Bitzer Electronics A/S

Kærvej 77, 6400 Sønderborg

Company reg. no. 21 34 00 06

Annual report

1 January - 31 December 2024

The annual report was submitted and approved by the general meeting on the 25 June 2025.

____
Christian Jürgen Wehrle
Chairman

Contents

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 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Bitzer Electronics A/S for the financial year 1 January - 31 December 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.

Sønderborg, 25 June 2025

Managing Director

Michael Kousgård Snerling
director

Board of directors

Christian Jürgen Wehrle chairman	Rainer Meinhard Grosse-Kracht	Frank Hartmann
Hans Martin Büchsel		

Independent auditor's report

To the Shareholder of Bitzer Electronics A/S

Opinion

We have audited the financial statements of Bitzer Electronics 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.

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.

Aabyhøj, 25 June 2025

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

Hans Peter Roug
State Authorised Public Accountant
mne33683

Kenny Dam Handberg
State Authorised Public Accountant
mne43515

Company information

The company	Bitzer Electronics A/S Kærvej 77 6400 Sønderborg	
	Company reg. no.	21 34 00 06
	Financial year:	1 January - 31 December 27th financial year
Board of directors	Christian Jürgen Wehrle, chairman Rainer Meinhard Grosse-Kracht Frank Hartmann Hans Martin Büchsel	
Managing Director	Michael Kousgård Snerling, director	
Auditors	RSM Danmark Statsautoriseret Revisionspartnerselskab Søren Frichs Vej 36 L 8230 Aabyhøj	
Bankers	Sydbank A/S	
Parent company	Bitzer SE	
Subsidiaries	OJ Electronics A/S, Denmark OJ Electronics Inc., USA OJ Electronics Ltd., England	

Financial highlights

DKK in thousands.	2024	2023	2022	2021	2020
Income statement:					
Gross profit	93.159	84.406	116.324	113.474	122.857
Profit from operating activities	7.513	2.918	32.020	34.122	42.198
Net financials	-280.304	-35.655	-369	4.616	-7.303
Net profit or loss for the year	-266.478	-35.797	24.993	30.819	27.236
Statement of financial position:					
Balance sheet total	1.223.379	1.393.451	124.873	132.795	119.417
Investments in property, plant and equipment	6.695	3.039	2.867	3.438	1.139
Equity	-228.714	37.764	73.561	48.568	37.749
Employees:					
Average number of full-time employees	121	124	120	122	116
Key figures in %:					
Return on assets	0,6	0,4	24,9	27,1	29,7
Solvency ratio	-18,7	2,7	58,9	36,6	31,6
Return on equity	-	-64,3	40,9	71,4	47,6

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

Comparative figures in the financial highlights have been updated due to significant errors described in accounting policies.

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

Return on assets $$\frac{\text{Profit from operating activities x100}}{\text{Average assets}}$$

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

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

Business review

The Company's main objective is to act as business partner for the industry in connection with innovation, development, production, marketing and sales of customer specific electronics within cooling, heating and ventilation.

Uncertainties connected with recognition or measurement

The recognition and measurement of items in the annual report is not associated with any uncertainty.

Unusual circumstances

The company's financial position as of December 31st 2024 and the results of its operations and cash flow for the financial year ended December 31st 2024 are influenced by the acquisition of OJ Electronics A/S in 2023 and its financing through the parent company BITZER SE.

Impairment of Investment in Subsidiary

During the financial year, the company recognized an impairment of the carrying amount of its investment in the subsidiary OJ Electronics A/S in the amount of DKK 226 million.

The impairment is primarily due to the fact that the expected synergies from the investment, which the Bitzer Group anticipated achieving, have not been realized to the extent or within the timeframe originally assumed.

Due to increased uncertainty regarding future developments, management and the Bitzer Group have adopted a conservative approach to the valuation. The carrying amount has been adjusted to reflect the estimated recoverable amount, based on updated assumptions regarding future earnings and market conditions.

