



Nexion Northern Europe A/S

Barrit Langgade 188-190
7150 Barrit
CVR No. 16174394

Annual report 2022

The Annual General Meeting adopted the
annual report on 23.06.2023

Martin Klitgaard

Chairman of the General Meeting

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Entity details

Entity

Nexion Northern Europe A/S

Barrit Langgade 188-190

7150 Barrit

Business Registration No.: 16174394

Registered office: Hedensted

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

John Bøgholm Frederiksen

Giulio Corghi

Cinzia Corghi

Claudio Spiritelli

Kim Josef Stelmach

Executive Board

Martin Klitgaard

Claudio Spiritelli

Kim Schou Petersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Nexion Northern Europe A/S for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Barrit, 23.06.2023

Executive Board

Martin Klitgaard

Claudio Spiritelli

Kim Schou Petersen

Board of Directors

John Bøgholm Frederiksen

Giulio Corghi

Cinzia Corghi

Claudio Spiritelli

Kim Josef Stelmach

Independent auditor's report

To the shareholders of Nexion Northern Europe A/S

Opinion

We have audited the financial statements of Nexion Northern Europe A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Kolding, 23.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bo Damgaard Hansen

State Authorised Public Accountant
Identification No (MNE) mne34543

Thomas Aamand Lund

State Authorised Public Accountant
Identification No (MNE) mne47764

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2018/19 DKK'000	2017/18 DKK'000
Key figures					
Gross profit/loss	55,043	37,860	44,571	77,066	80,088
Operating profit/loss	4,966	(10,376)	(20,782)	(60,846)	918
Net financials	(1,961)	(5,891)	1,455	(3,042)	(2,363)
Profit/loss for the year	19,762	(8,973)	(17,444)	(54,765)	42,490
Total assets	330,087	298,203	274,464	403,611	336,959
Investments in property, plant and equipment	1,653	1,459	520	4,782	9,804
Equity	67,550	50,527	17,934	38,800	97,306
Ratios					
Return on equity (%)	33.47	(26.21)	(61.49)	(80.47)	39.00
Equity ratio (%)	20.46	16.94	6.53	9.61	28.88

The financial year 2018/2019 consists of 18 months, and can therefore not be compared to the other financial years.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity

Equity ratio (%):

$\frac{\text{Equity}}{\text{Total assets}} * 100$

Total assets

Primary activities

The Company's activities are manufacturing and sale and service of equipment for garages, including sales of compressors, spare parts, accessories and services. The Company is also the ultimate holding company in Nexion Northern Europe Group fully owned by Nexion Group. The Company is responsible for the overall management and administration of the Nexion Northern Europe Group.

Development in activities and finances

With effect from January 1st 2022 it was decided to merge the Danish legal entities (Stenhøj DK A/S, Stenhøj A/S and Stenhøj Holding A/S) into one legal entity named Nexion Northern Europe A/S. Main reasons for the merger were to streamline and simplify both the legal structure and the internal workflows.

Profit for the year amount to DKK 19.8 million which is considered satisfactory and as expected compared to the expectations in the beginning of the year.

Profit/loss for the year in relation to expected developments

Based on the fact that the general economic environment and thus the business activity level were impacted by the Russian invasion of Ukraine and the continuous raw material price fluctuations, the profit for the year of DKK 19.8 million is considered satisfactory.

The result also confirms that adjustments made to the organization during the last years have resulted in a more sustainable business model.

Outlook

For the fiscal year 2023 a profit before tax in the DKK 12-17 million is expected.

Environmental performance

The Company's activities are performed with respect to granted environmental approvals.

The use of materials injurious to the environment in the production process is very limited since these materials to the widest extent possible are substituted by more environmentally neutral materials.

Research and development activities

The Company is developing new products and developing designs on a continuous basis. The sales- and marketing activities also comprise an ongoing development of concepts within sales and service in order to enhance the customer experience.

Apart from this no particular development activities are carried out throughout the Company.

Income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Gross profit/loss		55,043	37,860
Distribution costs		(10,337)	(9,619)
Administrative expenses		(39,740)	(38,617)
Operating profit/loss		4,966	(10,376)
Income from investments in group enterprises		17,494	7,294
Income from investments in associates		(1,249)	0
Other financial income	3	1,669	213
Other financial expenses	4	(3,630)	(6,104)
Profit/loss before tax		19,250	(8,973)
Tax on profit/loss for the year	5	512	0
Profit/loss for the year	6	19,762	(8,973)

