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Budweg Caliper A/S

Industrivej 10, 5260 Odense S

Company reg. no. 79 13 22 17

Annual report

2024

The annual report was submitted and approved by the general meeting on the 26 June 2025.

Charlotte Holm
Chairman of the meeting

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Contents

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Budweg Caliper A/S for the financial year 2024.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January – 31 December 2024.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Odense S, 26 June 2025

Managing Director

Christer Mysling

Board of directors

Steven Brian Mesarick Chairman	Christer Mysling	William Van Jackson
Kent Skov Hansen	Knud Wilhelm Kirkhammer	

To the Shareholders of Budweg Caliper A/S

Opinion

We have audited the financial statements of Budweg Caliper A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

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

Basis for conclusion

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 Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Plan and perform the audit of the financial statements to obtain sufficient appropriate audit evidence regarding consolidated financial information of the entities or business units as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed. We remain solely responsible for our audit opinion.

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

Statement on Management's Review

Management is responsible for Management's Review.

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

Independent auditor's report

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

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

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

Kolding, 26 June 2025

RSM Danmark
Statsautoriseret Revisionspartnerselskab
Company reg. no. 25 49 21 45

Konrad Jensen-Dahm
State Authorised Public Accountant
mne34321

Company information

The company	Budweg Caliper A/S Industrivej 10 5260 Odense S	
	Company reg. no.	79 13 22 17
	Established:	20 September 1985
	Domicile:	Odense
	Financial year:	1 January - 31 December
Board of directors	Steven Brian Mesarick, Chairman Christer Mysling William Van Jackson Kent Skov Hansen Knud Wilhelm Kirkhammer	
Managing Director	Christer Mysling	
Auditors	RSM Danmark Statsautoriseret Revisionspartnerselskab Birkemose Allé 39, 1. sal 6000 Kolding	

Financial highlights

DKK in thousands.	2024	2023	2022	2021	2020
Income statement:					
Gross profit	89.104	66.357	53.497	67.716	81.939
Profit from operating activities (EBIT)	49.476	30.143	15.803	35.877	47.178
Net financials	-15.953	-5.924	-4.325	-4.325	-6.265
Net profit or loss for the year	26.232	18.877	9.148	24.071	27.160
Statement of financial position:					
Balance sheet total	411.002	355.372	162.297	178.870	225.762
Investments in property, plant and equipment	732	3.035	5.395	5.357	10.076
Equity	145.735	118.630	98.012	103.978	147.554
Employees:					
Average number of full-time employees	193	154	143	131	125
Key figures in %:					
Return on equity	19,8	17,4	9,1	19,1	20,3
Solvency ratio	35,5	33,4	60,4	58,1	65,4
Return on invested capital	6,5	11,6	9,3	20,1	20,9

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Solvency ratio

$$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity

$$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

Return on invested capital

$$\frac{\text{Profit from operation activities (EBIT) x 100}}{\text{Average invested capital}}$$

Description of key activities of the company

The key activity of Budweg Caliper A/S is the remanufacturing and trading of brake calipers for passenger cars and vans and the manufacture of parts to calipers.

Corporate Governance

The company is part of a group that has the American private equity firm Clearlake Capital Group, L.P. as its main shareholder through the global group Terrepower, former BBB Industries.

The group has changed names from BBB Industries to TERREPOWER in spring 2025 and official name changes of our legal entities is in process. As a part of that Budweg Caliper A/S has added TERREPOWER A/S as an additional name to the legal entity.

Companies owned by private equity funds and presenting the annual report according to large class C companies must incorporate DVCA's (Danish Venture Capital Association) guide for good corporate governance.

The company presents the annual report in accordance with the rules for medium-sized enterprises in accounting class C and is thus not fully covered by DVCA's guidelines.

TERREPOWER is represented in the board of Directors as both chairman of board and one general member of board. Board meetings are held through the year, and no special Board committees is established.

Uncertainties connected with recognition or measurement

No significant uncertainties are effect the annual report of 2024.

Development in activities and financial matters

The income statement of the Company for 2024 shows a profit of TDKK 26.232, and at 31 December 2024 the balance sheet of the Company shows equity of TDKK 145.735.

TERREPOWER world wide activity is sustainable manufacturing of parts for the Automotive business among others. Budweg Group is a part of the European business unit for sustainable manufacturing, which beside our caliper business also relates our Turbo business in Poland, BBB Industries Poland. BBB Industries Poland Sp. Z.o.o (former Inter-Turbo Sp. Zo.o) was acquired per May 30, 2023.