The impairment has no direct impact on liquidity but affects the result for the year.

Development in activities and financial matters

Despite a slow start in net sales at the beginning of the year, increased activity in the last quarter resulted in net sales for the entire year as planned. However, higher-than-expected cost prices negatively impacted the overall net result.

Profit before net financials amounted to 7.513 tDKK, which was slightly below expectations. Net financials before impairment show an expense of 54.336 tDKK primarily due to the financing of the acquisition of OJ Electronic A/S. Net loss of the year after tax was 266.478 tDKK.

The balance sheet as per December 31st, 2024 shows a negative equity of 228.714 tDKK.

Financial support from the BITZER Group

The parent company Bitzer SE has acknowledged in connection with Annual Report for the financial year 2024 that the subsidiary has negative equity and confirmed that they will provide financial support if necessary.

To re-establish the equity a capital increase by Bitzer SE, Germany is in preparation and is planned to happen in 2025.

Expected developments

We expect to deliver increased sales in 2025 compared to 2024. The beginning of 2025 has shown high growth rates and high order inflow. To drive down costs initiatives have been initiated to improve the Gross Margins, and we expect to increase the profitability during the year. Due to interest expenses to finance the acquisition of OJ Electronics A/S the level for net result before tax for 2025 is expected to be between in the level of -20 mDKK to -10 mDKK.

As stated above a refinancing and a restructuring of the of the BITZER Group owned companies in Denmark is planned for 2025 and will impact financial expenses and the net result before tax.

Knowledge resources

The company's activities require know-how resources from employees and technologies. Thus, it is important that the company can recruit and keep employees with a high level of education.

Research and development activities

Our development activities primarily consist of development of electronic control solutions for diverse applications in heating, ventilation, and refrigeration, driven by our commitment to a greener future. During the past year we have been focusing on more effective development process to bring our products faster to the market and reducing the development cost.

We have as well spent a significant part of our spending in R&D on research both internally and in cooperation with Danish universities and institutes with focus on technologies for coming development projects.

Financial risks and the use of financial instruments

Uncertainty about tariff rates and the development in global trade might impact the 2025 sales and net result before tax.

Foreign currency risks

Primary activities abroad imply that the profit, cash flow, and equity are influenced by the exchange rates, especially for the USD. Fluctuations to exchange rates, especially USD/DKK, are monitored at BITZER Electronics. The BITZER Group furthermore monitors exchange risks from a global, group perspective and handles measures to reduce risk and exposure, if necessary.

Events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Income statement 1 January - 31 December

DKK thousand.

Note		2024	2023
	Gross profit	**93.159**	**84.406**
3	Staff costs	-79.960	-78.448
4	Depreciation, amortisation, and impairment	-5.686	-3.040
	Operating profit	**7.513**	**2.918**
5	Other financial income	7.041	901
	Impairment of financial assets	-225.968	0
6	Other financial expenses	-61.377	-36.556
	Pre-tax net profit or loss	**-272.791**	**-32.737**
7	Tax on net profit or loss for the year	6.313	-3.060
8	**Net profit or loss for the year**	**-266.478**	**-35.797**

Balance sheet at 31 December

DKK thousand.

Note	Assets	2024	2023
	Non-current assets		
9	Completed development projects, including patents and similar rights arising from development projects	9.615	0
10	Acquired concessions, patents, licenses, trademarks, and similar rights	105	92
11	Development projects in progress and prepayments for intangible assets	32.524	27.816
	Total intangible assets	42.244	27.908
12	Other fixtures and fittings, tools and equipment	5.230	3.976
13	Leasehold improvements	666	796
14	Property, plant and equipment in progress	5.931	2.783
	Total property, plant, and equipment	11.827	7.555
15	Investment in subsidiaries	833.769	1.059.737
	Total investments	833.769	1.059.737
	Total non-current assets	**887.840**	**1.095.200**
	Current assets		
	Raw materials and consumables	103.678	104.231
	Work in progress	346	141
	Manufactured goods and goods for resale	23.345	23.056
	Total inventories	127.369	127.428
	Trade receivables	130.086	66.300
	Receivables from group enterprises	37.744	94.042
16	Deferred tax assets	0	0
	Income tax receivables	289	1.835
	Tax receivables from group enterprises	7.730	0
	Other receivables	8.493	8.346
17	Prepayments	447	254
	Total receivables	184.789	170.777

