

FJV Foss Holding A/S

CVR-no. 46 43 03 28

Annual Report for 2023

*FJV Foss Holding A/S
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Denmark*

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As approved at the
Annual General meeting
on 3 June 2024

Chairman of the meeting

Toke Foss

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Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for FJV Foss Holding A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.23 and of the results of the group's and parent's activities for the group's financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Skive, 3 June 2024

Executive Board

Diana Hidalgo Foss
CEO

Board of Directors

Toke Foss
Chairman

Frederik Foss

Julia Foss

Valdemar Foss

Independent auditor's report

To the Shareholder of FJV Foss Holding A/S

Opinion

We have audited the consolidated financial statements and the financial statements of FJV Foss Holding A/S for the financial year 1 January 2023 - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including significant accounting policies, for the group and the company as well as the consolidated cash flow statement. The consolidated financial statements and the financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the accompanying consolidated financial statements and financial statements give a true and fair view of the group's and the company's financial position at 31 December 2023 and of the results of the group's and the company's operations and the consolidated cash flows for the financial year 1 January 2023 – 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 consolidated financial statements and the financial statements' section of our report. We are independent of the group and 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 responsibilities for the consolidated financial statements and the financial statements

Management is responsible for the preparation of the consolidated financial statements and the financial statements in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the financial statements, management is responsible for assessing the group's and 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 consolidated financial statements and the financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 consolidated financial statements and financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the financial statements, including the disclosures, and whether the consolidated financial statements and the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement regarding the management's review

Management is responsible for the management's review. Our opinion on the consolidated financial statements and 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 consolidated financial statements and the financial statements, it is our responsibility to read the management's review and in doing so consider whether the management's review is materially inconsistent with the consolidated financial statements or 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 consolidated financial statements and 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 the management's review.

