Multi-Wing International A/S

Staktoften 16, DK-2950 Vedbæk

Annual Report for 2022

CVR No. 11 95 95 98

The Annual Report was presented and adopted at the Annual General Meeting of the company on 30/6 2023

Jens Antonsen
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 Financial Statements of Multi-Wing International 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 give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations 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 Financial Statements be adopted at the Annual General Meeting.

Copenhagen, 30 June 2023

Executive Board

Lisbeth Tonsberg
Executive Officer

Board of Directors

Jesper Bernhoft Chairman	Daniel Williams	Jens Schmidt Antonsen

Independent Auditor's report

To the shareholder of Multi-Wing International A/S

Opinion

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

We have audited the Financial Statements of Multi-Wing International 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 ("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 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.

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 Financial Statements Act.

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

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.

Independent Auditor's report

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 internal control.

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

Independent Auditor's report

- 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.

Hellerup, 30 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild	Jacob Dannefer
statsautoriseret revisor	statsautoriseret revisor
mne33262	mne47886

Company information

The Company	Multi-Wing International A/S Staktoften 16 DK-2950 Vedbæk
	CVR No: 11 95 95 98
	Financial period: 1 January - 31 December
	Incorporated: 1 December 1987
	Financial year: 34th financial year
	Municipality of reg. office: Vedbæk
Board of Directors	Jesper Bernhoft, chairman Daniel Williams Jens Schmidt Antonsen
Executive Board	Lisbeth Tonsberg
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	7,839	68,074	41,685	56,157	58,312
Profit/loss before financial income and expenses	-22,649	42,287	18,972	32,680	25,649
Profit/loss of financial income and expenses	-1,376	-427	-661	-43	-307
Net profit/loss	-19,194	32,372	14,637	27,564	27,564
Balance sheet					
Balance sheet total	152,969	115,075	113,396	125,391	90,474
Equity	9,752	44,946	27,574	42,938	37,480
Ratios					
Return on assets	-14.8%	36.7%	16.7%	26.1%	28.3%
Solvency ratio	6.4%	39.1%	24.3%	34.2%	41.4%
Return on equity	-70.2%	89.3%	41.5%	68.6%	81.8%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Key activities

The Multi-Wing Group develops, design, produce, markets, sells and supplies a flexible and modular variety of axial impellers utilized in engine cooling, commercial refrigeration, industrial ventilation and HVAC applications. The activities include axial impellers, high-performance fan solutions as well as services and related replacement parts.

About Multi-Wing International

Multi-Wing is the world's leading expert and dedicated manufacturer of tailor-made axial fans and high-performance fan solutions. For over 60 years, Multi-Wing has designed and built custom axial fans for radiator and engine cooling, ventilation, air conditioning, heating and refrigeration markets all over the world.

Multi-Wing Group was originally founded by Finn Sigurd Andersen in 1938 as a local company trading hand tools and oil filters with small customers in Denmark. Today we support customers globally and meet their complex air-moving requirements. Multi-Wing's engineered axial fans are comprised of various blade and hub configurations, based on each application's performance requirements.

The key to success is our innovative modular system that allows us to create a very wide range of axial fans custom made for the specific application and tailor-made for customer needs. These capabilities have enabled Multi-Wing Group to expand into the market for fan solutions, where the axial fans are crucial for the efficiency of our customers.

High-strength, diecast aluminum hubs are combined with high-efficiency blade profiles, which are moulded in engineered thermoplastics or die cast in aluminum. Machining, assembly, trimming and balancing are performed under the best and ISO 9001:2015 certified conditions to create the perfect axial fan to match our customers' needs. .

Development in the year

The income statement of the Company for 2022 shows a loss of TDKK 19,194, and at 31 December 2022 the balance sheet of the Company shows positive equity of TDKK 9,752.

The year at a glance

2022 was a year of focus on growth and preparing for the future.

The profit before financial income and expenses, is negatively affected by the support from consultants who have helped identify the full potential of the group, including actions across all of the entities to meet this potential.

Management's review

Risk Management

As a result of its operations, investments and financing, the Group is exposed to volatility in raw material prices, freight rates, exchange rates and interest rates.

The impeller components are cast in aluminum and engineered thermoplastics. In addition, fan solutions is exposed to external sourcing of other components. As freight prices have increased, freight has become a relatively larger part of the cost for delivering the goods and offerings to customers. The markets for the components, materials and freight are somewhat cyclical and are sensitive to increasing oil prices and, to some extent, the development of the USD exchange rate.

Increases in freight and raw material prices are in large transferred to our customers following the contractual terms and conditions.

Due to its international footprint, the Group is exposed to fluctuations in foreign currencies.