In 2024 Budweg caliper A/S has focused on setting the right route for the future growth of our European sustainable manufacturing. 2024 was a high demand year for the European caliper market and through a dedicated effort in our sales team we had several customer wins in 2024. To meet the increasing demand we have worked on expanding the level of remanufacturing in our production by establishing caliper production in Poland and improve production in the Danish site.

We managed to improve earnings compared to prior year and the results for the year ended at an acceptable level even though the results where a little lower than expected due cost related to the setting of the future patch for our company.

Expected developments

We have during 2025 continued the work on changes and efficiencies. The outcome of this and also based on the increase in demand in 2025, an increase in revenue and net profit is expected in the coming year with a total net result around 25-35M DKK.

Employee development and appraisal

Essential for the future growth and success in our business is the employees, why a focus on developing and motive existing employees just as well as attracting new and competent employees is highly important for us to ensure that the necessary skills and capabilities are present.

Environmental management

Budweg Group environmental management is based on the standard ISO 14001. Beside meeting these standards we through our global TERREPOWER policies and strategies makes continuous efforts to mitigate the environmental impact of the business activities. The largest environmental impact identified relates to the consumption of energy, raw materials, and the derived materials waste at the production facilities.

We are at any time compliant with applicable local legislation, rules, and regulations and commit to progress at the established initiatives within environment as well as health and safety.

Our environmental management is also focusing throughout our value chain, to that all environmental and quality requirements are channeled to the Group´s partners and suppliers to ensure the same high levels of quality, environment, safety, and ethics

Quality management

Budweg Group's quality system is based on the standard ISO 9001. As a part of meeting these standards the group strikes to continuously challenge the existing production setup as well as the quality management. This focus has positive impact on the current and future quality of the products within the portfolio and is a valuable and important aspect of our ability to continuously update, renew, and improve the product quality.

External environment

Budweg Caliper A/S' remanufacturing production does not have any high impact on the external environment. The company does not want to burden employees and the environment with unnecessarily use of chemicals. The company continues to maintain our certification from ISO 14001.

With base in this certification Budweg Caliper A/S works continuously with development and improvement within the environment and working environment.

Being a part of the Automotive aftermarket in general means that our business to not develop new product for the Automotive market in general as our products is an alternative to the OEM products. We are continuously developing new products to our range and also working on improving methods and processes.

Financial risks and the use of financial instruments

n general we believe we are a low risk company, but below is included a short overview of the special risk to which our group could be exposed

Operational risks

Budweg Caliper A/S is not considered to have special operational risks. The operations are located within a business area with a low sensitivity to the general conjunctural changes and where the customers portfolio uis considered broad and loyal. The risk to which Budweg Caliper A/S is exposed relates more to the conjunctural changes within the automotive business.

Foreign currency risks

For Budweg Caliper A/S revenue and purchases are mainly in EUR. Even though purchased materials are also in other currencies, this is minor and the currency risk is low.

Credit risks

The majority of the Budweg Caliper A/S's production is delivered to international customers with in Europe, many with a long history with Budweg Caliper A/S. The credit risk related to the customers and trade receivables are reduced by management of customer credit assessments, analyses of customer creditworthiness and external insurance.

Combined our work to reduce risk has entailed that no material losses have been recorded in recent years.

Events occurring after the end of the financial year

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

Income statement 1 January - 31 December

DKK thousand.

Note		2024	2023
		t.kr.	t.kr.
	Gross profit	**89.104**	**66.357**
	Distribution costs	-23.855	-21.623
	Administration expenses	-15.581	-14.491
	Other operating expenses	-192	-100
	Operating profit	**49.476**	**30.143**
	Income from investments in group enterprises	-2.360	2.857
	Other financial income from group enterprises	125	2
	Other financial income	160	196
2	Other financial expenses	-13.878	-8.979
	Financing, net	-15.953	-5.924
	Pre-tax net profit or loss	**33.523**	**24.219**
3	Tax on net profit or loss for the year	-7.291	-5.342
4	**Net profit or loss for the year**	**26.232**	**18.877**

Balance sheet at 31 December

DKK thousand.

