
Niebuhr Gears A/S

La Cours Vej 8, DK-7430 Ikast

Annual Report for 1 January - 31 December 2022

CVR No 71 15 07 12

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/03 2023

Per Boie Sørensen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Niebuhr Gears A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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

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

Ikast, 20 March 2023

Executive Board

Rasmus Holt Niebuhr
CEO

Board of Directors

Per Thy Sørensen
Chairman

Kurt Bering Sørensen

Rasmus Holt Niebuhr

Michael Sørensen
Staff Representative

Else Rasmussen
Staff Representative

Independent Auditor's Report

To the Shareholder of Niebuhr Gears A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Niebuhr Gears A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 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 Financial Statements unless Management either intends to liquidate the Group or 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group'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 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 Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

Independent Auditor's Report

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 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.
- 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.

Herning, 20 March 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen
statsautoriseret revisor
mne23324

Kim Vorret
statsautoriseret revisor
mne33256

Company Information

The Company

Niebuhr Gears A/S
La Cours Vej 8
DK-7430 Ikast

Telephone: + 45 96605050
E-mail: niebuhr@niebuhr.dk
Website: www.niebuhr.dk

CVR No: 71 15 07 12
Financial period: 1 January - 31 December
Municipality of reg. office: Ikast-Brandø

Board of Directors

Per Thy Sørensen, Chairman
Kurt Bering Sørensen
Rasmus Holt Niebuhr
Michael Sørensen
Else Rasmussen

Executive Board

Rasmus Holt Niebuhr

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Platanvej 4
DK-7400 Herning

Group Chart

Parent Company

Niebuhr Gears A/S,
Denmark

Consolidated subsidiaries

100 %

Niebuhr Limited,
Hong Kong

100%

Niebuhr Gears (Tianjin) Co., Ltd.
China

Financial Highlights

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

| | Group | | | | |
|---|---------|---------|---------|---------|---------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Gross profit/loss | 38,499 | 36,775 | 37,728 | 42,392 | 41,352 |
| Operating profit/loss | 13,878 | 12,165 | 15,660 | 18,739 | 20,276 |
| Profit/loss before financial income and expenses | 16,338 | 13,446 | 15,260 | 20,159 | 20,276 |
| Net financials | -2,693 | -676 | -2,449 | -2,265 | -10,051 |
| Net profit/loss for the year | 10,556 | 9,895 | 9,582 | 13,839 | 7,928 |
| Balance sheet | | | | | |
| Balance sheet total | 291,584 | 262,388 | 233,448 | 253,529 | 267,632 |
| Equity | 115,567 | 119,622 | 111,677 | 111,738 | 100,674 |
| Cash flows | | | | | |
| Cash flows from: | | | | | |
| - operating activities | 20,537 | 38,256 | 46,132 | 26,917 | 42,835 |
| - investing activities | -44,897 | -18,892 | -9,882 | -36,173 | 27,765 |
| including investment in property, plant and equipment | -45,117 | -18,809 | -10,197 | -36,787 | 27,765 |
| - financing activities | 19,620 | -18,041 | -34,191 | 10,203 | -84,587 |
| Change in cash and cash equivalents for the year | -4,740 | 1,323 | 2,059 | 947 | -13,987 |
| Number of employees | 160 | 163 | 167 | 181 | 172 |
| Ratios | | | | | |
| Return on assets | 5.6% | 5.1% | 6.5% | 8.0% | 7.6% |
| Solvency ratio | 39.6% | 45.6% | 47.8% | 44.1% | 37.6% |
| Return on equity | 9.0% | 8.6% | 8.6% | 13.0% | 8.0% |

Management's Review

Key activities

The Group's most important activities

Niebuhr Gears A/S is Denmark's largest manufacturer of gears and transmission components, which are delivered to industrial customers in Europe, China, India and the USA. Niebuhr has own production facilities in Denmark and China.

Development and production preparation takes place primarily in the parent company in Denmark, where all types of gears and transmission components are manufactured. Large gears are also manufactured at the factory in China.

