
Hengst Air Filtration Denmark A/S

Bergenvvej 1, DK-4900 Nakskov

Annual Report for 2023

CVR No. 15 11 08 99

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 29/2 2024

Frank Lykke Petersen
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 Hengst Air Filtration Denmark A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company operations and cash flows for 2023.

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.

Nakskov, 29 February 2024

Executive Board

Frank Lykke Petersen
Managing Director

Board of Directors

Ulrich Eich
Chairman

Howard Samuel Boyer

Christoph Cramer

Independent Auditor's report

To the shareholder of Hengst Air Filtration Denmark 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 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Hengst Air Filtration Denmark A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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.
- 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, 29 February 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen

State Authorised Public Accountant

mne16675

Nikolaj Erik Johnsen

State Authorised Public Accountant

mne35806

Company information

The Company	Hengst Air Filtration Denmark A/S Bergenvej 1 DK-4900 Nakskov Telephone: + 45 5495 1390 Website: www.hengst.com CVR No: 15 11 08 99 Financial period: 1 January - 31 December Municipality of reg. office: Lolland
Board of Directors	Ulrich Eich, chairman Howard Samuel Boyer Christoph Cramer
Executive Board	Frank Lykke Petersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	51,259	48,523	43,473	41,131	44,753
Profit/loss of primary operations	10,187	7,363	5,551	1,042	-647
Profit/loss of financial income and expenses	-394	-627	-514	-731	-190
Net profit/loss for the year	7,611	5,413	3,789	243	-672
Balance sheet					
Balance sheet total	68,316	71,046	63,647	65,132	67,246
Equity	47,513	41,914	36,502	32,592	32,243
Cash flows					
Cash flows from:					
- operating activities	6,417	4,638	3,207	7,325	10,648
- investing activities	-3,667	-2,465	-1,581	-1,605	-3,756
- financing activities	-3,606	1,161	-4,509	-4,262	-1,076
Change in cash and cash equivalents for the year	-856	3,334	-2,883	1,458	5,816
Number of employees	73	78	72	82	93
Ratios					
Solvency ratio	69.5%	59.0%	57.4%	50.0%	47.9%
Return on equity	17.0%	13.8%	11.0%	0.7%	-2.1%

Management's review

Key activities

The main activities of the Company are manufacturing and sale of filter cartridges for industrial use in static- and pulse dust collectors and filter elements for use in the Gas Turbine Industry.

The products are mainly sold on the export markets.

Development in the year

The income statement of the Company for 2023 shows a profit of DKK 7,611,487, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 47,513,436.

After a year 2022 with substantial price increases on raw materials, the prices have stabilized in year 2023.

Year 2023 was, in regard to turnover, in accordance with our expectations, however in Q4 we experienced a drop in turnover. The decrease in turnover was partly compensated by cost savings.

The final result in the Annual Report year 2023 is in accordance with our expectations, as expressed in the Management Review in the Annual Report year 2022, and therefore to be considered acceptable.

As part of a continuing integration into the Hengst Group, the company changed name in October 2023, from Nordic Air Filtration A/S to Hengst Air Filtration Denmark A/S.

Financing and expected development

The Company is expecting an economical improvement in year 2024, compared to year 2023, in terms of increase in turnover and profitability. The expected increase in turnover is based on a decision to increase the Sales Staff during year 2024.

The Company expects a result before tax of year 2024 to improve by DKK 2 – 4 mill compared to year 2023.

Price risks

The price level of the Company's raw materials is fluctuating and therefore presents a risk as price increase only to some extent can be included in the prices of the finished products.

Currency exposure

Because a significant part of the goods is exported and the main part of the raw materials are imported, the result, cash flow and equity are affected by the changes in interest rates and exchange rates for a number of currencies. The Company does not make use of any instruments to hedge the exchange rate risks.

Foreign exchange adjustments of T.DKK 316 is recognized as an expense in the profit and loss account in year 2023.

Interest rate exposure

Moderate changes in the level of interest will have no considerable direct effect on earnings.

Environmental and safety conditions

Through investments, and production planning, the Company has obtained all necessary environmental authorizations. The Company is constantly aiming at investments and working routines, that improves the safety of the working conditions.

Research and development activities

Development activities are carried out successively. Development activities primarily comprise the development of new products and production methods and comprise external expenses.

Management's review

Consolidation

Hengst Air Filtration Denmark A/S is a 100% owned subsidiary of Hengst SE.