Assets

Note		2024	2023
		t.kr.	t.kr.
	Non-current assets		
5	Acquired intangible assets	4.924	5.796
	Total intangible assets	4.924	5.796
6	Other fixtures, fittings, tools and equipment	6.309	10.786
	Total property, plant, and equipment	6.309	10.786
7	Investments in group enterprises	145.672	147.158
	Total investments	145.672	147.158
	Total non-current assets	**156.905**	**163.740**
	Current assets		
	Raw materials and consumables	66.306	75.189
	Work in progress	1.945	1.894
	Manufactured goods and goods for resale	52.101	29.851
	Total inventories	120.352	106.934
	Trade receivables	78.121	50.469
	Receivables from group enterprises	8.138	3.638
	Other receivables	19.063	18.413
8	Prepayments	3.553	1.822
	Total receivables	108.875	74.342
	Cash and cash equivalents	24.870	10.356
	Total current assets	**254.097**	**191.632**
	Total assets	**411.002**	**355.372**

Balance sheet at 31 December

DKK thousand.

Equity and liabilities

Note		2024	2023
		t.kr.	t.kr.
	Equity		
9	Contributed capital	500	500
	Retained earnings	145.235	118.130
	Total equity	**145.735**	**118.630**
	Provisions		
10	Provisions for deferred tax	1.442	567
11	Other provisions	800	750
	Total provisions	**2.242**	**1.317**
	Liabilities other than provisions		
	Lease liabilities	1.063	2.654
12	Total long term liabilities other than provisions	1.063	2.654
12	Current portion of long term liabilities	1.654	1.654
	Bank loans	3	15.869
	Trade payables	59.280	36.483
	Payables to group enterprises	135.481	140.226
	Income tax payable	2.744	1.507
	Other payables	62.800	37.032
	Total short term liabilities other than provisions	261.962	232.771
	Total liabilities other than provisions	**263.025**	**235.425**
	Total equity and liabilities	**411.002**	**355.372**

1 Employee issues

13 Charges and security

14 Contingencies

15 Related parties

Statement of changes in equity

DKK thousand.

	Contributed capital	Retained earnings	Total
Equity 1 January 2024	500	118.130	118.630
Retained earnings for the year	0	26.232	26.232
Exchange rate adjustment	0	873	873
	500	**145.235**	**145.735**

Notes

DKK thousand.

		2024	2023
1.	**Employee issues**		
	Salaries and wages	91.334	83.327
	Pension costs	8.476	6.611
	Other costs for social security	1.660	1.542
		101.470	**91.480**
	Executive board and board of directors	1.573	1.540
	Average number of employees	193	154
2.	**Other financial expenses**		
	Financial costs, group enterprises	8.333	4.696
	Other financial costs	5.545	4.283
		13.878	**8.979**
3.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	7.016	5.439
	Adjustment of deferred tax for the year	875	-97
	Adjustment of tax for previous years	-600	0
		7.291	**5.342**
4.	**Proposed distribution of net profit**		
	Transferred to retained earnings	26.232	18.877
	Total allocations and transfers	**26.232**	**18.877**

DKK thousand.

	31/12 2024	31/12 2023
	t.kr.	t.kr.
5. Acquired intangible assets		
Cost opening balance	18.460	11.257
Additions during the year	1.612	7.292
Disposals during the year	0	-90
Cost end of period	**20.072**	**18.459**
Amortisation and write-down opening balance	-12.663	-10.825
Amortisation and depreciation for the year	-2.485	-1.904
Reversal of depreciation, amortisation, and impairment loss, assets disposed of	0	66
Amortisation and write-down end of period	**-15.148**	**-12.663**
Carrying amount, end of period	**4.924**	**5.796**

	31/12 2024	31/12 2023
6. Other fixtures, fittings, tools and equipment		
Cost opening balance	53.574	54.641
Additions during the year	732	3.035
Disposals during the year	-67	-4.102
Cost end of period	**54.239**	**53.574**
Depreciation and write-down opening balance	-42.788	-40.257
Amortisation and depreciation for the year	-5.142	-5.869
Reversal of depreciation, amortisation and impairment loss, assets disposed of	0	3.338
Depreciation and write-down end of period	**-47.930**	**-42.788**
Carrying amount, end of period	**6.309**	**10.786**
Lease assets are recognised at a carrying amount of	722	3.643

DKK thousand.

