLÜCHER UK Ltd., England	Tadcaster	100%	24,096	4,305
BLÜCHER France S.A.R.L., France	Evry	100%	12,569	7,235
BLÜCHER Norway AS, Norway	Siljan	100%	10,223	1,977
BLÜCHER Sweden AB, Sweden	Kalmar	100%	7,661	41
BLÜCHER Germany GmbH, Germany	Reichenau	100%	11,092	6,816

*Figures are from the latest statutory annual reports (2022)

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11 Deposits

DKK'000	<u>Deposits</u>
Cost at 1 January 2023	122
Additions for the year	<u>63</u>
Cost at 31 December 2023	<u>185</u>
Carrying amount at 31 December 2023	<u><u>185</u></u>

12 Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premium and subscriptions.

DKK'000	<u>31/12 2023</u>	<u>31/12 2022</u>
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13 Deferred tax

Deferred tax at 1 January	12,213	10,863
Deferred tax adjustment for the year in the income statement	<u>1,055</u>	<u>1,350</u>
	<u>13,268</u>	<u>12,213</u>

14 Other provisions

Warranty obligations at 1 January	1,025	1,025
Additions	446	90
Settled warranties	<u>0</u>	<u>-90</u>
Warranty obligations at 31 December	<u>1,471</u>	<u>1,025</u>

Other provisions comprise known warranty obligations regarding realised sales in prior and current financial periods are recognised as other provisions.

15 Contractual obligations, contingencies, etc.

Contingent liabilities

BLÜCHER Metal A/S is party to a few pending legal actions. In Management's opinion, the outcome of these legal actions will not affect the Company's financial position apart from what already has been accounted for in the financial statements.

BLÜCHER Metal A/S has a joint liability in connection with a cash pooling agreement between European Watts companies.

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16 Mortgages and collateral

As of 31 December 2022, collateral for prepayments received from customers, guarantees through credit institution were issued at an amount of DKK 1,829 thousand. No collateral had been issued as of 31 December 2023.

17 Related party disclosures

WWT International Holding B.V. is the parent company and related party exercising control through majority of shares in BLÜCHER Metal A/S.

Control

BLÜCHER Metal A/S is part of the consolidated financial statements of Watts Water Technologies, Inc., Massachusetts, USA, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Watts Water Technologies, Inc. are available at www.watts.com

Related party transactions

DKK'000	<u>2023</u>
Sale of goods, group entities	157,837
Sale of services, group entities	12,023
Purchase of goods, group entities	324
Purchase of services, group entities	29,608

Financial income and expenses from/to group entities are disclosed in notes 6 and 7, and receivables and payables from/to group entities are disclosed in the balance sheet.

Pursuant to 98b (3) (II) of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors has not been disclosed in the financial statements for 2022 and 2023.

During 2023, BLÜCHER Metal A/S received dividends from subsidiaries of DKK 21,500 thousand.

In 2023, BLÜCHER Metal A/S merged with Watts Denmark Holding ApS with accounting effect from 1 January 2023, with BLÜCHER Metal A/S as the succeeding company. During 2023, BLÜCHER Metal A/S as the succeeding company distributed dividends of DKK 186,000 thousand to its Parent Company.

18 Fees to auditor appointed at the general meeting

DKK'000	<u>2023</u>	<u>2022</u>
Audit	542	504
Tax services	30	29
Other services	51	9
Other assurance services	29	0
	<u>652</u>	<u>542</u>