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	8	1,022	2,775
Acquired trademarks		8,501	9,055
Goodwill		7,028	8,184
Development projects in progress	8	107	413
Intangible assets	7	16,658	20,427
Land and buildings		5,700	6,309
Plant and machinery		5,515	5,387
Other fixtures and fittings, tools and equipment		615	759
Property, plant and equipment	9	11,830	12,455
Investments in group enterprises		157,346	144,154
Investments in associates		373	1,622
Financial assets	10	157,719	145,776
Fixed assets		186,207	178,658
Raw materials and consumables		11,987	15,542
Work in progress		13,637	15,644
Manufactured goods and goods for resale		31,090	35,954
Inventories		56,714	67,140
Trade receivables		20,622	18,696
Receivables from group enterprises		43,362	20,189
Deferred tax	11	9,216	9,216
Other receivables		2,888	2,382
Prepayments	12	1,221	1,317
Receivables		77,309	51,800
Cash		9,857	605
Current assets		143,880	119,545
Assets		330,087	298,203

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	13	17,428	17,428
Translation reserve		193	3,702
Reserve for fair value adjustments of hedging instruments		0	684
Reserve for net revaluation according to the equity method		59,712	46,520
Reserve for development expenditure		797	2,164
Retained earnings		(10,580)	(19,971)
Equity		67,550	50,527
Other provisions	14	494	1,056
Provisions		494	1,056
Mortgage debt		10,644	13,614
Lease liabilities		618	1,762
Debt to other credit institutions		409	1,643
Payables to group enterprises		74,365	0
Other payables	15	8,571	12,549
Non-current liabilities other than provisions	16	94,607	29,568
Current portion of non-current liabilities other than provisions	16	3,695	8,454
Payables to other credit institutions		24,078	80,426
Trade payables		27,279	29,045
Payables to group enterprises		88,043	73,930
Tax payable		22	0
Other payables	17	24,319	25,197
Current liabilities other than provisions		167,436	217,052
Liabilities other than provisions		262,043	246,620
Equity and liabilities		330,087	298,203
Events after the balance sheet date	1		
Staff costs	2		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Non-arm's length related party transactions	21		
Group relations	22		

Statement of changes in equity for 2022

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000
Equity beginning of year	17,428	3,702	684	46,520	2,164
Exchange rate adjustments	0	(3,509)	0	0	0
Fair value adjustments of hedging instruments	0	0	1,044	0	0
Tax of entries on equity	0	0	(274)	0	0
Dissolution of reserves	0	0	(1,454)	0	(1,367)
Profit/loss for the year	0	0	0	13,192	0
Equity end of year	17,428	193	0	59,712	797

	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	(19,971)	50,527
Exchange rate adjustments	0	(3,509)
Fair value adjustments of hedging instruments	0	1,044
Tax of entries on equity	0	(274)
Dissolution of reserves	2,821	0
Profit/loss for the year	6,570	19,762
Equity end of year	(10,580)	67,550

Notes

1 Events after the balance sheet date

The company has sold part of its activities related to sales of consumables to an external company. The estimated impact to the result for 2023 is minor. The sale doesn't change the expactions to 2023.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	80,828	71,674
Pension costs	3,002	2,731
Other social security costs	1,082	1,013
Other staff costs	3,191	2,367
	88,103	77,785
Number of employees at balance sheet date	167	161

By reference to section 98b(3), (ii), of the Danish Financial Act, remuneration to the Executive Board and the Board and the Board of Directors in the group and in the parent company is not disclosed.

3 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	181	63
Other interest income	25	40
Exchange rate adjustments	1,463	50
Other financial income	0	60
	1,669	213

4 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	1,273	483
Other interest expenses	2,103	2,646
Exchange rate adjustments	0	2,897
Other financial expenses	254	78
	3,630	6,104

5 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Change in deferred tax	(230)	0
Adjustment concerning previous years	(282)	0
	(512)	0

6 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Retained earnings	19,762	(8,973)
	19,762	(8,973)

7 Intangible assets

	Completed development projects DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	17,671	11,653	12,163	413
Transfers	0	0	0	(413)
Additions	415	0	0	107
Cost end of year	18,086	11,653	12,163	107
Amortisation and impairment losses beginning of year	(14,896)	(2,598)	(3,979)	0
Amortisation for the year	(2,168)	(554)	(1,156)	0
Amortisation and impairment losses end of year	(17,064)	(3,152)	(5,135)	0
Carrying amount end of year	1,022	8,501	7,028	107

8 Development projects

The basis for capitalising the development projects are that these investments in products and technologies of importance to the future business of the group since they are expected to ensure a competitive edge in the market. No indications of impairment was identified at the balance date.