Niebuhr has consistently invested heavily in modern machines, robotic solutions and automation to ensure continued development and competitiveness.

Niebuhr contributes to the green conversion and production of clean energy, through the supply of key components to the wind turbine industry.

Niebuhr also contributes to efficiency improvements in construction machinery, agricultural machinery, heavy-duty trucks and more, by supplying high quality transmission products.

Niebuhr Gears is certified globally within "Health And Safety Approval" according to ISO45001. Together with "Quality Approval" according to ISO9001 and "Environment Certification Approval", according to ISO14001, the company is ready to meet the demand from global customers, global employees, global suppliers and other partners, to ensure an ongoing development of the company.

Niebuhr Gears has an ongoing focus on mapping our environmental footprint, and continuous improvements to reduce usage of power and gas. Power produced from solar panels on the factory roofs in China has been utilized for 8 years. Solar panels are installed start 2023 on our factory in Denmark.

Niebuhr has 3 primary business areas:

Industrial Gears

Industrial Gears manufactures gearwheels and transmission components, in batches from one to several thousands, with a high degree of robotization and automation.

Heavy Duty

Heavy Duty produces large gears in Denmark and China, up to 8 meters in diameter. Niebuhr's Heavy Duty department is the world's leading manufacturer of large yawrings for the wind industry.

Process Gears

Process Gears offers mass production of gearwheels on state-of-the-art and fully automated production lines.

Management's Review

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

The Group's share of the result for the financial year was MDKK 10.5 against MDKK 9.9 in 2021. Management considers results to be less satisfactory. Circumstances such as high logistic cost, high energy and gas price, increased interest rates and unused manufacturing capacity has caused the result to not live entirely up to expectations.

Expectations for the coming year

The company expects a stable production and order intake, with small growth for all three business areas, resulting in expectations for an EBT result between MDKK 8 and MDKK 12.

Investments:

The total investments in 2022 were MDKK 45. The investments in 2023 are expected to be MDKK 35. Investments are related to capacity increase and automatization for the business areas Industrial Gears and Process Gears.

For Heavy Duty the investments are securing the capability to manufacture products for wind turbine offshore products in both Denmark and China, as these products grow in size and volume demand in the coming years.

Special Risk

Capital resources

The company has the necessary credit facilities to finance operations and investments for the coming year.

Currency risks

The Company continuously assesses its exposure in foreign currency, and hedges any significant exposures. There is no speculation in foreign exchange investments or hedges.

Credit risks

The Group's maximum credit risk corresponds to the value of receivables, as shown in the balance sheet. Major customers are subject to credit assessment, and credit is only granted within the agreed credit limits.

Cost Risks

The company continuously monitors changes in power and gas prices and add an updated energy surcharge on invoices as long as this is needed to cover potential extra cost.

Management's Review

Price Risks

The Company hedges its risks by entering into long-term price agreements with its customers, which are offset by similar price agreements with suppliers of raw materials / core services.

Subsequent events

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

Income Statement 1 January - 31 December

| | Note | Group | | Parent Company | |
|---|------|---------------|---------------|----------------|---------------|
| | | 2022 | 2021 | 2022 | 2021 |
| | | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Gross profit/loss | | 38,499 | 36,775 | 35,396 | 29,887 |
| Distribution expenses | 1 | -6,943 | -6,284 | -5,293 | -3,557 |
| Administrative expenses | 1 | -17,678 | -18,326 | -13,782 | -14,345 |
| Operating profit/loss | | 13,878 | 12,165 | 16,321 | 11,985 |
| Other operating income | | 2,460 | 1,726 | 2,460 | 1,726 |
| Other operating expenses | | 0 | -445 | 0 | -445 |
| Profit/loss before financial income and expenses | | 16,338 | 13,446 | 18,781 | 13,266 |
| Income from investments in subsidiaries | 2 | 0 | 0 | -2,530 | -237 |
| Financial income | 3 | 751 | 1,312 | 1,102 | 1,559 |
| Financial expenses | 4 | -3,444 | -1,988 | -3,144 | -1,814 |
| Profit/loss before tax | | 13,645 | 12,770 | 14,209 | 12,774 |
| Tax on profit/loss for the year | 5 | -3,089 | -2,875 | -3,653 | -2,879 |
| Net profit/loss for the year | | 10,556 | 9,895 | 10,556 | 9,895 |