Skive, 3 June 2024

Beierholm

Statsautoriseret Revisionspartnerselskab

CVR no. 32 89 54 68

Bjørn Jakobsen
Statsaut. revisor
MNE-nr. 24813

Jesper K. Viborg
Statsaut. revisor
MNE-nr. 35413

Company information

The Company

FJV Foss Holding A/S
Frisenborgvej 33
7800 Skive
Denmark

Phone: 9614 9614

CVR-no. 46 43 03 28
Financial year: 01.01 - 31.12
Registered office: Skive

Board of Directors

Toke Foss, chairman
Frederik Foss
Julia Foss
Valdemar Foss

Executive Board

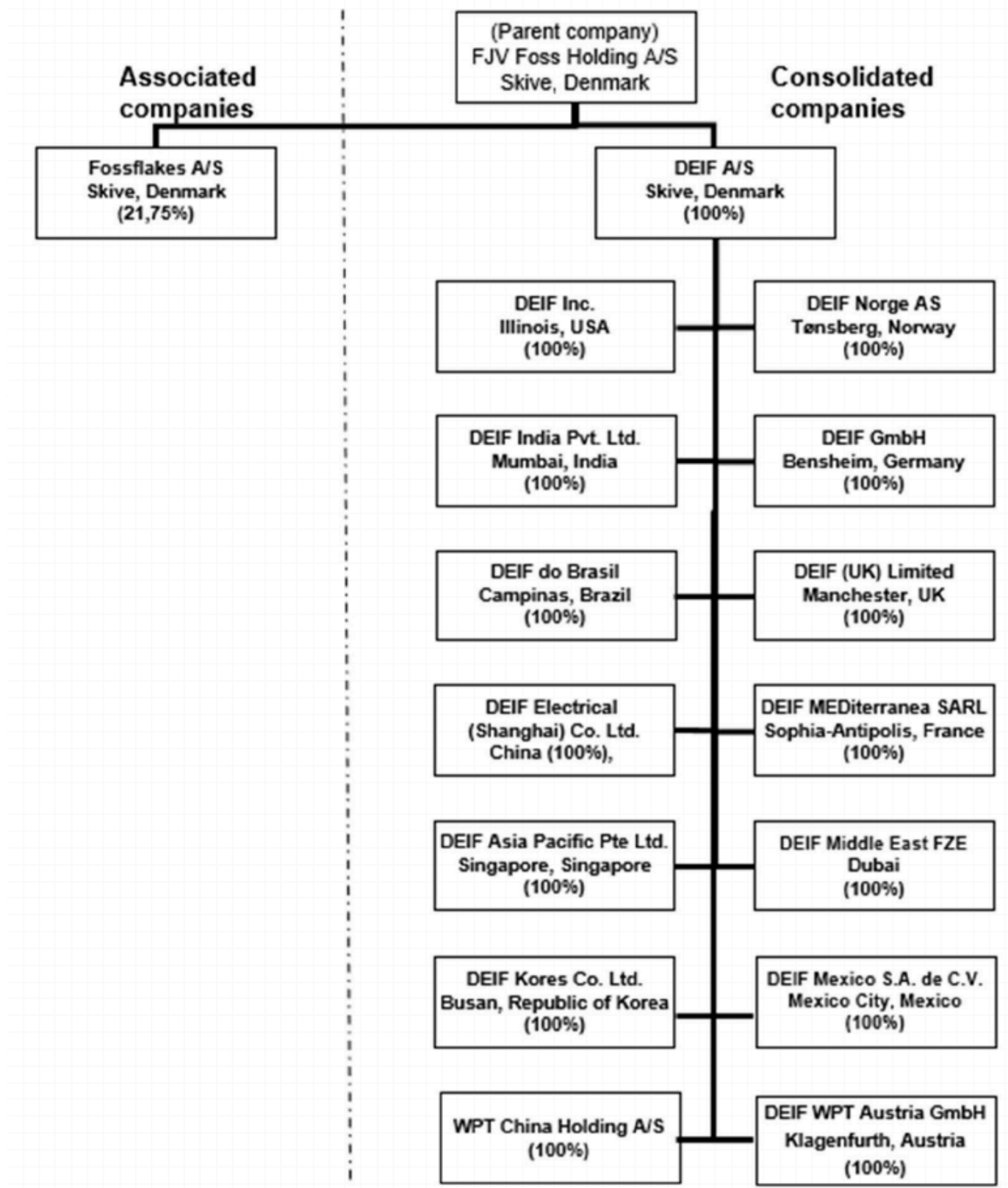
CEO Diana Hidalgo Foss

Auditors

Beierholm, Statsautoriseret Revisionspartnerselskab
Resenvej 81
7800 Skive
Denmark

Management's review

Group overview



Management's review

Financial Highlights – Group

	2023	2022	2021	2020	2019
	DKKm	DKKm	DKKm	DKKm	DKKm
Profit/loss					
Net revenue	715.3	672.9	551.1	531.9	566.7
Gross profit/loss	399.0	361.0	298.8	291.9	315.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	120.3	117.4	88.7	79.0	74.7
Earnings before interest, taxes (EBIT)	62.1	54.2	38.9	16.9	28.7
Profit/loss before tax	49.4	47.8	28.8	2.2	15.4
Annual profit	37.6	38.5	63.1	4.5	12.5
- from discontinued operations	-	-	37.2	-	-
Balance sheet:					
Balance sheet total	722.2	613.6	783.9	639.7	606.1
Equity	248.3	233.6	206.8	193.1	191.8
Cash flows					
Cash flows from:					
- operating activities	55.4	218.0	43.0	54.1	55.5
- investing activities	-158.1	-77.2	-63.9	-81.4	-65.6
- of this, tangible and intangible fixed assets	-165.0	-77.4	-64.8	-81.5	-65.8
- financing activities	104.2	-131.8	8.0	33.3	15.1
Annual change in cash	1.6	9.0	-13.0	5.9	5.1
No, of employees					
- Denmark	352	331	316	338	351
- Foreign subsidiaries	172	163	224	206	196
Ratios					
Growht	6.3%	22.1%	3.6%	-6.1%	4.0%
Gross margin	55.8%	53.6%	54.2%	54.9%	55.7%
EBITDA - margin	16.8%	17.5%	19.6%	14.8%	13.2%
Profit ration (EBIT)	8.7%	8.1%	7.1%	3.2%	5.1%
Return on capital employed	8.6%	8.8%	5.0%	2.6%	4.7%
Solvency ratio	34.4%	38.1%	26.4%	30.2%	31.6%
Return on equity	15.1%	16.5%	30.5%	2.3%	6.5%

The ratios have been prepared in accordance with the guidelines issued by Den Danske Finansanalytikerforening (Danish Society of Financial Analysts).

Management's review

Management commentary

FJV Foss Holding A/S is the holding company for DEIF A/S. The absolute main activity is the 100% ownership of DEIF A/S. For a more detailed description of the business model of the company please refer to the Annual Report 2023 for DEIF A/S.

No separate Corporate Social Responsibility policy or reporting has been prepared for the holding company, as this has not been considered necessary considering the very limited extent of activities in this company not related to DEIF. The below description is similar to the management report of the DEIF Annual Report 2023.

The Group supports the green energy transition. Setting some of the highest standards in energy control solutions and providing a full line of electronic devices, we meet the market demands today and tomorrow. With global presence and support from design and specification to commissioning and after-market services, we enable customers around the world to tackle the green energy transition – with hybrid solutions, integration of renewables, improved energy efficiency and retrofit and upgrade of existing solutions.

Since 1933, the Foss family has been the owners. The sole family ownership allows a long-term and responsible approach to business development founded in the owner's vision: "To develop the company's value in the long term, always based on high ethics in relation to our employees, business partners and society as a whole." All operations strive to hold up against standards of integrity, compliance to laws and regulations, human rights, fair competition, anticorruption and data privacy.

Our strategy

In 2023, DEIF revised and updated the 2030 strategy and the underlying long-term ambitions. The strategy is founded on three core values: Ambition, perspective and respect.

In line with the main purpose of supplying the world's best and most reliable energy control solutions for a sustainable future, the overriding ambition is to become the market leader in intelligent energy control, offering cutting-edge, flexible products and services and great customer experience.

The business must grow year by year, not least within solutions for hybrid and renewable energy applications, to keep investing in new technologies and products, digitalization and market reach.

Further, a central part of the strategy is to support the green energy transition and act on climate change. This will be done by supplying solutions that optimize power production in decentral power generating plants, and by increasing power output from renewable sources such as wind turbines and prolonging the lifetime of the assets.

Along with this, ambitious targets for reducing CO₂e emissions from own operations and in the entire value chain have been set.

Management's review

Positive development and strong results in 2023

2023 was a successful year. Driven by society's and customers' heightened focus on intelligent energy management, we have supplied an increasing number of solutions globally to enhance energy efficiency and integrate renewables.

In 2023, the Group experienced a growth of 13% in the continuing business areas (with adjustment for the turnover in connection with the divestment of the wind related activities in China in 2021, which was finally concluded in 2023), especially driven by the growth markets China, US, Brazil, Mexico, and India. The net turnover grew by 6% and reached DKK 715 million (2022: DKK 673 million).

The profit before tax reached DKK 49 million (2022: DKK 48 million). The EBIT margin for the year was 8.7%, which is satisfactory in a year with a high level of future-oriented spending and investment in expanding global sales and R&D activities, and implementing many other initiatives, including the introduction of a new online customer portal.

The positive trend is anticipated to persist in 2024, with an estimated turnover growth of around 10% and a projected pre-tax result ranging between 45-55 million DKK. The result is on par with 2023 which is reflecting the impact on fixed costs of several forward-looking, strategic initiatives.

Investing in the future

In 2023, the Group invested DKK 106 million (gross) in research and development, corresponding to 15% of the turnover. Our development centres in Denmark, Austria and Germany added eight extra headcounts, among others specialists in converter technology that will be instrumental in our future product portfolio, supporting the green energy transition.

2023 also saw the planning of a new training facility in Florida that will be inaugurated mid-2024. The new training centre will play an important role in the growth strategy of the Americas.

In 2023, we launched the new controller iE250, a new generation of controllers with just one hardware variant that can be configured to manage many different applications to minimize materials that go into hardware. The iE250 controller empowers our customers to design future-proof intelligent energy solutions with modular flexibility, exceptional processing power, secure connectivity and a user-friendly interface.

Management's review

Governance

This section makes up the statutory statements on § 99a, b and d in the Danish Financial Statement Act (Årsregnskabsloven). More information on the topics can be found in the DEIF Sustainability Report 2023, available at <https://publications.deif.com/csr/csr-report-2023/>¹

Corporate Social Responsibility

Since the company was established in 1933 it has been at the heart of the company to run a responsible business. We have an ambition to make a difference by developing new and innovative products and services that can contribute to a sustainable future.

The overall goal for the company is to develop the long-term value of the company, always based on high ethics towards the employees, business partners and society.

Since 2016, DEIF has been a participant of the UN global Compact.

We support the UN Sustainability Development goals no. 7 (affordable and clean energy) and goal no. 13 (climate actions), where the activities of DEIF can have the most significant impact. We also work to support the other goals for sustainable development, which is illustrated in the Sustainability Report.

The biggest CSR risks related to the company's operations are related to the global presence. We have employees and partners in many different countries and cultures. The biggest risks are related to health, safety, compliance with the DEIF code of conduct and other irregularities especially related to corruption. By setting high standards for our work environment, training new employees in the DEIF code of conduct and our zero tolerance towards corruption, we mitigate these risks as much as possible. For the Groups policies and work with CSR see <https://publications.deif.com/csr/csr-report-2023/> and <https://www.deif.com/about/corporate-social-responsibility/>.

Diversity

Statutory statement on equality and diversity in compliance with the section 99b of the Danish Financial Statement Act (Årsregnskabsloven).

We want to be a motivating and inclusive place to work. We support and respect the protection of internationally proclaimed human rights and make sure that we do not in any way contribute to the violation of these rights.

We strive to secure equal rights and commit to group-wide targets to increase the number of women at all management levels and to provide job opportunities for marginalized groups and people with reduced ability to work.

¹ For information on sustainability in Fossflakes A/S refer to: <https://www.fossflakes.com/dk/baeredygtighed>

Management's review

It is our policy to aspire to equal development possibilities regardless of race, age or gender and we wish to attract female candidates in connection with the recruitment process.

The Groups business requires special technical and engineering skills, which have a relatively low share of women. In 2023, the share of women was 28% (2022: 29%). The share of women

in management was 24% (2022: 27%). Our goal is to have the same share of female managers as the share of female employees in general.

The share of women in the Board of Directors is one out of four members elected on the general meeting. The company has achieved its target with an equal distribution according to the Danish Financial Statement Act §99b.

	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Number of board members	4	4	4	3	3
The under-represented gender in %	25%	25%	25%	33%	33%

FJV Foss Holding A/S has achieved an equal distribution according to the Danish Financial Statement Act §99b

The executive management comprises the CEO.

	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Executive management members	1	1	1	1	1
The under-represented gender in %	0%	0%	0%	0%	0%

Exempt from the requirement to set targets due to having less than three people in other management levels The company's other management levels consist of 1 manager. Since the company has less than the statutory minimum of three managers at other management levels, there is no need to report on gender distribution at the other management levels. However, the company is not exempt from having to state the total number of people at the other management levels, and the proportion of the underrepresented gender (see the table above).

Data ethics

The Group has implemented a data ethics policy that governs IT conduct and safety. In 2023, all employees were introduced to the new policy. The policy sets out guidelines for the collection, use and sharing of data with customers, business partners and employees. The collection, use and sharing of data comply with the current legislation. We store data safely and work systematically to protect stored data and IT systems against cyber-attacks. Further information is available on www.deif.com/privacy-policy/

Risk management

Operating risks

The Group works with a risk management framework that addresses, among other things, the impact and likelihood of geopolitical influence, cybercrime, and delivery failures from significant subcontractors.

Management's review

The nature of the business area that the Group operates within is typically characterized by close and long customer relationships, and sales are split on the global market with a relatively high number of customers. This minimizes the risks related to local geographical markets and risks towards single customers.

Interest risks

Moderate changes in the interest rate levels does not have a material impact on earnings. The interest rate risk is partially hedged by using financial instruments (interest SWAP).