9 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	60,962	53,359	17,257
Additions	0	1,601	52
Cost end of year	60,962	54,960	17,309
Depreciation and impairment losses beginning of year	(54,653)	(47,972)	(16,498)
Depreciation for the year	(609)	(1,473)	(196)
Depreciation and impairment losses end of year	(55,262)	(49,445)	(16,694)
Carrying amount end of year	5,700	5,515	615

10 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000
Cost beginning of year	97,634	1,053
Cost end of year	97,634	1,053
Revaluations beginning of year	46,520	569
Exchange rate adjustments	(3,509)	0
Amortisation of goodwill	(795)	0
Share of profit/loss for the year	10,723	0
Adjustment of intra-group profits	6,952	0
Reversal of revaluations	0	(569)
Other adjustments	(179)	0
Revaluations end of year	59,712	0
Impairment losses for the year	0	(680)
Impairment losses end of year	0	(680)
Carrying amount end of year	157,346	373

Hereof non amortised goodwill at 4.00 mDKK

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
GEMCO Equipment Ltd.	Northampton, England	Ltd.	100.00
GEMCO UK Ltd.	Northampton, England	Ltd.	100.00
STH Holding GmbH	Rheine, Germany	GmbH	100.00
Autop Maschinenbau GmbH	Rheine, Germany	GmbH	100.00
Sherpa Autodiagnostik GmbH	Mühldorf an Inn, Germany	GmbH	100.00
Perkute Autodiagnostik GmbH	Rheine, Germany	GmbH	100.00
Stenhøj Romania SRL	Cluj, Romania	SRL	100.00
Stenhøj PTY Ltd.	Mona Vale, Australia	Ltd.	85.00
Tecalemit OY	Vantaa, Finland	OY	100.00
UAB Tecalemit	Vilnius, Lithuania	Ltd	100.00
Tecalemit AS	Talinn, Estonia	AS	100.00
A-Test & Consulting Oy	Vantaa, Finland	OY	100.00

Investments in associates	Registered in	Corporate form	Equity interest %
Verksted & Industriservice AS	Norway	AS	45.00

11 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	2,530	1,587
Property, plant and equipment	2,188	4,633
Financial assets	(906)	(629)
Inventories	3,360	925
Receivables	286	0
Tax losses carried forward	0	1,338
Other taxable temporary differences	1,758	1,362
Deferred tax	9,216	9,216

	2022	2021
Changes during the year	DKK'000	DKK'000
Beginning of year	9,216	9,216
End of year	9,216	9,216

Deferred tax assets

Deferred tax assets comprise temporary differences on intangible assets, property, plant and equipment, financial assets, inventories, receivables and deferred tax losses.

12 Prepayments

Prepayments consists off costs related to the following year such as rent and lease.

13 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	17,427,884	1	17,427,844
	17,427,884		17,427,844

14 Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments.

15 Other payables

	2022	2021
	DKK'000	DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	0	4,407
Holiday pay obligation	8,571	8,142
	8,571	12,549

16 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Mortgage debt	1,950	2,106	10,644	2,822
Lease liabilities	510	653	618	0
Debt to other credit institutions	1,235	5,695	409	0
Payables to group enterprises	0	0	74,365	0
Other payables	0	0	8,571	0
	3,695	8,454	94,607	2,822

Mortgage debt includes the negative fair value of hedging instruments of DKK 20k. The hedging instruments has been entered to secure a fixed interest rate on the company's variable-rate bank loans. The hedging instruments

has a principal of DKK 0,4 million and secures a fixed interest rate of 3,95% for the remaining term of 1 year. The hedging instruments and bank debts are entered into with the same counterparty.

17 Other payables

	2022 DKK'000	2021 DKK'000
VAT and duties	4,284	2,281
Wages and salaries, personal income taxes, social security costs, etc payable	14,592	19,871
Other costs payable	5,443	3,045
	24,319	25,197

18 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

19 Assets charged and collateral

Mortgage debt is secured by way of mortgage on buildings. The mortgage also comprises the plant and machinery deemed part of the property. The carrying amount of mortgaged buildings amounts to 5,700k DKK.

In addition to the parent company's own obligations, the mortgage is collateral for the bank's balances with a number of subsidiaries.

In addition to the entitie's own obligations, the mortgage is collateral for the bank's balances with a number of subsidiaries. The Entity has guaranteed the debt in most of its subsidiaries.

20 Related parties with controlling interest

Nexion S.p.A, Corregio, Italy owns all shares in the Entity, thus exercising control.

Minio Srl, Corregio, Italy owns the majority of the shares in Nexion S.p.A, thus exercising control of Nexion S.p.A.

21 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report.

No such transactions have been conducted in the financial year.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Nexion S.p.A., Corregio Italy

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Business combinations

The uniting-of-interests method is applied on mergers, where the enterprises concerned are controlled by the Parent. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

Income statement

Gross profit or loss

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

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production: Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and

equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by

Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost

based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The useful life of goodwill has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method in equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Investments in associates fall within the definitions of both participating interests and associates, yet in the financial statements they have been presented as investments in associates because this designation reflects more accurately the Company's involvement in the relevant entities.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within

the guarantee period.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

With reference to the Danish Financial Statements Act § 86 section 4 a cash flow statement is not prepared for Nexion Northern Europe A/S since this is included in the consolidated cash flow statement for Nexion S.p.a.