Balance Sheet 31 December

Assets

| | Note | Group | | Parent Company | |
|--|-----------|-----------------|-----------------|-----------------|-----------------|
| | | 2022 DKK'000 | 2021 DKK'000 | 2022 DKK'000 | 2021 DKK'000 |
| Acquired licenses | | 355 | 1,024 | 355 | 1,024 |
| Intangible assets | 6 | 355 | 1,024 | 355 | 1,024 |
| Plant and machinery | | 112,396 | 101,360 | 82,228 | 76,166 |
| Other fixtures and fittings, tools and equipment | | 2,902 | 2,657 | 2,902 | 2,657 |
| Leasehold improvements | | 3,245 | 3,931 | 2,571 | 2,756 |
| Property, plant and equipment in progress | | 14,179 | 1,342 | 14,179 | 1,342 |
| Property, plant and equipment | 7 | 132,722 | 109,290 | 101,880 | 82,921 |
| Investments in subsidiaries | 8 | 0 | 0 | 40,548 | 44,118 |
| Receivables from group enterprises | 9 | 752 | 740 | 752 | 740 |
| Other investments | 9 | 300 | 300 | 300 | 300 |
| Fixed asset investments | | 1,052 | 1,040 | 41,600 | 45,158 |
| Fixed assets | | 134,129 | 111,354 | 143,835 | 129,103 |
| Inventories | 10 | 93,528 | 71,795 | 79,850 | 55,285 |
| Trade receivables | | 36,773 | 46,624 | 28,713 | 30,591 |
| Receivables from group enterprises | | 19,527 | 14,606 | 37,267 | 31,767 |
| Other receivables | | 5,175 | 7,233 | 1,885 | 5,291 |
| Corporation tax | | 166 | 956 | 0 | 866 |
| Prepayments | 11 | 2,041 | 4,835 | 1,302 | 1,920 |
| Receivables | | 63,682 | 74,254 | 69,167 | 70,435 |
| Cash at bank and in hand | | 245 | 4,985 | 60 | 1,031 |
| Currents assets | | 157,455 | 151,034 | 149,077 | 126,751 |
| Assets | | 291,584 | 262,388 | 292,912 | 255,854 |

Balance Sheet 31 December

Liabilities and equity

| | Note | Group | | Parent Company | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 2022 DKK'000 | 2021 DKK'000 | 2022 DKK'000 | 2021 DKK'000 |
| Share capital | | 1,000 | 1,000 | 1,000 | 1,000 |
| Reserve for net revaluation under the equity method | | 0 | 0 | 15,372 | 18,942 |
| Reserve for hedging transactions | | 0 | 3,571 | 0 | 3,571 |
| Reserve for exchange adjustments | | 3,207 | 4,247 | 0 | 0 |
| Retained earnings | | 101,360 | 100,804 | 89,195 | 86,109 |
| Proposed dividend for the year | | 10,000 | 10,000 | 10,000 | 10,000 |
| Equity | | 115,567 | 119,622 | 115,567 | 119,622 |
| Provision for deferred tax | 13 | 3,192 | 3,301 | 3,608 | 3,343 |
| Provisions | | 3,192 | 3,301 | 3,608 | 3,343 |
| Lease obligations | | 67,450 | 57,064 | 67,450 | 57,064 |
| Other payables | | 4,977 | 6,763 | 4,977 | 6,763 |
| Long-term debt | 14 | 72,427 | 63,827 | 72,427 | 63,827 |
| Credit institutions | | 35,711 | 19,335 | 35,711 | 19,335 |
| Lease obligations | 14 | 19,560 | 17,039 | 19,560 | 17,039 |
| Trade payables | | 25,469 | 24,829 | 18,226 | 17,721 |
| Payables to group enterprises | | 4,106 | 0 | 16,314 | 2,699 |
| Payables to group enterprises relating to corporation tax | | 2,417 | 0 | 2,283 | 0 |
| Other payables | 14 | 13,135 | 14,435 | 9,216 | 12,268 |
| Short-term debt | | 100,398 | 75,638 | 101,310 | 69,062 |
| Debt | | 172,825 | 139,465 | 173,737 | 132,889 |
| Liabilities and equity | | 291,584 | 262,388 | 292,912 | 255,854 |

Balance Sheet 31 December

Liabilities and equity

| | <u>Note</u> |
|---|-------------|
| Distribution of profit | 12 |
| Contingent assets, liabilities and other financial obligations | 17 |
| Related parties | 18 |
| Accounting Policies | 19 |

Statement of Changes in Equity

Group

| Group | Share capital DKK'000 | Reserve for net | | | | Retained earnings DKK'000 | Proposed dividend for the year DKK'000 | Total DKK'000 |
|--|--------------------------|--------------------------|-------------------------------------|---|---|---------------------------------|---|------------------|
| | | equity method DKK'000 | under the revaluation DKK'000 | Reserve for hedging transactions DKK'000 | Reserve for exchange adjustments DKK'000 | | | |
| Equity at 1 January | 1,000 | 0 | 0 | 3,571 | 4,247 | 100,804 | 10,000 | 119,622 |
| Exchange adjustments | 0 | 0 | 0 | 0 | -1,040 | 0 | 0 | -1,040 |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | 0 | 0 | -10,000 | -10,000 |
| Fair value adjustment of hedging instruments, end of year | 0 | 0 | 0 | -4,578 | 0 | 0 | 0 | -4,578 |
| Tax on adjustment of hedging instruments for the year | 0 | 0 | 0 | 1,007 | 0 | 0 | 0 | 1,007 |
| Net profit/loss for the year | 0 | 0 | 0 | 0 | 0 | 556 | 10,000 | 10,556 |
| Equity at 31 December | 1,000 | 0 | 0 | 0 | 3,207 | 101,360 | 10,000 | 115,567 |

Statement of Changes in Equity

Parent Company

| | Share capital | Reserve for net revaluation under the equity method | Reserve for hedging transactions | Reserve for exchange adjustments | Retained earnings | Proposed dividend for the year | Total |
|---|---------------|---|----------------------------------|----------------------------------|-------------------|--------------------------------|----------------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Equity at 1 January | 1,000 | 18,942 | 3,571 | 0 | 86,109 | 10,000 | 119,622 |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | 0 | -10,000 | -10,000 |
| Exchange adjustments relating to foreign entities | 0 | -1,040 | 0 | 0 | 0 | 0 | -1,040 |
| Fair value adjustment of hedging instruments, end of year | 0 | 0 | -4,578 | 0 | 0 | 0 | -4,578 |
| Tax on adjustment of hedging instruments for the year | 0 | 0 | 1,007 | 0 | 0 | 0 | 1,007 |
| Net profit/loss for the year | 0 | -2,530 | 0 | 0 | 3,086 | 10,000 | 10,556 |
| Equity at 31 December | 1,000 | 15,372 | 0 | 0 | 89,195 | 10,000 | 115,567 |