Currency risks

The Group operates internationally and the exchange rate development in foreign currencies impacts the result, cash flows and equity of the company. We systematically monitor the transactions in foreign currencies and manage the potential risk by hedging selected currencies if this is considered cost efficient compared to the total exposure. The largest currency risks are related to US Dollars and Yuan renminbi.

Credit risks

Customer credit lines are systematically monitored, and credit is given based on internally approved credit guidelines and limits. Credit insurance is used in relevant markets and towards selected larger customers. The Group does not have risks related to single customers that can significantly impact the company's combined financial position.

Subsequent events

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement

		Group		Parent	
Notes	2023	2022	2023	2022	
	DKKm	DKKm	DKKm	DKKm	
Revenue	1	715.3	672.9	0.0	0.0
Production costs		<u>-316.2</u>	<u>-311.9</u>	<u>0.0</u>	<u>0.0</u>
Gross profit		399.0	361.0	0.0	0.0
Research and development costs		-69.6	-74.8	0.0	0.0
Distribution costs		-213.3	-182.0	0.0	0.0
Administration costs		-55.8	-49.9	-1.7	-0.9
Other operating income		<u>1.9</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Operating profit (EBIT)		62.1	54.2	-1.6	-0.9
Income from equity investments in group enterprises	2	0.0	0.0	39.0	37.6
Share of earnings from associated companies	2	-0.1	-0.1	-0.1	-0.1
Financial income	3	2.7	7.1	0.0	1.9
Financial expenses	4	<u>-15.3</u>	<u>-13.4</u>	<u>0.0</u>	<u>-0.2</u>
Profit before tax (EBT)		49.4	47.8	37.3	38.3
Tax on profit for the year	5	<u>-11.8</u>	<u>-9.3</u>	<u>0.3</u>	<u>0.2</u>
Profit for the year		<u>37.6</u>	<u>38.5</u>	<u>37.6</u>	<u>38.5</u>

Balance Sheet

Assets

	Notes	Group		Parent	
		2023	2022	2023	2022
		DKKkm	DKKkm	DKKkm	DKKkm
Development projects		199.2	163.3	0.0	0.0
Goodwill		0.0	0.0	0.0	0.0
Intangible assets	6	199.2	163.3	0.0	0.0
Land and buildings		67.4	63.9	3.2	0.0
Plant and machinery		11.7	5.2	0.0	0.0
Other fixtures and equipment		14.5	12.3	0.0	0.0
Leasehold improvements		0.7	1.0	0.0	0.0
Property, plant and equipment under construction		66.7	7.6	0.0	0.0
Tangible assets	7	161.1	89.9	3.2	0.0
Equity investments in group enterprises		0.0	0.0	244.7	228.6
Investments in associerede companies		2.0	2.2	2.0	2.2
Securities		0.2	7.5	0.2	7.5
Deposits		2.6	2.1	0.0	0.0
Investments	8	4.8	11.9	247.0	238.3
Non-current assets		365.1	265.0	250.1	238.3
Inventories	9	194.9	152.9	0.0	0.0
Trade receivables		104.1	136.2	0.0	0.0
Receivables from group companies		0.0	0.0	3.7	0.0
Other receivables		27.5	29.9	0.0	0.2
Income tax		1.0	0.0	1.0	0.0
Deferred tax	12	0.0	0.0	1.0	0.7
Prepayments	10	3.3	4.4	0.0	0.0
Receivables		135.9	170.5	5.7	0.9
Cash		26.3	25.3	0.0	0.0
Current assets		357.2	348.6	5.7	0.9
Total assets		722.2	613.6	255.8	239.2

Balance Sheet

Liabilities

	Notes	Group		Parent	
		2023	2022	2023	2022
		DKKkm	DKKkm	DKKkm	DKKkm
Share capital		1.4	1.4	1.4	1.4
Reserve for net revaluation according to the equity method		1.0	1.2	218.8	201.7
Retained earnings		225.5	207.9	9.1	10.5
Hedging instruments - future transactions		1.4	3.2	0.0	0.0
Proposed dividend		19.0	20.0	19.0	20.0
Equity	11	<u>248.3</u>	<u>233.6</u>	<u>248.3</u>	<u>233.6</u>
Provisions for deferred tax	12	<u>16.4</u>	<u>12.3</u>	<u>0.0</u>	<u>0.0</u>
Provisions		<u>16.4</u>	<u>12.3</u>	<u>0.0</u>	<u>0.0</u>
Mortgage debt		25.6	27.9	0.0	0.0
Bank loans, long term		58.4	0.0	0.0	0.0
Other long term liabilities		20.8	20.4	0.0	0.0
Lease liabilities		1.5	0.9	0.0	0.0
Non-current liabilities	13	<u>106.3</u>	<u>49.3</u>	<u>0.0</u>	<u>0.0</u>
Mortgage debt	13	2.5	2.4	0.0	0.0
Bank loans	13	216.6	149.8	0.0	1.7
Lease liabilities		0.8	0.5	0.0	0.0
Trade payables		62.4	93.5	0.1	0.1
Payables to group enterprises		0.0	0.0	6.6	3.2
Payables to main shareholder		0.6	0.6	0.6	0.6
Income tax payables		2.8	3.7	0.0	0.0
Other payables		65.6	68.0	0.1	0.1
Current liabilities		<u>351.2</u>	<u>318.4</u>	<u>7.4</u>	<u>5.6</u>
Total liabilities		<u>457.5</u>	<u>367.7</u>	<u>7.4</u>	<u>5.6</u>
Equity and liabilities		<u>722.2</u>	<u>613.6</u>	<u>255.8</u>	<u>239.2</u>
Proposed appropriation account	14				
Contingent liabilities	15				
Other notes	16-21				