Balance sheet at 31 December

DKK thousand.

Note	Assets	2024	2023
	Cash and cash equivalents	23.381	46
	Total current assets	**335.539**	**298.251**
	Total assets	**1.223.379**	**1.393.451**

Balance sheet at 31 December

DKK thousand.

Equity and liabilities

Note		2024	2023
	Equity		
	Contributed capital	25.000	25.000
	Reserve for development costs	32.868	21.697
	Retained earnings	-286.582	-8.933
	Total equity	**-228.714**	**37.764**
	Provisions		
18	Warranty provisions	21.551	22.697
	Total provisions	**21.551**	**22.697**
	Liabilities other than provisions		
	Bank loans	0	6.034
	Trade payables	89.745	34.356
	Payables to group enterprises	1.332.511	1.284.761
	Other payables	8.286	7.839
	Total short term liabilities other than provisions	1.430.542	1.332.990
	Total liabilities other than provisions	**1.430.542**	**1.332.990**
	Total equity and liabilities	**1.223.379**	**1.393.451**

1 Loss of equity and financial resources
2 Special items
19 Contingencies
20 Related parties and ownership structure

Statement of changes in equity

DKK thousand.

	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity 1 January 2024	25.000	21.697	-8.933	37.764
Retained earnings for the year	0	0	-277.649	-277.649
Transferred from retained earnings	0	11.171	0	11.171
	25.000	**32.868**	**-286.582**	**-228.714**

Notes

DKK thousand.

1. Loss of equity and financial resources

The parent company Bitzer SE has acknowledged in connection with Annual Report for the financial year 2024 that the subsidiary has negative equity and confirmed that they will provide financial support if necessary.

To re-establish the equity a capital increase by Bitzer SE, Germany is in preparation and is planned to happen in 2025.

2. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items also include other significant amounts of a nonrecurring nature.

As mentioned in the management commentary, the net profit or loss for the year is affected by an impairment of investment in subsidiaries.

Special items for the year are specified below, indicating where they are recognised in the income statement.

	2024
Expenses:	
Impairment of non-current assets	225.968
	225.968
Special items are recognised in the following items in the financial statements:	
Impairment of financial assets	-225.968
Profit of special items, net	**-225.968**

Notes

DKK thousand.

		2024	2023
3.	**Staff costs**		
	Salaries and wages	67.534	64.743
	Pension costs	11.213	12.541
	Other costs for social security	1.213	1.164
		79.960	**78.448**
	Management	2.614	4.701
	Average number of employees	121	124

No remuneration has been paid to the board of directors in 2024.

		2024	2023
4.	**Depreciation, amortisation, and impairment**		
	Amortisation of development projects	3.235	0
	Depreciation of software	65	36
	Depreciation of buildings	130	185
	Depreciation of plant and machinery	2.256	2.819
		5.686	**3.040**
5.	**Other financial income**		
	Interest paid to intercompany	1.939	532
	Exchange differences	4.681	0
	Other financial income	355	369
	Reimbursement, income tax	66	0
		7.041	**901**
6.	**Other financial expenses**		
	Financial costs, group enterprises	61.291	34.537
	Other financial costs	86	2.019
		61.377	**36.556**

DKK thousand.