Cash Flow Statement 1 January - 31 December

| | Note | Group | |
|--|------|-----------------|-----------------|
| | | 2022 DKK'000 | 2021 DKK'000 |
| Net profit/loss for the year | | 10,556 | 9,895 |
| Adjustments | 15 | 25,718 | 28,186 |
| Change in working capital | 16 | -14,056 | 5,916 |
| Cash flows from operating activities before financial income and expenses | | 22,218 | 43,997 |
| Financial income | | 751 | 1,313 |
| Financial expenses | | -3,446 | -1,979 |
| Cash flows from ordinary activities | | 19,523 | 43,331 |
| Corporation tax paid | | 1,014 | -5,075 |
| Cash flows from operating activities | | 20,537 | 38,256 |
| Purchase of intangible assets | | -49 | -133 |
| Purchase of property, plant and equipment | | -45,117 | -18,809 |
| Fixed asset investments made etc | | 0 | -5 |
| Sale of property, plant and equipment | | 269 | 55 |
| Cash flows from investing activities | | -44,897 | -18,892 |
| Reduction of lease obligations | | -15,015 | -18,292 |
| Change in payables to group enterprises | | -826 | -7,912 |
| Change in loans from credit institutions | | 16,377 | 10,488 |
| Lease obligations incurred | | 29,084 | 7,675 |
| Dividend paid | | -10,000 | -10,000 |
| Cash flows from financing activities | | 19,620 | -18,041 |
| Change in cash and cash equivalents | | -4,740 | 1,323 |
| Cash and cash equivalents at 1 January | | 4,985 | 3,662 |
| Cash and cash equivalents at 31 December | | 245 | 4,985 |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 245 | 4,985 |
| Cash and cash equivalents at 31 December | | 245 | 4,985 |

Notes to the Financial Statements

| | Group | | Parent Company | |
|---|---------------|---------------|----------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| 1 Staff | | | | |
| Wages and Salaries | 65,486 | 60,969 | 58,319 | 54,558 |
| Pensions | 4,390 | 4,181 | 4,390 | 4,181 |
| Other social security expenses | 3,455 | 3,682 | 1,389 | 1,329 |
| | 73,331 | 68,832 | 64,098 | 60,068 |
| Including remuneration to the Executive and Supervisory Boards of: | | | | |
| Executive Board | 2,345 | 3,693 | 2,345 | 3,693 |
| Supervisory Board | 263 | 243 | 263 | 243 |
| | 2,608 | 3,936 | 2,608 | 3,936 |
| Average number of employees | 160 | 163 | 111 | 111 |

| | Parent Company | |
|---|----------------|-------------|
| | 2022 | 2021 |
| | DKK'000 | DKK'000 |
| 2 Income from investments in subsidiaries | | |
| Share of profits of subsidiaries | -2,022 | -1,593 |
| Change in intercompany profit on inventories purchased within the Group | -508 | 1,356 |
| | -2,530 | -237 |

Notes to the Financial Statements

| | Group | | Parent Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2022 DKK'000 | 2021 DKK'000 | 2022 DKK'000 | 2021 DKK'000 |
| 3 Financial income | | | | |
| Interest received from group enterprises | 426 | 357 | 1,102 | 976 |
| Other financial income | 77 | 49 | 0 | 0 |
| Exchange adjustments | 248 | 906 | 0 | 583 |
| | 751 | 1,312 | 1,102 | 1,559 |
| 4 Financial expenses | | | | |
| Interest paid to group enterprises | 40 | 107 | 40 | 107 |
| Other financial expenses | 3,063 | 1,829 | 2,767 | 1,707 |
| Exchange adjustments, expenses | 341 | 52 | 337 | 0 |
| | 3,444 | 1,988 | 3,144 | 1,814 |
| 5 Tax on profit/loss for the year | | | | |
| Current tax for the year | 1,853 | 2,255 | 2,417 | 2,349 |
| Deferred tax for the year | 265 | 1,612 | 265 | 1,522 |
| Adjustment of tax concerning previous years | -36 | 0 | -36 | 0 |
| | 2,082 | 3,867 | 2,646 | 3,871 |
| which breaks down as follows: | | | | |
| Tax on profit/loss for the year | 3,089 | 2,875 | 3,653 | 2,879 |
| Tax on changes in equity | -1,007 | 992 | -1,007 | 992 |
| | 2,082 | 3,867 | 2,646 | 3,871 |