	31/12 2024	31/12 2023
7. Investments in group enterprises		
Cost opening balance	145.863	11.066
Additions during the year	0	134.797
Cost end of period	**145.863**	**145.863**
Revaluations, opening balance opening balance	4.154	-3.303
Exchange rate at the balance sheet date	873	1.741
Net profit or loss for the year before amortisation of goodwill	2.540	5.715
Revaluation end of period	**7.567**	**4.153**
Amortisation of goodwill, opening balance opening balance	-2.858	0
Amortisation of goodwill for the year	-4.900	-2.858
Depreciation on goodwill end of period	**-7.758**	**-2.858**
Carrying amount, end of period	**145.672**	**147.158**
The items include goodwill with an amount of	90.242	95.142
Goodwill is recognised under the item "Additions during the year" with an amount of	0	98.000

Group enterprises:

	Domicile	**Equity interest**
Budweg GmbH	Germany	100 %
Budweg China ApS	Odense, Denmark	100 %
BBB Industries Poland Sp. z o. o	Poland	100 %

8. Prepayments

Accruals consist of prepaid rent and prepaid bills.

9. Contributed capital

	31/12 2024	31/12 2023
Contributed capital opening balance	500	500
	500	**500**

DKK thousand.

	31/12 2024	31/12 2023
10. Provisions for deferred tax		
Provisions for deferred tax opening balance	567	470
Deferred tax relating to the net profit or loss for the year	875	97
	1.442	**567**

11. Other provisions

The company provides a 1 to 5 year warranty on certain products and undertakes to repair or replace products that are not satisfactory. Other provisions of T.DKK 800 (2023: T.DKK 750) have been recognized for expected warranty claims based on previous experience regarding the level of repairs and returned goods.

12. Long term labilities other than provisions

	Total payables 31 Dec 2024	Current portion of long term payables	Long term payables 31 Dec 2024	Outstanding payables after 5 years
Lease liabilities	2.717	1.654	1.063	0
	2.717	**1.654**	**1.063**	**0**

13. Charges and security

For bank loans the company has provided security in company assets representing a nominal value of DKK 10.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Inventories	120.531
Trade receivables	78.121
Other fixtures, fittings, tools and equipment	5.586
Acquired intangible fixed assets	4.924

The company has provided a payment guarantee to Danske Leasing A/S. The amount per 31 December 2024 is 7.267 T.DKK.

DKK thousand.

14. Contingencies

Contingent liabilities

Budweg Caliper A/S has signed a lease for residential property with a remaining term of 131 months. The total rent obligation is calculated at T.DKK 84.971.

Joint taxation

The company is included in the national joint taxation with Topcap Budweg Caliper ApS, CVR no. 39 23 86 91, which is an administration company and is liable unlimitedly and jointly with the other jointly taxed companies for the total corporation tax. The joint taxed companies' known net liability in joint taxation appears in the annual accounts of the management company.

15. Related parties

Controlling interest

TERREPOWER LLC, Caphold Budweg Caliper ApS and Topcap Budweg Caliper ApS have a controlling influence on the company.

Consolidated financial statements

Name and registered office of the parent company that prepares group accounting for the group's largest group: TERREPOWER LLC, 29627 Renaissance Blvd. Daphne, Alabama 36526, USA. The consolidated accounts can be requested from TERREPOWER LLC either per email or telephone.

Name and registered office of the parent company that prepares the group accounting for the group's smallest group: Topcap Budweg Caliper ApS, Industrivej 10, 5260 Odense S.

Accounting policies

The annual report for Budweg Caliper A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Budweg Caliper A/S and its group enterprises are included in the consolidated financial statements for Topcap Budweg Caliper ApS, Odense S, CVR nr. 39238691.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Tocap Budweg Caliper Aps.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross profit
Gross profit comprises revenue, production costs, and other operating income.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Production costs include the manufacturing and procurement costs incurred to achieve the revenue for the year. Direct and indirect manufacturing costs are recognized, including costs for raw materials and consumables, wages and salaries, energy consumption, maintenance, leasing and depreciation on production facilities, with adjustments for changes in finished goods inventories and work in progress.

Distribution costs

Distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns carried out during the year. Also, costs concerning sales staff, advertising and exhibitions costs, and amortisations.

Administration expenses

Administration expenses comprise expenses incurred during the year concerning management and administration, including expenses concerning administrative staff, the executive board, office premises, stationery and office supplies, and depreciations.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other operating expenses

Other operating expenses comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Acquired intangible fixed assets

Acquired intangible fixed assets is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 3-5 years.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

Investments

Investments in group enterprises

Investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Tax receivables from group enterprises" or "Income tax payable to group enterprises"

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Provisions

Provisions comprise expected costs of warranty commitments.

Other provisioned liabilities are recognized and measured as the best estimate of the costs necessary to settle the liabilities on the balance sheet date. Provisions for liabilities with an expected maturity of more than one year from the balance sheet date are measured at discounted value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.