Statement of changes in equity

Group

	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Hedging instruments - future transactions	Proposed dividend	Total equity
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Equity at 1 January 2023	1.4	1.2	207.9	3.2	20.0	233.6
Ordinary dividend paid					-20.0	-20.0
Exchange rate adjustments			-1.1			-1.1
Adjustments for hedges				-2.3		-2.3
Tax related to items recognised directly in equity				0.5		0.5
Profit for the year		-0.1	18.7		19.0	37.6
Equity at 31 December 2023	1.4	1.0	225.5	1.4	19.0	248.3

Parent

	Share capital	Reserve for net revaluation according to the equity method	Retained earnings		Proposed dividend	Total equity
	DKKm	DKKm	DKKm		DKKm	DKKm
Equity at 1 January 2023	1.4	201.7	10.5		20.0	233.6
Ordinary dividend paid					-20.0	-20.0
Exchange rate adjustments		-1.1				-1.1
Adjustments for hedges		-2.3				-2.3
Tax related to items recognised directly in equity		0.5				0.5
Profit for the year		20.0	-1.4		19.0	37.6
Equity at 31 December 2023	1.4	218.8	9.1		19.0	248.3

Cash flow statement

	<u>Notes</u>	<u>2023</u> DKKm	<u>2022</u> DKKm
Profit for the year		37.6	38.5
Adjustments for non-cash items	20	80.8	88.3
Changes in working capital	21	<u>-41.1</u>	<u>102.7</u>
Cash flows from operating activities before financial income and expenses and tax		77.3	229.6
Financial income, received		2.7	7.1
Financial expenses, paid		-15.3	-13.4
Income tax, paid (net)		<u>-9.2</u>	<u>-5.3</u>
Cash flow from operating activities		<u>55.4</u>	<u>218.0</u>
Investments in intangible assets		-82.5	-63.6
Investments in tangible assets		-82.6	-13.6
Sale of tangible assets		0.0	0.2
Investments in other financial assets (net)		<u>7.0</u>	<u>-0.2</u>
Cash flow from investing activities		<u>-158.1</u>	<u>-77.2</u>
Repayment of mortgage debt		-2.2	-2.3
Change other long term liabilities		0.3	-0.1
Change bank loans		66.8	-109.4
New long term bank loans		58.4	0.0
Change lease liabilities		0.9	0.0
Dividend paid		<u>-20.0</u>	<u>-20.0</u>
Cash flow from financing activities		<u>104.2</u>	<u>-131.8</u>
Increase / decrease in cash		1.6	9.0
Cash beginning of year		25.3	16.6
Exchange rate adjustments		<u>-1.5</u>	<u>-0.4</u>
Cash year end		<u>26.3</u>	<u>25.3</u>

Notes to the financial statements

1 Revenue

The disclosures in the financial statements include a breakdown of revenue by geographical market based on the customer location.

	Group		Parent	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
Geographical markets:				
Asia	252.6	242.8		
Europe & Africa	337.7	318.4		
Americas	125.0	111.6		
	<u>715.3</u>	<u>672.9</u>		
	Group		Parent	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
Income from equity investments in group enterprises				
Share of earnings from subsidiaries	<u>0.0</u>	<u>0.0</u>	<u>39.0</u>	<u>37.6</u>
Share of earnings from associated companies	<u>-0.1</u>	<u>-0.1</u>	<u>-0.1</u>	<u>-0.1</u>
3 Financial income				
Other financial income	<u>2.7</u>	<u>7.1</u>	<u>0.0</u>	<u>1.9</u>
	<u>2.7</u>	<u>7.1</u>	<u>0.0</u>	<u>1.9</u>
4 Financial expenses				
Exchange rate adjustment	1.6	1.4	0.0	0.0
Other financial expenses	13.8	12.0	0.0	0.2
	<u>15.3</u>	<u>13.4</u>	<u>0.0</u>	<u>0.2</u>

Notes to the financial statements

	Group		Parent	
	2023 DKKm	2022 DKKm	2023 DKKm	2022 DKKm
5 Tax on profit for the year				
Current income tax	7.2	10.2	0.0	0.0
Adjustment of deferred tax	4.1	1.2	-0.3	-0.2
Tax for the year	11.3	11.4	-0.3	-0.2
Tax for the year comprises:				
Tax on profit for the year	11.8	9.3	-0.3	-0.2
Recognised in equity	-0.5	2.1	0.0	0
	11.3	11.4	-0.3	-0.2
Tax on profit for the year comprises:				
Tax rate of 22% on profit before tax and Income from equity investments in group enterprises	11.0	10.6	-0.3	-0.2
Permanent differences	0.1	-0.3	0.0	0.0
Effect of deviation of foreign subsidiaries' tax rate	2.5	3.7	0.0	0.0
Permanent differences related to research and development costs	-1.8	-4.8		
Other taxes and adjustments	0.0	0.1	0.0	0.0
	11.8	9.3	-0.3	-0.2