Notes to the Financial Statements

6 Intangible assets

Group

| | Acquired licenses DKK'000 |
|---|---------------------------------|
| Cost at 1 January | 4,351 |
| Additions for the year | 49 |
| Cost at 31 December | 4,400 |
| Impairment losses and amortisation at 1 January | 3,327 |
| Amortisation for the year | 718 |
| Impairment losses and amortisation at 31 December | 4,045 |
| Carrying amount at 31 December | 355 |
| Amortised over | 3 years |

Parent Company

| | Acquired licenses DKK'000 |
|---|---------------------------------|
| Cost at 1 January | 4,351 |
| Additions for the year | 49 |
| Cost at 31 December | 4,400 |
| Impairment losses and amortisation at 1 January | 3,327 |
| Amortisation for the year | 718 |
| Impairment losses and amortisation at 31 December | 4,045 |
| Carrying amount at 31 December | 355 |
| Amortised over | 3 years |

Notes to the Financial Statements

7 Property, plant and equipment

Group

| | Plant and machinery DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improvements DKK'000 | Property, plant and equipment in progress DKK'000 | Total DKK'000 |
|---|-----------------------------------|--|--------------------------------------|--|------------------|
| Cost at 1 January | 376,694 | 8,582 | 18,835 | 1,342 | 405,453 |
| Exchange adjustment | -1,423 | 0 | -107 | 0 | -1,530 |
| Additions for the year | 41,659 | 2,279 | 1,179 | 0 | 45,117 |
| Disposals for the year | -765 | -1,413 | 0 | 0 | -2,178 |
| Transfers for the year | -12,259 | -6 | -572 | 12,837 | 0 |
| Cost at 31 December | 403,906 | 9,442 | 19,335 | 14,179 | 446,862 |
| Impairment losses and depreciation at 1 January | 275,334 | 5,925 | 14,904 | 0 | 296,163 |
| Exchange adjustment | -958 | 0 | -85 | 0 | -1,043 |
| Depreciation for the year | 17,896 | 871 | 1,271 | 0 | 20,038 |
| Reversal of impairment and depreciation of sold assets | -762 | -256 | 0 | 0 | -1,018 |
| Impairment losses and depreciation at 31 December | 291,510 | 6,540 | 16,090 | 0 | 314,140 |
| Carrying amount at 31 December | 112,396 | 2,902 | 3,245 | 14,179 | 132,722 |
| Depreciated over | 3-15 years | 3-5 years | 3-10 years | | |
| Including assets under finance leases amounting to | 74,951 | 2,026 | 1,500 | 13,554 | 92,031 |

Notes to the Financial Statements

7 Property, plant and equipment (continued)

Parent Company

| | Plant and machinery | Other fixtures and fittings, tools and equipment | Leasehold improvements | Property, plant and equipment in progress | Total |
|---|------------------------|---|---------------------------|---|----------------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Cost at 1 January | 299,605 | 8,582 | 13,034 | 1,342 | 322,563 |
| Additions for the year | 32,068 | 2,279 | 1,179 | 0 | 35,526 |
| Disposals for the year | -733 | -1,413 | 0 | 0 | -2,146 |
| Transfers for the year | -12,259 | -6 | -572 | 12,837 | 0 |
| Kostpris at 31 December | 318,681 | 9,442 | 13,641 | 14,179 | 355,943 |
| Impairment losses and depreciation at 1 January | 223,439 | 5,925 | 10,278 | 0 | 239,642 |
| Depreciation for the year | 13,747 | 871 | 792 | 0 | 15,410 |
| Reversal of impairment and depreciation of sold assets | -733 | -256 | 0 | 0 | -989 |
| Impairment losses and depreciation at 31 December | 236,453 | 6,540 | 11,070 | 0 | 254,063 |
| Carrying amount at 31 December | 82,228 | 2,902 | 2,571 | 14,179 | 101,880 |
| Depreciated over | 3-15 years | 3-5 years | 3-10 years | | |
| Including assets under finance leases amounting to | 74,951 | 2,026 | 1,500 | 13,554 | 92,031 |