Changes in the interest levels may affect the financial result. The need for hedging the interest exposure is evaluated on an ongoing basis, in order to mitigate potential future risks.

Targets and the expectations for the year ahead

The uncertainty to the business environment is higher than ever before. Following a year with a lot of changes, both in terms of uncertainty and new opportunities, we still have limited predictability into the full year of 2023. However, we do expect to grow our core-markets, as well as the new fan solutions, potentially with a higher growth share in fan solutions. The growing share of fan solutions is expected to dilute the gross margin. The volatility in raw materials through out 2022 has put some pressure on the gross margin, which is expected to continue into 2023, partly offset by the lower level of freight prices seen in the end of 2022 and 2023.

Multi-Wing Internationalis investing in increased capabilities to strengthen the overall, longterm profitability of the company, which also reflect in the performance of the year. We expect the net profit in 2023 to be between 5 - 10 MDKK .

Research and development activities

The Group has ongoing development projects, which are driven by the expectations of future demand as well as the potential development of the technology involved.
The major part of development projects is related to the development of new types of fans with a particular focus on noise reduction and energy optimization. The projects are proceeding as planned and expected to be completed within 1 to 5 years. The increased demands for environmental impact in both the US and the EU lead to an increased focus and demand for this type of fans.
In addition, the Group initiated an investment in the development of a new group-wide IT system, including both ERP and CRM, with the purpose to strengthen the business support and transparency, and enable the ambitious plans for the coming years.
All development projects carried out by the Group, are aiming to reach a business viable state, where the outcome of the project is brought to market and to generate future revenue. Uncertainties relates to external factors, and the most critical part is to ensure that new offerings and products meet the US and EU standards.

Intellectual capital resources

With the ambition to be the market leader, the Group is focused on attracting and retaining a highly skilled workforce as well as being at the forefront of the latest technologies in its core competency areas. The main objective is to work with innovative approaches that will improve and streamline the interaction with customers.

Statutory CSR report

We refer to the Annual Report of Multi-Wing Group A/S.

Management's review

Unusual events

The financial position on 31 December 2022 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

No events have occurred after the balance sheet date which significantly affects the Group's financial position.

Income statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Revenue		264,916	238,445
Work on own account recognised in assets		-86	1,684
Other operating income		16,446	7,674
Expenses for raw materials and consumables		-160,045	-132,698
Other external expenses		-113,392	-47,031
Gross profit		**7,839**	**68,074**
Staff expenses	1	-22,452	-18,422
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-8,036	-7,365
Profit/loss before financial income and expenses		**-22,649**	**42,287**
Financial income	3	1,125	849
Financial expenses	4	-2,501	-1,276
Profit/loss before tax		**-24,025**	**41,860**
Tax on profit/loss for the year	5	4,831	-9,488
Net profit/loss for the year	6	**-19,194**	**32,372**

Balance sheet 31 December

Assets

	Note	2022	2021
		TDKK	TDKK
Completed development projects		9,579	7,452
Development projects in progress		15,157	12,961
Intangible assets	7	**24,736**	**20,413**
Other fixtures and fittings, tools and equipment		17,802	14,920
Leasehold improvements		1,160	587
Property, plant and equipment	8	**18,962**	**15,507**
Fixed assets		**43,698**	**35,920**
Inventories	9	**21,993**	**18,183**
Trade receivables		1,900	2,071
Receivables from group enterprises		60,584	48,099
Other receivables		8,929	1,679
Prepayments	10	2,516	1,468
Receivables		**73,929**	**53,317**
Current asset investment		**11**	**11**
Cash at bank and in hand		**13,338**	**7,644**
Current assets		**109,271**	**79,155**
Assets		**152,969**	**115,075**

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		500	500
Reserve for development costs		19,293	14,900
Retained earnings		-10,041	13,546
Proposed dividend for the year		0	16,000
Equity		**9,752**	**44,946**
Provision for deferred tax	11	4,270	4,270
Provisions		**4,270**	**4,270**
Trade payables		10,883	14,566
Payables to group enterprises		62,152	32,836
Corporation tax		3,905	8,776
Other payables		62,007	9,681
Short-term debt		**138,947**	**65,859**
Debt		**138,947**	**65,859**
Liabilities and equity		**152,969**	**115,075**

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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	14,900	13,546	16,000	44,946
Ordinary dividend paid	0	0	0	-16,000	-16,000
Development costs for the year	0	4,393	-4,393	0	0
Net profit/loss for the year	0	0	-19,194	0	-19,194
Equity at 31 December	**500**	**19,293**	**-10,041**	**0**	**9,752**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

1. Staff Expenses

	2022	2021
Wages and salaries	18,207	15,507
Pensions	3,392	2,517
Other social security expenses	263	213
Other staff expenses	590	185
	22,452	**18,422**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