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	2023	2022
		DKK	DKK
Gross profit		51,258,925	48,523,143
Staff expenses	1	-38,372,670	-38,118,939
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-2,698,835	-3,040,789
Profit/loss before financial income and expenses		10,187,420	7,363,415
Financial income	3	203,491	16,086
Financial expenses	4	-597,982	-643,417
Profit/loss before tax		9,792,929	6,736,084
Tax on profit/loss for the year	5	-2,181,442	-1,323,311
Net profit/loss for the year	6	7,611,487	5,412,773

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK	DKK
Acquired licenses		710,215	1,111,538
Intangible assets	7	710,215	1,111,538
Land and buildings		11,495,824	10,586,921
Plant and machinery		5,522,260	6,091,829
Other fixtures and fittings, tools and equipment		545,248	352,420
Property, plant and equipment in progress		2,796,569	2,205,757
Property, plant and equipment	8	20,359,901	19,236,927
Fixed assets		21,070,116	20,348,465
Inventories	9	24,978,910	22,941,134
Trade receivables		10,103,567	13,463,806
Receivables from group enterprises		224,521	835,196
Other receivables		1,501,917	2,248,166
Prepayments		221,050	138,080
Receivables		12,051,055	16,685,248
Cash at bank and in hand		10,215,523	11,071,343
Current assets		47,245,488	50,697,725
Assets		68,315,604	71,046,190

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		500,000	500,000
Retained earnings		45,025,962	41,414,475
Proposed dividend for the year		1,987,474	0
Equity		47,513,436	41,914,475
Provision for deferred tax		2,168,581	2,149,347
Other provisions	10	817,000	1,274,800
Provisions		2,985,581	3,424,147
Mortgage loans		2,968,582	3,250,060
Long-term debt	11	2,968,582	3,250,060
Mortgage loans	11	349,282	396,000
Credit institutions		46,930	18,848
Prepayments received from customers		266,123	183,836
Trade payables		8,042,848	11,284,835
Payables to group enterprises		1,309,308	2,585,959
Corporation tax		153,230	1,797,934
Other payables		4,680,284	6,190,096
Short-term debt		14,848,005	22,457,508
Debt		17,816,587	25,707,568
Liabilities and equity		68,315,604	71,046,190
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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	500,000	41,414,475	0	41,914,475
Extraordinary dividend paid	0	-2,012,526	0	-2,012,526
Net profit/loss for the year	0	5,624,013	1,987,474	7,611,487
Equity at 31 December	500,000	45,025,962	1,987,474	47,513,436

Cash flow statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Result of the year		7,611,487	5,412,773
Adjustments	12	5,274,768	4,991,431
Change in working capital	13	-2,616,389	-4,655,136
Cash flow from operations before financial items		10,269,866	5,749,068
Financial income		203,491	16,086
Financial expenses		-581,566	-627,000
Cash flows from ordinary activities		9,891,791	5,138,154
Corporation tax paid		-3,474,660	-500,000
Cash flows from operating activities		6,417,131	4,638,154
Purchase of property, plant and equipment		-3,667,244	-2,465,496
Cash flows from investing activities		-3,667,244	-2,465,496
Repayment of mortgage loans		-344,612	-395,804
Repayment of loans from credit institutions		28,082	12,341
Repayment of payables to group enterprises		-1,276,651	1,544,797
Dividend paid		-2,012,526	0
Cash flows from financing activities		-3,605,707	1,161,334
Change in cash and cash equivalents		-855,820	3,333,992
Cash and cash equivalents at 1 January		11,071,343	7,737,351
Cash and cash equivalents at 31 December		10,215,523	11,071,343
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10,215,523	11,071,343
Cash and cash equivalents at 31 December		10,215,523	11,071,343

Notes to the Financial Statements

	2023	2022
	DKK	DKK
1. Staff Expenses		
Wages and salaries	33,560,620	34,416,434
Pensions	2,995,218	2,154,822
Other social security expenses	873,163	904,332
Other staff expenses	943,669	643,351
	38,372,670	38,118,939

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

Average number of employees	73	78
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	2023	2022
	DKK	DKK
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	401,323	615,655
Depreciation of property, plant and equipment	2,350,012	2,425,134
Gain and loss on disposal	-52,500	0
	2,698,835	3,040,789

	2023	2022
	DKK	DKK
3. Financial income		
Other financial income	203,491	16,086
	203,491	16,086

	2023	2022
	DKK	DKK
4. Financial expenses		
Other financial expenses	282,179	123,557
Exchange loss	315,803	519,860
	597,982	643,417

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
5. Income tax expense		
Current tax for the year	2,112,008	1,913,010
Deferred tax for the year	74,234	-362,627
Adjustment of tax concerning previous years	-4,800	-227,072
	<u>2,181,442</u>	<u>1,323,311</u>