Notes to the Financial Statements

8 Investments in subsidiaries

| | Parent Company | |
|--|-----------------|-----------------|
| | 2022 DKK'000 | 2021 DKK'000 |
| Cost at 1 January | 25,176 | 25,176 |
| Cost at 31 December | 25,176 | 25,176 |
| Value adjustments at 1 January | 18,942 | 14,649 |
| Exchange adjustment | -1,039 | 4,529 |
| Net profit/loss for the year | -2,023 | -1,592 |
| Change in intercompany profit on inventories | -508 | 1,356 |
| Value adjustments at 31 December | 15,372 | 18,942 |
| Carrying amount at 31 December | 40,548 | 44,118 |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Votes and ownership |
|-----------------------------------|----------------------------|---------------|---------------------|
| Niebuhr Limited | Hong Kong | TUSD 4.612 | 100% |
| Niebuhr Gears (Tianjin) Co., Ltd. | China | TCNY 34,137 | 100% |

Niebuhr Limited, Hong Kong, holds all the shares in the Chinese company, Niebuhr Gears (Tianjin) Co., Ltd.

9 Other fixed asset investments

| | Group | | Parent Company | |
|---------------------------------------|---|------------------------------|---|------------------------------|
| | Receivables from group enterprises DKK'000 | Other investments DKK'000 | Receivables from group enterprises DKK'000 | Other investments DKK'000 |
| Cost at 1 January | 740 | 300 | 740 | 300 |
| Additions for the year | 12 | 0 | 12 | 0 |
| Cost at 31 December | 752 | 300 | 752 | 300 |
| Carrying amount at 31 December | 752 | 300 | 752 | 300 |

Notes to the Financial Statements

| | Group | | Parent Company | |
|-------------------------------------|---------------|---------------|----------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| 10 Inventories | | | | |
| Raw materials and consumables | 35,136 | 28,965 | 30,429 | 23,997 |
| Work in progress | 29,259 | 20,135 | 25,214 | 16,014 |
| Finished goods and goods for resale | 20,031 | 15,227 | 15,105 | 7,806 |
| Prepayments for goods | 9,102 | 7,468 | 9,102 | 7,468 |
| | 93,528 | 71,795 | 79,850 | 55,285 |

11 Prepayments

Prepayments consist of prepaid expenses concerning raw materials, rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

| | Parent Company | |
|---|----------------|--------------|
| | 2022 | 2021 |
| | DKK'000 | DKK'000 |
| 12 Distribution of profit | | |
| Proposed dividend for the year | 10,000 | 10,000 |
| Reserve for net revaluation under the equity method | -2,530 | -242 |
| Retained earnings | 3,086 | 137 |
| | 10,556 | 9,895 |

Notes to the Financial Statements

| | Group | | Parent Company | |
|---|--------------|--------------|----------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| 13 Provision for deferred tax | | | | |
| Provision for deferred tax at 1 January | 3,301 | 1,689 | 3,343 | 1,821 |
| Amounts recognised in the income statement for the year | 898 | 620 | 1,272 | 530 |
| Amounts recognised in equity for the year | -1,007 | 992 | -1,007 | 992 |
| Provision for deferred tax at 31 December | 3,192 | 3,301 | 3,608 | 3,343 |

Provisions regarding deferred tax comprise deferred tax relating to intangible assets, property, plant and equipment indirect production overheads regarding inventories, debtors and lease obligations.

14 Long-term debt

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

The debt falls due for payment as specified below:

| | Group | | Parent Company | |
|---------------------------|---------------|---------------|----------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Lease obligations | | | | |
| After 5 years | 11,674 | 5,132 | 11,674 | 5,132 |
| Between 1 and 5 years | 55,776 | 51,932 | 55,776 | 51,932 |
| Long-term part | 67,450 | 57,064 | 67,450 | 57,064 |
| Within 1 year | 19,560 | 17,039 | 19,560 | 17,039 |
| | 87,010 | 74,103 | 87,010 | 74,103 |
| Other payables | | | | |
| Between 1 and 5 years | 4,977 | 6,763 | 4,977 | 6,763 |
| Long-term part | 4,977 | 6,763 | 4,977 | 6,763 |
| Other short-term payables | 13,135 | 14,435 | 9,216 | 12,268 |
| | 18,112 | 21,198 | 14,193 | 19,031 |