Notes to the financial statements

	Developm ent projects	Goodwill
	DKKm	DKKm
6 Intangible assets		
Group		
Cost beginning of year	408.8	14.7
Additions for the year	82.5	0.0
Disposals for the year	-11.4	
Cost end of year	<u>479.8</u>	<u>14.7</u>
Depreciation and impairment beginning of year	245.5	14.7
Depreciation for the year	43.7	0.0
Disposals during the year	2.8	
Reversal of depreciation and impairments on disposals	-11.4	0.0
Depreciation and impairment year end	<u>280.6</u>	<u>14.7</u>
Carrying amount year end	<u>199.2</u>	<u>0.0</u>
Intangible assets are amortised on a straight-line basis over the expected useful lives of the assets:	3-10 years	3-10 years
	<u>2023</u>	<u>2022</u>
	DKKm	DKKm
Depreciation and impairment of intangible assets is recognised as:		
Research and development costs	<u>46.5</u>	<u>51.9</u>
	46.5	51.9

Development projects consist of new products and solutions to be used in decentralized power production and power management. The cost mainly includes direct salary costs, consultancy costs and purchased materials. This is registered in the internal project management tool.

The booked value as of 31 December 2023 totals 199.2 MDKK – of this 92.8 MDKK related to development projects in progress. New products and solutions is expected to significantly contribute to the revenue in the coming years.

Notes to the financial statements

	Land and buildings	Plant and machinery	Other fixtures and equipment	Leasehold improvements	Property, plant and equipment under construction
	DKKm	DKKm	DKKm	DKKm	DKKm
7 Tangible assets					
Group					
Cost beginning of year	125.0	87.3	67.7	5.7	7.6
Exchange rate adjustment	0.0	0.0	-0.6	0.0	0.0
Additions for the year	5.7	6.7	6.4	0.0	63.8
Disposals for the year	0.0	0.0	-0.6	0.0	0.0
Transferred during the year	2.7	2.4	0.0	0.0	-4.6
Cost end of year	133.4	96.4	72.9	5.7	66.7
Depreciation beginning of year	61.2	82.1	55.4	4.7	0.0
Exchange rate adjustment	0.0	0.0	-0.4	0.0	0.0
Depreciation for the year	4.8	2.6	3.9	0.3	0.0
Reversal of depreciations on sold assets	0.0	0.0	-0.6	0.0	0.0
Depreciation end of year	66.0	84.6	58.3	5.0	0.0
Carrying amount end of year	67.4	11.7	14.5	0.7	66.7
Depreciations	25 - 50 years	5 - 10 years	3 - 10 years	5 years	-
Of which financial leases assets	0.0	0.0	4.2	0.0	0.0

2023	2022
DKKm	DKKm

Group

Depreciation and impairment of tangible assets, and profit or loss from the sale of tangible assets is recognised as:

Production costs	2.5	2.6
Research and development costs	1.2	1.4
Distribution costs	5.2	4.7
Administration costs	2.7	2.6
	<u>11.6</u>	<u>11.3</u>

Notes to the financial statements

7 Tangible assets (continued)

Parent	<u>Land and buildings</u>
	DKKm
Cost beginning of year	0.0
Additions for the year	<u>3.3</u>
Cost end of year	<u>3.3</u>
Depreciation beginning of year	0.0
Depreciation for the year	<u>0.1</u>
Depreciation end of year	<u>0.1</u>
Carrying amount end of year	<u>3.2</u>
Depreciations	<u>25 - 50 years</u>

<u>2023</u>	<u>2022</u>
DKK 1,000	DKK 1,000

Depreciation and impairment of tangible assets, and profit or loss from the sale of tangible assets is recognised as:

Administration costs	<u>0.1</u>	<u>0.0</u>
	<u>0.1</u>	<u>0.0</u>

Notes to the financial statements

Parent	2023	2022
	DKKm	DKKm
8 Investments		
Equity investments in group enterprises		
Cost beginning of year	7.0	7.0
Additions for the year	0.0	0.0
Cost end of year	7.0	7.0
Net revaluations beginning of year	221.7	195.8
Exchange rate adjustments	-1.1	0.8
Profit for the year	39.0	37.6
Dividend paid to the parent company	-20.0	-20.0
Hedging instruments - future transactions	-2.3	9.5
Tax related to items recognised directly in equity	0.5	-2.1
Net revaluations end of year	237.8	221.7
Carrying amount year end	244.7	228.6

Shares in subsidiaries::

Name	Place	Paid in capital	Ownership	Equity	Profit for the year
DEIF A/S	Skive, Denmark	TDKK 5.155	100%	244,7	39,0

Notes to the financial statements

8 Investments (continued)

Associated companies

	Group		Parent	
	2023 DKKm	2022 DKKm	2023 DKKm	2022 DKKm
Cost beginning of year	1.0	1.0	1.0	1.0
Cost end of year	1.0	1.0	1.0	1.0
Re-evaluation beginning of year	1.2	1.3	1.2	1.3
Profit for the year	-0.1	-0.1	-0.1	-0.1
Re-evaluation end of year	1.0	1.2	1.0	1.2
Carrying amount year end	2.0	2.2	2.0	2.2

Investment in associated companies:

Name	Place	Paid in capital	Ownership	Equity	Profit for the year
FossFlakes A/S	Skive, Denmark	TDKK 500	21,75%	9,4	-0,5

Notes to the financial statements

8 Investments (continued)

Group	Securities	Deposits
	DKKm	DKKm
Cost beginning of year	5.8	2.1
Additions for the year	0.0	0.4
Disposal for the year	5.7	0.0
Cost end of year	0.2	2.6
Carrying amount year end	0.2	2.6
		Securities
		DKKm
Parent		
Cost beginning of year		5.8
Disposal for the year		5.7
Cost end of year		0.2

Notes to the financial statements

	Group		Parent	
	2023 DKKm	2022 DKKm	2023 DKKm	2022 DKKm
9 Inventories				
Raw materials and consumables	150.1	108.4	0	0
Work in progress	5.4	4.1	0	0
Manufactured goods and goods for resale	52.4	53.8	0	0
Indirect production costs	1.8	1.5	0	0
Internal profit on stock	-14.8	-15.0	0	0
	<u>194.9</u>	<u>152.9</u>	<u>0</u>	<u>0</u>

10 Prepayments

Prepayments comprise prepaid costs incl. insurance, rent etc.