	2022	2021
Average number of employees	**28**	**26**

	2022	2021
	TDKK	TDKK

2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment

	2022	2021
Amortisation of intangible assets	3,124	2,300
Depreciation of property, plant and equipment	4,912	5,065
	8,036	**7,365**

	2022	2021
	TDKK	TDKK

3. Financial income

	2022	2021
Interest received from group enterprises	85	315
Exchange adjustments	1,040	534
	1,125	**849**

Notes to the Financial Statements

4. Financial expenses

	2022	2021
	TDKK	TDKK
Interest paid to group enterprises	1,621	336
Other financial expenses	85	505
Exchange adjustments, expenses	795	435
	2,501	**1,276**

5. Income tax expense

	2022	2021
	TDKK	TDKK
Current tax for the year	-4,831	8,938
Deferred tax for the year	0	550
	-4,831	**9,488**

6. Profit allocation

	2022	2021
	TDKK	TDKK
Proposed dividend for the year	0	16,000
Retained earnings	-19,194	16,372
	-19,194	**32,372**

Notes to the Financial Statements

7. Intangible fixed assets

	Completed development projects	Develop- ment projects in progress
	TDKK	TDKK
Cost at 1 January	40,418	12,961
Additions for the year	0	7,447
Transfers for the year	5,251	-5,251
Cost at 31 December	45,669	15,157
Impairment losses and amortisation at 1 January	32,966	0
Amortisation for the year	3,124	0
Impairment losses and amortisation at 31 December	36,090	0
Carrying amount at 31 December	**9,579**	**15,157**

The major development projects are related to the development of new types of axial impellers with a particular focus on noise reduction and energy optimization. the projects are proceeding as planned and expected to be completed within 1 to 5 years. The increased demands for environmental impact in both the US and the EU mean that there is increased focus and demand for these types of axial impellers.

In addition, the ERP system will roll out for the Danish entities in 2023 but for the rest of the group in 2024

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 January	64,103	1,496
Additions for the year	7,608	780
Cost at 31 December	71,711	2,276
Impairment losses and depreciation at 1 January	49,204	909
Depreciation for the year	4,705	207
Impairment losses and depreciation at 31 December	53,909	1,116
Carrying amount at 31 December	**17,802**	**1,160**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
9. Inventories		
Finished goods and goods for resale	20,568	17,289
Prepayments for goods	1,425	894
	21,993	**18,183**

10. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

	2022	2021
	TDKK	TDKK
11. Provision for deferred tax		
Deferred tax liabilities at 1 January	4,270	3,720
Amounts recognised in the income statement for the year	0	550
Deferred tax liabilities at 31 December	**4,270**	**4,270**

12. Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company and its Danish subsidiaries are jointly taxed with the Danish companies of Nortre Administration ApS. The total amount of corporation tax payable is disclosed in the Annual Report of Nortre Administration 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 unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The company is jointly registered for VAT with Multi-Wing Group A/S , Multi-Wing International A/S and Wind Dynamic ApS. These companies are jointly and severally liable to VAT under this registration.

Notes to the Financial Statements

13. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Multi-Wing Group A/S	Parent

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, only transactions that are not performed on market conditions are to be disclosed.

Consolidated Financial Statements

The company is included in the consolidated report for the parent company:

Name	Place of registered office
MWG Holdco ApS	Vedbæk
Multi-Wing Group A/S	Vedbæk

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Multi-Wing International 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.

With regards to the true and fair view of the annual report, certain reclassifications have been made to the balance sheet and notes. Comparative figures have been adjusted accordingly.

The Financial Statements for 2022 are presented in TDKK.

Adjustment of comparative figures

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Multi-Wing Group A/S, the Company has not prepared a cash flow statement.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

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 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.

Notes to the Financial Statements

Segment information on revenue

Information on business segments and geographical segments is based on the Company´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Net sales

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 Company.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

With regards to the true and fair view of the annual report, certain reclassifications have been made to the balance sheet and notes. Comparative figures have been adjusted accordingly.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

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

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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Development projects

Development costs incurred in connection with development projects comprise the internal and external expenses that are directly attributable to the Company's development activities and which meet the criteria for recognition.

Capitalised development costs are measured at cost less accumulated amortisation or at the recoverable amount where this is lower.
Development costs are usually depreciated over a period of 3 - 5 years.

Capitalized development costs subsequent to 1 January 2016 less depreciation are transferred under equity to net revaluation reserve for development cost.

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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3 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.

Inventories

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

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

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

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

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 rent, insurance premiums, subscriptions and interest.

Current Asset Investments

Current 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.

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 repor- ting 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 legisla- tion 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.

Financial debts

Loans, such as 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.

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

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Return on assets	Profit before financials x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity