GEA Westfalia Separator DK A/S

Nørskovvej 1B, 8660 Skanderborg

CVR no. 16 42 30 41

Annual report for 2023

This annual report has been adopted at the annual general meeting on 11.07.24

Charlotte Thorsen

Chairman of the meeting

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Company information etc.

The company

GEA Westfalia Separator DK A/S
Nørskovvej 1B
8660 Skanderborg
Tel.: 87 94 10 00
Registered office: Skanderborg
CVR no.: 16 42 30 41
Financial year: 01.01 - 31.12

Executive Board

CEO Peter Hinge
Mette Albrechtsen
Oliver Triebel

Board of Directors

Klaus Dieter Stojentin
Catherine Douzon-Damgaard
Peter Hinge

Auditors

KPMG P/S
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for GEA Westfalia Separator DK A/S.

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 company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Skanderborg, July 11, 2024

Executive Board

Signed by:
17EB5D2ED396428...
Peter Hinge
CEO

DocuSigned by:
A672B387F9D646B...
Mette Albrechtsen

DocuSigned by:
Oliver Triebel
44FEBF85E63E425...
Oliver Triebel

Board of Directors

Signiert von:
Klaus Stojentin
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Klaus Dieter Stojentin
Chairman

DocuSigned by:
Catherine DouzonDamgaard
651FDC0E702242D...
Catherine Douzon-Damgaard

Signed by:
17EB5D2ED396428...
Peter Hinge

Independent auditor's report

To the shareholder of GEA Westfalia Separator DK A/S

Opinion

We have audited the financial statements of GEA Westfalia Separator DK A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including 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 company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

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 the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional 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.

Aarhus, July 11, 2024

KPMG P/S

Statsautoriseret Revisionspartnerselskab
CVR no. 25578198

Signed by: Katrine Gybel 33DF89EA61374B4...	Signed by: Dennis Valdeck Hansen 68F485B3527A4B2...
Katrine Gybel	Dennis Valdech Hansen
State Authorized Public Accountant	State Authorized Public Accountant
MNE-no. mne45848	MNE-no. mne49092

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2023	2022	2021	2020	2019
Profit/loss					
Gross profit	80,921	43,839	33,264	23,047	27,285
Operating profit	40,844	16,087	7,981	2,875	8,692
Total net financials	3,106	25	-91	-108	-102
Profit for the year	34,221	12,539	6,227	2,132	7,044
Balance					
Total assets	198,065	150,574	66,037	86,862	82,483
Investments in property, plant and equipment	184	0	0	65	242
Equity	90,493	47,841	35,302	47,700	45,568

Ratios

	2023	2022	2021	2020	2019
Profitability					
Return on equity	49%	30%	15%	5%	17%
Return on assets	21%	11%	12%	3%	11%
Equity ratio					
Solvency ratio	46%	32%	54%	55%	55%
Others					
Number of employees (average)	40	32	31	28	26

Ratios definitions

Return on equity: $\dfrac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Solvency ratio: $\dfrac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Return on assets $\dfrac{\text{Profit before financiels x 100}}{\text{Total assets at year end}}$

Primary activities

The company's main activity consist of sale seperators, decanters, spare parts and service.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK 34,221,449 against DKK 12,539,070 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 90,492,968.

The earnings expectations for 2023 were in the same level as 2022 (DKK 12.5 million). The expectations were exceeded due to the merger with GEA Refrigeration Components (Nordic) A/S.

GEA Westfalia Separator DK A/S has completed a merger with GEA Refrigeration Components (Nordic) A/S with GEA Westfalia Separator DK A/S as the surviving company. The merger was completed with accounting effect from 1 January 2023. The company has applied the book-value method in connection with the merger, which means that all assets and liabilities in the discontinuing company are at book valueat the date of acquisition. Consequently, the comparative figures have not been restated.

Outlook

The company expects a profit before tax of in the range of DKK 18 - 25 million for 2024. The backlog is still very solid, but the merger with Refrigeration Components (Nordic) A/S, will not have the effeft in 2024, as it did in 2023.

Financial risks

Foreign currency risks

As the company mostly selss and buys in Euro and Danish Krone, the foreign currency risk is consiered low.

Credit risks

The company has an excellent history of low credit losses and has implemented credit risk procedures. Accordingly, credit risk is considered low.

External environment

The company's nature as a distributer limits the environmental impact of its operations.

Income statement

Note		2023 DKK	2022 DKK
	Gross profit	**80,920,953**	**43,839,493**
1	Staff costs	-40,022,137	-27,686,354
	Profit before depreciation, amortisation, write-downs and impairment losses	**40,898,816**	**16,153,139**
	Depreciation and impairments losses of property, plant and equipment	-54,533	-66,401
	Operating profit	**40,844,283**	**16,086,738**
2	Financial income	3,228,046	111,905
3	Financial expenses	-121,896	-86,864
	Profit before tax	**43,950,433**	**16,111,779**
4	Tax on profit for the year	-9,728,984	-3,572,709
	Profit for the year	**34,221,449**	**12,539,070**
5	Proposed appropriation account		

Balance sheet

ASSETS

Note		31.12.23 DKK	31.12.22 DKK
	Plant and machinery	216,359	87,311
	Other fixtures and fittings, tools and equipment	15,000	15,000
6	**Total property, plant and equipment**	**231,359**	**102,311**
	Total non-current assets	**231,359**	**102,311**
	Raw materials and consumables	2,121,412	2,406,355
	Total inventories	**2,121,412**	**2,406,355**
7	Work in progress for third parties	28,904,252	37,233,270
	Trade receivables	49,006,864	20,643,441
	Receivables from group enterprises	117,263,028	89,673,002
	Other receivables	478,189	515,794
8	Prepayments	59,432	0
	Total receivables	**195,711,765**	**148,065,507**
	Total current assets	**197,833,177**	**150,471,862**
	Total assets	**198,064,536**	**150,574,173**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.23 DKK	31.12.22 DKK
9	Contributed capital	1,000,000	1,000,000
	Retained earnings	89,492,968	24,490,940
	Proposed dividend for the financial year	0	22,350,000
	Total equity	**90,492,968**	**47,840,940**
10	Provisions for deferred tax	3,309,659	2,382,822
11	Other provisions	1,030,450	634,000
	Total provisions	**4,340,109**	**3,016,822**
7	Prepayments received from work in progress for third parties	7,540,433	14,566,937
	Trade payables	1,489,108	2,074,378
	Payables to group enterprises	74,489,402	77,714,779
	Income taxes	8,732,531	542,931
	Other payables	10,979,985	4,817,386
	Total short-term payables	**103,231,459**	**99,716,411**
	Total payables	**103,231,459**	**99,716,411**
	Total equity and liabilities	**198,064,536**	**150,574,173**

12 Contingent liabilities
13 Related parties

Statement of changes in equity

Figures in DKK	Contributed capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23				
Balance as at 01.01.23	1,000,000	24,490,940	22,350,000	47,840,940
Net effect of mergers and acquisition of enterprises	0	30,780,579	0	30,780,579
Adjusted balance as at 01.01.23	1,000,000	55,271,519	22,350,000	78,621,519
Dividend paid	0	0	-22,350,000	-22,350,000
Net profit/loss for the year	0	34,221,449	0	34,221,449
Balance as at 31.12.23	1,000,000	89,492,968	0	90,492,968

Notes

	2023 DKK	2022 DKK

1. Staff costs

	2023 DKK	2022 DKK
Wages and salaries	36,771,977	25,286,717
Pensions	2,767,081	2,103,524
Other social security costs	483,079	296,113
Total	40,022,137	27,686,354
Average number of employees during the year	40	32
Remuneration for the management:		
Salaries for the Executive Board	2,089,521	0

For 2022 remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

2. Financial income

	2023 DKK	2022 DKK
Interest, group enterprises	3,177,646	111,905
Other financial income	50,400	0
Total	3,228,046	111,905

3. Financial expenses

	2023 DKK	2022 DKK
Interest, group enterprises	88,097	0
Other financial expenses	33,799	86,864
Total	121,896	86,864

	2023 DKK	2022 DKK

4. Tax on profit for the year

	2023 DKK	2022 DKK
Current tax for the year	8,732,531	543,427
Adjustment of deferred tax for the year	976,026	3,029,282
Adjustment of tax in respect of previous years	20,427	0
Total	9,728,984	3,572,709

5. Proposed appropriation account

	2023 DKK	2022 DKK
Proposed dividend for the financial year	0	22,350,000
Retained earnings	34,221,449	-9,810,930
Total	34,221,449	12,539,070

6. Property, plant and equipment

Figures in DKK	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	213,177	887,033
Additions during the year	183,581	0
Cost as at 31.12.23	396,758	887,033
Depreciation and impairment losses as at 01.01.23	-125,866	-872,033
Depreciation during the year	-54,533	0
Depreciation and impairment losses as at 31.12.23	-180,399	-872,033
Carrying amount as at 31.12.23	216,359	15,000