Notes to the Financial Statements

15 Cash flow statement - adjustments

| | Group | |
|---|-----------------|-----------------|
| | 2022 DKK'000 | 2021 DKK'000 |
| Financial income | -751 | -1,312 |
| Financial expenses | 3,444 | 1,988 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 20,976 | 16,513 |
| Tax on profit/loss for the year | 3,089 | 2,875 |
| Other adjustments | -1,040 | 8,122 |
| | 25,718 | 28,186 |

16 Cash flow statement - change in working capital

| | | |
|---|----------------|--------------|
| Change in inventories | -21,731 | -15,075 |
| Change in receivables | 14,702 | -5,754 |
| Change in trade payables, etc | -2,449 | 22,238 |
| Fair value adjustments of hedging instruments | -4,578 | 4,507 |
| | -14,056 | 5,916 |

Notes to the Financial Statements

| Group | | Parent Company | |
|---------|---------|----------------|---------|
| 2022 | 2021 | 2022 | 2021 |
| DKK'000 | DKK'000 | DKK'000 | DKK'000 |

17 Contingent assets, liabilities and other financial obligations

The following assets have been provided as collateral vis-à-vis the Group's banks:

Lease assets are pledged as collateral

| | | | | |
|-----------------------|--------|--------|--------|--------|
| for lease obligations | 92,031 | 74,672 | 92,031 | 74,672 |
|-----------------------|--------|--------|--------|--------|

Contingent liabilities

Operating leases

The Company has entered into operating leases representing the following amounts remaining terms in 3-24 months with an average monthly payment of TDKK 301, totalling TDKK 7,112. Includes rent of property.

In addition the Company and the Group have entered into finance leases, which have been recognised in the balance sheet: see note 7.

The Group has entered into leases with a remaining term of 124 months with an average monthly lease payment of TDKK 68, totalling TDKK 8,433. Includes rent of property.

The Company has provided absolute guarantee for a Group entity.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Rasmus Investments ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

18 Related parties

| | <u>Basis</u> |
|-------------------------------|-------------------------|
| Controlling interest | |
| Rasmus Holding ApS, Ikast | Parent company |
| Rasmus Investments ApS, Ikast | Ultimate parent company |
| Rasmus Niebuhr, Ikast | Main shareholder |

Transactions

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

There are no transactions to disclose.

Consolidated Financial Statements

The company is included in the consolidated report of the parent company Rasmus Investments ApS, Denmark.

Notes to the Financial Statements

19 Accounting Policies

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

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 are presented in DKK'000.

Changes in accounting estimates

A few reclassifications have been made in the comparative figures. The reclassifications have no effect on the result, balance sheet or equity. In addition, the accounting policies used are unchanged compared to previous years.

Recognition and measurement

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

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Niebuhr Gears A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Compa-

Notes to the Financial Statements

19 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between

Notes to the Financial Statements

19 Accounting Policies (continued)

the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

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

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

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Notes to the Financial Statements

19 Accounting Policies (continued)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of sales.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

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

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

The Company is jointly taxed with Rasmus Investments ApS and other Danish group entities. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

19 Accounting Policies (continued)

Balance Sheet

Intangible assets

Acquired licenses are measured at the lower of cost less accumulated amortisation and recoverable amount. Acquired licenses are amortised over the remaining period.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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

| | |
|---|--------------|
| Plant and machinery | 3 - 15 years |
| Other fixtures and fittings, tools and equipment | 3 - 5 years |
| Leasehold improvements | 3 - 10 years |

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of

Notes to the Financial Statements

19 Accounting Policies (continued)

the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of receivables from group enterprises.

Inventories

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

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

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

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial debts

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

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

| | |
|------------------|--|
| Return on assets | $\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$ |
| Solvency ratio | $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$ |
| Return on equity | $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$ |

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Else Rasmussen

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