11 Equity

Total contributed capital of DKK 1.412.000 is allocated in shares of DKK 1 each.

	2023 Shares	2022 Shares
Own shares	51,000	51,000
% of total capital	3.6%	3.6%
	<u>Koncern</u>	
Contributed capital:	Shares	Nominal Value
A-shares	1,270,800	1,270,800
B-shares	141,200	141,200
	<u>1,412,000</u>	<u>1,412,000</u>

Notes to the financial statements

	Group		Parent	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
12 Provisions for deferred tax				
Intangible assets	41.6	33.6	0.0	0.0
Tangible assets	2.7	1.8	0.0	0.0
Inventories	0.4	0.3	0.0	0.0
Trade receivables	-1.4	-2.0	0.0	0.0
Prepayments	0.2	0.5	0.0	0.0
Borrowing costs	-0.3	-0.2	0.0	0.0
Tax loss carryforwards	-26.8	-21.7	-1.0	-0.7
	<u>16.4</u>	<u>12.3</u>	<u>-1.0</u>	<u>-0.7</u>

Deferred tax is calculated based on the current tax rate (22%)

Deferred tax beginning of year	12.3	11.1	-0.7	-0.4
Recognised in the income statement	3.6	3.3	-0.3	-0.2
Recognised directly in equity	0.5	-2.1	0.0	0.0
	<u>16.4</u>	<u>12.3</u>	<u>-1.0</u>	<u>-0.7</u>

Notes to the financial statements

13 Non-current liabilities

Repayments due with-in 1 year is classified as short term liabilities. Other liabilities is recognised as long term liabilities.

Non-current liabilities falls due as follows:

	Group		Parent	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
Mortgage debt				
After 5 years	16.6	18.2	0.0	0.0
Between 1 and 5 year	9.0	9.7	0.0	0.0
Non-current	25.6	27.9	0.0	0.0
With-in 1 year	2.5	2.4	0.0	0.0
	28.1	30.3	0.0	0.0
Bank loans				
After 5 years	27.4	0.0	0.0	0.0
Between 1 and 5 year	31.0	0.0	0.0	0.0
Non-current	58.4	0.0	0.0	0.0
With-in 1 year	216.6	149.8	0.0	0.0
	275.0	149.8	0.0	0.0
Lease liabilities				
Between 1 and 5 year	1.5	0.9	0.0	0.0
With-in 1 year	0.8	0.5	0.0	0.0
	2.3	1.4	0.0	0.0
Other long term liabilities				
Between 1 and 5 year	20.8	20.4	0.0	0.0
	20.8	20.4	0.0	0.0
14 Proposed distribution of profit				
Proposed dividend for the financ	19.0	20.0	19.0	20.0
Reserve for net revaluation	-0.1	-0.1	20.0	17.6
Retained earnings	18.7	18.7	-1.4	0.9
	37.6	38.5	37.6	38.5

Notes to the financial statements

	Group		Parent	
	2023 DKKm	2022 DKKm	2023 DKKm	2022 DKKm
15 Contingent liabilities				
Lease- and rent commitments				
Rent obligation, up to 60 months.	13.0	9.0	0	0
Lease obligation related to machinery and company cars	18.8	4.1	0	0
Securities and guarantees				
Below assets has been used as security for mortgage loans:				
Land and buildings and buildings with a carrying amount of	64.3	63.9	0	0
Below assets has been used as security for bank loans:				
Other securities and cash with a carrying amount of	0.3	0.5	0	0
Guarantee towards the bank	1.7	1.7	0	0
Company pledge towards the bank	60.0	60.0	0	0
Guarantees towards selected vendors and other	0.0	4.3	0	0

The shares in DEIF A/S has been used as security towards the Groups bank loan facilities.

The company has provided a guarantee whereby the guarantor assumes primary liability for Groups bank loans. The Groups debt to the bank amounts to 275 MDKK at the balance sheet date.

Contractual obligations

The company has entered into frame agreements with selected vendors regarding ongoing purchases.

Contingent liabilities

The groups danish subsidiaries are jointly liable for the Danish joint taxation of which FJV Foss Holding A/S is the administrative entity.

Notes to the financial statements

	Group		Parent	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
16 Fee to auditors appointed at the annual general meeting				
Fee for statutory audit	0.5	0.4	0.1	0.1
Other services	0.1	0.2	0.0	0.0
	<u>0.6</u>	<u>0.6</u>	<u>0.1</u>	<u>0.1</u>
17 Staff costs				
Wages and salaries	283.7	254.3	0.8	0.3
Pensions	23.3	19.3	0.0	0.0
Other social security expenses	23.8	20.4	0.0	0.0
	<u>330.7</u>	<u>294.0</u>	<u>0.8</u>	<u>0.3</u>
Staff costs has been recognised as:				
Production costs	59.3	53.8	0.0	0.0
Research and development cost	74.5	63.7	0.0	0.0
Distribution costs	159.2	140.3	0.0	0.0
Administration costs	37.7	36.2	0.8	0.3
	<u>330.7</u>	<u>294.0</u>	<u>0.8</u>	<u>0.3</u>
Hereof salaries and wages for Executive Board and Board of Directors	<u>5.3</u>	<u>4.3</u>	<u>0.8</u>	<u>0.3</u>
Average number of employees	<u>524</u>	<u>494</u>	<u>2</u>	<u>1</u>

Notes to the financial statements

18 Related parties

Toke Foss, Tikøb, Danmark, has controlling interest in the company as holder of the majority of the voting rights.