	31.12.23 DKK	31.12.22 DKK

7. Work in progress for third parties

Work in progress for third parties	132,057,533	92,862,672
On-account invoicing	-110,693,713	-70,196,339
Total work in progress for third parties	21,363,820	22,666,333
Work in progress for third parties	28,904,252	37,233,270
Prepayments received from work in progress for third parties, short-term payables	-7,540,433	-14,566,937
Total	21,363,819	22,666,333

8. Prepayments

Other prepayments	59,432	0

9. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	1,000	1,000,000

No shares carry any special rigts.

	31.12.23 DKK	31.12.22 DKK

10. Deferred tax

Deferred tax as at 01.01.23	2,382,822	-646,460
Additions relating to mergers and acquisition of enterprises	-49,189	0
Deferred tax recognised in the income statement	976,026	3,029,282
Deferred tax as at 31.12.23	3,309,659	2,382,822

11. Other provisions

Figures in DKK	Warranty commitments
Provisions as at 01.01.23	634,000
Provisions during the year	396,450
Provisions as at 31.12.23	1,030,450

	31.12.23 DKK	31.12.22 DKK
Other provisions are expected to be distributed as follows:		
Current liabilities	1,030,450	634,000

12. Contingent liabilities

Lease commitments

The company has concluded lease agreements with total future lease payments within 1 year of DKK 2,313k and payments between 1 - 5 years of DKK 3,961k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

13. Related parties

Controlling influence	Basis of influence
GEA Process Engineering A/S, Gladsaxe/Denmark	Legal ownership
GEA Group AG, Germany	Ultimate ownership

13. Related parties - continued -

Transactions	Relation	2023 DKK
Sale of goods and services	Danish parent	37,435
Sale of goods and services	Group enterprises	2,580,310
Other income	Group parent	49,800
Other income	Danish parent	157,829
Other income	Group enterprises	40,812,894
Purchase of goods and services	Group parent	-69,861
Purchase of goods and services	Danish parent	-19,716
Purchase of goods and services	Group enterprises	-108,041,536
Other costs	Group parent	-164,226
Other costs	Danish parent	-2,060,202
Other costs	Group enterprises	-15,827,519
Financial income	Group parent	3,177,646
Financial expenses	Danish parent	-88,097

Remuneration for the management is specified in note 1. Staff costs.

Balances	31.12.23 DKK
Receivables from group enterprises	117,263,028
Payables to group enterprises	-74,489,402

The company is included in the consolidated financial statements of the parent GEA Group AG, Germany, which is the smallest and largest group, in which the Company is included as a subsidiary.

The Group Annual Report of GEA Group AG may be obtained at the following address:
Peter Müller Strasse 12, D-40468 Düsseldorf, Germany.

14. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial

14. Accounting policies - continued -

Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Change in the composition of activities

GEA Westfalia Separator DK A/S has completed a merger with GEA Refrigeration Components (Nordic) A/S with GEA Westfalia Separator DK A/S as the surviving company. The merger was completed with accounting effect from 1 January 2023. The company has applied the book-value method in connection with the merger, which means that all assets and liabilities in the discontinuing company are at book valueat the date of acquisition. Consequently, the comparative figures have not been restated.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

BUSINESS COMBINATIONS

For combined enterprises subject to common control, the pooling of interests method is used. The pooling of interests is deemed to be completed at the beginning of the financial year without restatement of comparative figures. The difference between the agreed consideration and the equity value of the acquired enterprise is recognised in equity.

CURRENCY

The annual report is presented in Danish kroner (DKK).

14. Accounting policies - continued -

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses with referance to section 32 of the Danish Finansiel Statement Act..

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method) This method is applied when total revenues an expenses in respect of the contract and the stage of cpmpletion at the balance sheet date can be measured reliably, an d it is probable that the ecomomic benefits, including payments, will flow to the Company. The stage of completion is determined on thebasis of the ratio

14. Accounting policies - continued -

between the expenses incurred and the total expected expenses of the contract..

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including gains on the sale of property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and administration etc.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Plant and machinery	20	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

14. Accounting policies - continued -

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment comprise plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

14. Accounting policies - continued -

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to weighted average prices. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

14. Accounting policies - continued -

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will

14. Accounting policies - continued -

draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

14. Accounting policies - continued -

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement of GEA Group AG .