	<u>2023</u>	<u>2022</u>
	DKK	DKK
6. Profit allocation		
Extraordinary dividend paid	2,012,526	0
Proposed dividend for the year	1,987,474	0
Retained earnings	3,611,487	5,412,773
	<u>7,611,487</u>	<u>5,412,773</u>

7. Intangible fixed assets

	<u>Acquired licenses</u>
	DKK
Cost at 1. January	6,222,985
Disposals for the year	-586,040
Cost at 31. December	<u>5,636,945</u>
Impairment losses and depreciation at 1. January	5,111,447
Depreciation for the year	401,323
Reversal of impairment and depreciation of sold assets	-586,040
Impairment losses and depreciation at 31. December	<u>4,926,730</u>
Carrying amount at 31. December	<u>710,215</u>

Notes to the Financial Statements

8. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1. January	23,029,105	28,197,976	2,428,378	2,205,757
Additions for the year	744,641	719,464	354,039	1,901,600
Disposals for the year	0	0	-143,680	-246,758
Transfers for the year	1,064,030	0	0	-1,064,030
Cost at 31. December	<u>24,837,776</u>	<u>28,917,440</u>	<u>2,638,737</u>	<u>2,796,569</u>
Impairment losses and depreciation at 1. January	12,442,184	22,106,147	2,075,958	0
Depreciation for the year	899,768	1,289,033	161,211	0
Reversal of impairment and depreciation of sold assets	0	0	-143,680	0
Impairment losses and depreciation at 31. December	<u>13,341,952</u>	<u>23,395,180</u>	<u>2,093,489</u>	<u>0</u>
Carrying amount at 31. December	<u>11,495,824</u>	<u>5,522,260</u>	<u>545,248</u>	<u>2,796,569</u>

9. Inventories

	2023 DKK	2022 DKK
Raw materials and consumables	22,294,699	19,923,097
Finished goods and goods for resale	2,684,211	3,018,037
	<u>24,978,910</u>	<u>22,941,134</u>

10. Other provisions

	2023 DKK	2022 DKK
Warranty provision for goods	817,000	1,274,800
	<u>817,000</u>	<u>1,274,800</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
11. 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:		
Mortgage loans		
After 5 years	0	0
Between 1 and 5 years	<u>2,968,582</u>	<u>3,250,060</u>
Long-term part	2,968,582	3,250,060
Within 1 year	<u>349,282</u>	<u>396,000</u>
	<u>3,317,864</u>	<u>3,646,060</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
12. Cash flow statement - Adjustments		
Financial income	-203,491	-16,086
Financial expenses	597,982	643,417
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,698,835	3,040,789
Tax on profit/loss for the year	<u>2,181,442</u>	<u>1,323,311</u>
	<u>5,274,768</u>	<u>4,991,431</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
13. Cash flow statement - Change in working capital		
Change in inventories	-2,037,776	-2,093,202
Change in receivables	4,634,193	-2,508,889
Change in other provisions	-457,800	408,800
Change in trade payables, etc	<u>-4,755,006</u>	<u>-461,845</u>
	<u>-2,616,389</u>	<u>-4,655,136</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
14. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with a carrying amount of	11,495,824	10,586,921
Debt to credit institutions is further secured by way of owners mortgage in land and buildings of DKK 5,200k.		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	141,374	181,500
Between 1 and 5 years	69,563	60,500
	<u>210,937</u>	<u>242,000</u>

15. Related parties and disclosure of consolidated financial statements

Nordic Air Filtration A/S is included in the consolidated financial statement of:

Name	Place of registered office
Hengst Holding SE & Co. KG	Münster, Germany

Notes to the Financial Statements

16. Accounting policies

The Annual Report of Hengst Air Filtration Denmark A/S for 2023 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 Financial Statements for 2023 are presented in DKK.

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.

Leases

Leases in terms of which the Company 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 Company.

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. Gains and losses 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.

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.

Notes to the Financial Statements

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

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 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 expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

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

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment 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 deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Intangible assets, including software etc., are measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

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.

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:

Properties	5-30 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	2-10 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 and investments 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.

In addition to the direct costs, freight and duties are added to the inventory. The amounts are calculated based on total cost of sales and related freight and duty expenses for the year.

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 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.

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.

Notes to the Financial Statements

Prepayments

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

Equity

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

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 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.

Financial liabilities

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.

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

Cash Flow Statement

The cash flow statement shows the Company'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 Company'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.

Notes to the Financial Statements

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 as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Financial Highlights

Explanation of financial ratios

Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$