		2024	2023
7.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	-6.313	0
	Adjustment of deferred tax for the year	0	3.527
	Adjustment of tax for previous years	0	-467
		-6.313	**3.060**

		2024	2023
8.	**Proposed distribution of net profit**		
	Transferred to reserve for development expenditure	0	0
	Transferred to other statutory reserves	11.171	21.697
	Allocated from retained earnings	-277.649	-57.494
	Total allocations and transfers	**-266.478**	**-35.797**

DKK thousand.

		31/12 2024	31/12 2023
9.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost opening balance	2.138	8.987
	Disposals during the year	0	-6.849
	Transfers	12.101	0
	Cost end of period	**14.239**	**2.138**
	Amortisation and write-down opening balance	-2.138	-8.987
	Amortisation and depreciation for the year	-2.486	0
	Reversal of depreciation, amortisation, and impairment loss, assets disposed of	0	6.849
	Amortisation and write-down end of period	**-4.624**	**-2.138**
	Carrying amount, end of period	**9.615**	**0**

Capitalized development projects comprise the researching of new concepts and technologies, and development of new hardware and software products or mechanisms within our key segments and will be sold to our clients.

Our development activities primarily consist of development of electronic control solutions for applications in heating, ventilation, and refrigeration, driven by our commitment to a greener future. During the past year we have been focusing on more effective development process to bring our products faster to the market and reducing the development cost.

We have spent a significant part of our spending in R&D on research both internally and in cooperation with Danish universities and institutes with focus on technologies for coming development projects.

DKK thousand.

		31/12 2024	31/12 2023
10.	**Acquired concessions, patents, licenses, trademarks, and similar rights**		
	Cost opening balance	1.253	1.358
	Additions during the year	78	0
	Disposals during the year	0	-165
	Transfers	0	60
	Cost end of period	**1.331**	**1.253**
	Amortisation and write-down opening balance	-1.161	-1.290
	Amortisation and depreciation for the year	-65	-36
	Reversal of depreciation, amortisation, and impairment loss, assets disposed of	0	165
	Amortisation and write-down end of period	**-1.226**	**-1.161**
	Carrying amount, end of period	**105**	**92**

DKK thousand.

		31/12 2024	31/12 2023
11.	**Development projects in progress and prepayments for intangible assets**		
	Cost opening balance	27.816	0
	Additions during the year	17.558	27.816
	Disposals during the year	-749	0
	Transfers	-12.101	0
	Cost end of period	**32.524**	**27.816**
	Carrying amount, end of period	**32.524**	**27.816**

Capitalized development projects comprise the researching of new concepts and technologies, and development of new hardware and software products or mechanisms within our key segments and will be sold to our clients. Development projects in progress is expected to be completed during 2025 and 2026 and the projects develop as planned.

Our development activities primarily consist of development of electronic control solutions for applications in heating, ventilation, and refrigeration, driven by our commitment to a greener future. During the past year we have been focusing on more effective development process to bring our products faster to the market and reducing the development cost.

We have spent a significant part of our spending in R&D on research both internally and in cooperation with Danish universities and institutes with focus on technologies for coming development projects.

DKK thousand.

		31/12 2024	31/12 2023
12.	**Other fixtures and fittings, tools and equipment**		
	Cost opening balance	28.993	28.733
	Additions during the year	3.547	610
	Disposals during the year	-190	-371
	Transfers	0	21
	Cost end of period	**32.350**	**28.993**
	Depreciation and write-down opening balance	-25.017	-22.569
	Amortisation and depreciation for the year	-2.256	-2.819
	Reversal of depreciation, amortisation and impairment loss, assets disposed of	153	371
	Depreciation and write-down end of period	**-27.120**	**-25.017**
	Carrying amount, end of period	**5.230**	**3.976**

		31/12 2024	31/12 2023
13.	**Leasehold improvements**		
	Cost opening balance	6.408	6.454
	Disposals during the year	0	-46
	Cost end of period	**6.408**	**6.408**
	Depreciation and write-down opening balance	-5.612	-5.473
	Amortisation and depreciation for the year	-130	-185
	Reversal of depreciation, amortisation and impairment loss, assets disposed of	0	46
	Depreciation and write-down end of period	**-5.742**	**-5.612**
	Carrying amount, end of period	**666**	**796**

DKK thousand.

		31/12 2024	31/12 2023
14.	**Property, plant and equipment in progress**		
	Cost opening balance	2.783	435
	Additions during the year	3.148	2.429
	Transfers	0	-81
	Cost end of period	**5.931**	**2.783**
	Carrying amount, end of period	**5.931**	**2.783**
15.	**Investment in subsidiaries**		
	Cost opening balance	1.059.737	0
	Additions during the year	0	1.059.737
	Cost end of period	**1.059.737**	**1.059.737**
	Write-down for the year	-225.968	0
	Write-down end of period	**-225.968**	**0**
	Carrying amount, end of period	**833.769**	**1.059.737**

Financial highlights for the enterprise according to the latest approved annual report

	Equity interest	**Equity**	**Results for the year**	**Carrying amount, Bitzer Electronics A/S**
OJ Electronics A/S, Denmark	100 %	218.697	37.898	833.769
OJ Electronics Inc., USA	100 %	5.147	4.191	0
OJ Electronics Ltd., England	100 %	121	-27	0

DKK thousand.

		31/12 2024	31/12 2023
16.	**Deferred tax assets**		
	Deferred tax assets opening balance	0	3.527
	Deferred tax of the net profit or loss for the year	0	-3.527
		0	**0**
	The following items are subject to deferred tax:		
	Intangible assets	-5.622	-1.244
	Property, plant, and equipment	1.314	1.521
	Warranty provision	3.138	3.220
	Losses carried forward to next years	4.021	4.021
	Not recognized tax asset	-2.851	-7.518
		0	**0**

		31/12 2024	31/12 2023
17.	**Prepayments**		
	Other prepayments	447	254
		447	**254**

DKK thousand.

		31/12 2024	31/12 2023
18.	**Warranty provisions**		
	Warranty provisions opening balance	22.697	16.394
	Change in other provisions for the year	-1.146	6.303
		21.551	**22.697**
	Short-term part hereof	9.253	9.358
	Maturity is expected to be:		
	0-1 years	9.253	9.358
	1-5 years	12.298	13.339
		21.551	**22.697**

The Company provides warranty on certain products and thereby undertakes to repair og replace goods that are not satisfactory. Provisions have been included for expected warranty claims based on previous experience regarding the level og repairs and returns, which are estimated as stated above.

19. Contingencies

Contingent liabilities

The Company has entered into tenancy agreements, leases and other agreemens for a period up to and including 2028. Rent, lease and other payments for the period total DKK 9.513 thousands

Rent, lease and other payments for the period comprise DKK 8.502 thousands from rent agreements and DKK 1.011 thousands from lease agreements.

Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.

DKK thousand.

20. Related parties and ownership structure

Controlling interest

Related party having having a controlling interest is the parent Bitzer SE, Sindelfingen, Germany, due to the company's ownership of the entire share capital in the company.

The annual report is incorporated in the Group Consolidated Accounts og Bitzer SE, Eschenbrünnlestrasse 15, 71065 Sindenfingen, Germany.

In accordance with sector 98c (7) of the Danish Fincancial Statements Act, the company has not disclosed any related party transactions as they were conducted on an arm's length basis.

The annual report for Bitzer Electronics 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 TDKK.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Bitzer Electronics A/S and its group enterprises are included in the consolidated financial statements for Bitzer SE, Sindelfingen, Germany, reg. no. DE 81 21 61 588.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared.

Material errors in previous years

During the review of prior years' financial statements, an error was identified in the calculation of warranty provisions amounting to DKK 13,384 thousand. Of this amount, the estimated error related to 2023 is DKK 3,270 thousand. The correction results in a reduction of the warranty provision, which has a positive impact on both equity and net profit.