The transactions with related parties relates to normal remuniation to the board of directors, and settlement of tax with-in the Group. All transactions with related parties is carried at arms lengths.

19 Derivative financial instruments

The company has financial contracts related to currency hedges and interest swaps.

Fair value of derivative financial instruments at the balance sheet date:

	Group		Parent	
	2023	2022	2023	2022
	DKKm	DKKm	DKKm	DKKm
Assets	1.2	3.5	0.0	0.0

Interest swaps has been made to hedge the future cash flow realed to mortgage loans. The fair value of interest swaps on the balance sheet date totals 1.2 MDKK Interest swaps expire in 2024 and 2025."

Currency hedges and interest swaps has been valued at fair value based on the value of interest rate and currency in the open marked.

Notes to the financial statements

	<u>2023</u>	<u>2022</u>
	DKKm	DKKm
20 Adjustments for non-cash items		
Financial income	-2.7	-7.1
Financial expenses	15.3	13.4
Depreciation and impairment of intangible and tangible fixed assets	58.1	63.2
Loss/gain from the sale of fixed assets	0.0	-0.1
Share of earnings from associated companies	0.1	0.1
Adjustment for derivative financial instrumentsr excl. Tax	-2.3	9.3
Tax on profit for the year	11.8	9.5
	<u>80.8</u>	<u>88.3</u>
21 Changes in working capital		
Change in inventory	-42.1	-64.0
Change in receivables	35.8	-87.4
Change in trade payables etc.	-34.8	6.4
Change related to discontinued activities	0.0	247.7
	<u>-41.1</u>	<u>102.7</u>

Accounting principles

Basis of preparation

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (Årsregnskabsloven) for large enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

The annual report is prepared in DKK million.

Diversity

The under-represented gender in the board of management is the total number of women represented in the board.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below. On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Basis of consolidation

The consolidated financial statements comprise FJV Foss Holding A/S (Parent) and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

The consolidated financial statements are prepared on the basis of the financial statements of FJV Foss Holding A/S and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies. Subsidiaries' financial statement items are recognized in full in the consolidated financial statements.

Accounting principles

On recognition of subsidiaries, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognized under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognized asset or a recognized liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are classified directly in equity. When the hedged transactions are realized, the accumulated changes are recognized as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognized currently in the income statement as financial income or financial expenses.

Income statement

Revenue

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

Accounting principles

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortization and impairment losses on the fixed assets used in the production process, are recognized under production costs.

Research and development costs

Research and development costs includes wages and salaries, depreciation, amortization and impairment losses on the development projects and other costs directly or indirectly associated with development activities.

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

Administration costs

Costs incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognized under administrative costs.

Income from equity investments in group enterprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortization and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses etc. are recognized in other net financials.

Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as financial expenses.

Tax on profit for the year

The current and deferred tax for the year is recognized in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

Accounting principles

FJV Foss Holding A/S is the administrative entity in the jointly taxed Danish companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses). Foreign subsidiaries is not included in the joint taxation.

Balance sheet

Development projects

Development projects are recognised in the balance sheet where the project aims at developing a significant specific product or software platform, intended to be produced or used, respectively, by the company in its production process or products.

On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use.

Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortization and impairment losses.

Development projects are depreciated on a straight-line basis over the useful life, which is 3-10 years. An amount corresponding to capitalized development costs occurred after 1 January 2016 including tax, has been recognized as “Reserve for research and development costs” in equity. The reserve is reduced by the following depreciations.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives (3-5 years), which are stated in the ‘Depreciation and impairment losses’ section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Accounting principles

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and equipment, leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings: 25 – 50 years

Plant and machinery: 5 – 10 years

Other fixtures and equipment: 3 – 10 years

Leasehold improvements: 5 years

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use. Land is measured at cost with no subsequent depreciations.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method in the parent company financial statements.

Subsidiaries and associates with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognized under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries and associates is transferred to reserve for net revaluation according to the equity method under equity.

Impairment losses

The carrying amount of assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation. If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

Accounting principles

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

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

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable. Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Accounting principles

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

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

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognized on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognized in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Accounting principles

Cash flow statement

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with fixed asset investments as well as purchase and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise of debt raised and repayments of short- and long-term loans as well as payment of dividend. Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

Gross margin: $\text{Gross profit} \times 100 / \text{Revenue}$

EBITDA margin: $\text{Earnings before interest, taxes, depreciation and amortization} \times 100 / \text{Revenue}$

Profit ration (EBIT): $\text{Earnings before interest, taxes} \times 100 / \text{Revenue}$

Return on capital employed: $\text{Earnings before interest, taxes (EBIT)} \times 100 / \text{Balance sheet total}$

Solvency ratio: $\text{Equity at year end} \times 100 / \text{Total assets}$

Return on equity: $\text{Profit for the year} \times 100 / \text{Average equity}$