Additionally, an error was discovered in the basis for recognizing deferred tax. It has been determined that there is no justification for recognizing a deferred tax asset. Consequently, a correction has been made to the comparative figures, leading to a reduction in equity by DKK 7,665 thousand, recognized as a tax expense.

The above corrections have been accounted for in accordance with the applicable accounting standards, and the comparative figures have been restated accordingly.

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.

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.

Business combinations

Acquisitions completed by the 1 July 2018 or later (method of consolidation)

Acquisition of group enterprises are dealt with in accordance with the acquisition method, and afterwards the assets and liabilities of the acquired entity are measured at fair value at the date of acquisition. If it is possible to measure the value reliably, acquired contingent liabilities are measured at fair value under the item Equity investments in group enterprises.

The date of acquisition is the date when control of the acquired entity is obtained.

The cost of the acquired entity represents the fair value of the consideration agreed upon, including the considerations that are conditional on future events. Transaction costs directly attributable to the acquisition of group enterprises are recognised in the income statement as incurred.

Positive differences between the cost of the acquired entity and the identified assets and liabilities are recognised in the equity investment as goodwill, which is amortised on a straight-line basis in the income statement over the expected useful life. Amortisation of goodwill is allocated to the functions to which the goodwill relates. If the difference is negative, this is recognised immediately in the income statement.

If the allocation of the purchase price is not final, positive and negative differences from acquired group enterprises may, as a result of changes in recognition and measurement of the identified net assets, be adjusted up to 12 months from the date of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including depreciation already made.

If the cost includes contingent considerations, these are measured at fair value at the date of acquisition. Subsequently, contingent considerations at fair value are measured again. Value adjustments are recognised in the income statement.

In case of step-by-step acquisitions, the value of the hitherto equity holding in the acquired entity is measured again at the fair value at the date of acquisition. The difference between the carrying amount of the hitherto equity investment and the fair value is recognised in the income statement.

Business combinations (the carrying amount method)
In case of intercompany business combinations, the carrying amount method is applied. By this method, the two enterprises are united at carrying amounts, and differences are not identified. Any considerations exceeding the carrying amount in the acquired entity are recognised directly in equity.

The carrying amount method is implemented on the acquisition date, and comparative figures are not modified.

Income statement

Gross profit
In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

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.

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 external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs
Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

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.

Income from investments in subsidiaries

Dividend from investments is recognised in the reporting year in which the dividens is declared.

Dividend from investment in group enterprise is recognised in the financial year in which the dividend is declared.

If the dividend received exceeds the proportionate share of the year's result, this is considered an indication of impairment, which entails a requirement to prepare an impairment test.

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 company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable by the Danish consolidated companies is paid to the tax authorities by the company.

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

Development costs comprise salaries, wages, and amortisation directly or indirectly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and write-downs for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 3 years.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

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.

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
Leasehold improvements	3-10 years
Other fixtures and fittings, tools and equipment	2-10 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.

Property, plant, and equipment in progress

Property, plant, and equipment in progress are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Leases

All leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Investments in group enterprise

Investments in group enterprise is recognised and measured at cost. If the recoverable amount is lower than the cost price, it shall be written down for impairment to this lower value.

The carrying amount of both intangible and tangible fixed assets as well as equity investment in group enterprise 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.

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.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

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 and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

As administration company, Bitzer Electronics A/S is liable to the tax authorities for the subsidiaries' corporate income taxes.

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. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Warranty provisions comprise liabilities for repairs within the guarantee period. Provisions for warranty commitments are measured on basis of the obtained experience with guarantee work. Provisions with an expected due date later than 1 year from the reporting date are discounted at a rate reflecting risk and maturity of the liability.

Liabilities other than provisions

Liabilities other than provisions relating to investment properties are measured at amortised cost.