

# **Lodam electronics a/s**

CVR no. 21 34 00 06

## **Annual Report for 2015**

Adopted at the Annual General Meeting  
on 4 May 2016

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Christian Jürgen Wehrle  
Chairman

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## **Statement by Management on the Annual Report**

Today, the Executive and Supervisory Boards have discussed and approved the Annual Report of Lodam electronics a/s for the financial year 1 January - 31 December 2015.

The Annual Report has been 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 December 2015 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2015.

In our opinion, Management's Review includes a fair review of the matters dealt with in the Management's Review.

We recommend the adoption of the Annual Report at the Annual General Meeting.

Sønderborg, 26 February 2016

### **Executive Board**

Henning Højberg Kristensen  
Managing Director

### **Supervisory Board**

Christian Jürgen Wehrle  
chairman

Gianbattista Parlanti

Frank Hartmann

Kristian Strand

Rainer Meinhard Grosse-  
Kracht

# **Independent Auditor's Report**

## ***To the shareholder of Lodam electronics a/s*** **Report on the Financial Statements**

We have audited the Financial Statements of Lodam electronics a/s for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, cash flow statement, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit Regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

# **Independent Auditor's Report**

## **Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in the Management's Review is consistent with the Financial Statements.

Sønderborg, 26 February 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 12 31

Bjarne Bruun Sørensen

State Authorised Public Accountant

## Company details

### The company

Lodam electronics a/s  
Kærvej 77  
6400 Sønderborg

CVR no.: 21 34 00 06  
Financial period: 1 January - 31 December  
Financial year: 18th financial year  
Domicile: Sønderborg

### Board of directors

Christian Jürgen Wehrle, chairman  
Gianbattista Parlanti  
Frank Hartmann  
Kristian Strand  
Rainer Meinhard Grosse-Kracht

### Executive board

Henning Højberg Kristensen, Managing Director

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Ellegårdvej 25  
DK-6400 Sønderborg

### Bank

Sydbank A/S

## Financial highlights

5-year summary:

	2015	2014	2013	2012	2011
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
Gross profit/loss	82.234	56.511	42.079	89.039	71.424
Profit/loss before financial income and expenses	22.601	2.637	-5.331	44.727	37.720
Result of net financials	5.751	8.107	-1.180	-1.441	-2.002
Profit/loss for the year	21.662	8.240	-5.399	32.436	26.740
<b>Balance sheet</b>					
Balance sheet total	136.838	143.895	143.176	137.554	123.039
Equity	73.662	94.326	86.086	91.485	58.317
<b>Cash flows from:</b>					
- operating activities	60.461	1.145	-10.319	22.288	23.451
- investing activities	-4.589	-2.535	-3.292	-39.922	-4.182
including investment in property, plant and equipment	-2.816	-3.098	-2.057	-1.136	-2.337
- financing activities	-46.017	3.691	0	0	-373
The year's changes in cash and cash equivalents	9.854	2.301	-13.611	-17.633	18.897
Number of employees	100	96	87	75	53
<b>Financial ratios</b>					
Return on assets	16,5%	1,8%	-3,7%	32,5%	30,7%
Solvency ratio	53,8%	65,6%	60,1%	66,5%	47,4%
Return on equity	25,8%	9,1%	-6,1%	43,3%	59,0%

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

## **Management's Review**

### **Business activities**

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

### **Recognition and measurement uncertainties**

The recognition and measurement of items in the Financial Statements is not subject to any uncertainty.

### **Unusual matters**

The Company's financial position at 31 December 2015 and the results of its operations and cash flows for the financial year ended 31 December 2015 are not affected by any unusual matters.

### **Development of activities and financial conditions**

The markets are expected to continue its development and with increased sales effort, this is expected to result in further increase in revenue and a stable profit.

### **Post balance sheet events**

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

### **Financial review**

The Company's income statement for the year ended 31 December 2015 shows a profit of DKK 21,661,987, and the balance sheet at 31 December 2015 shows equity of DKK 73,661,987.

### **The year at a glance and follow-up on expectations expressed last year**

In 2015 the production and deliveries came back on track after the fire at our supplier in November 2014.

The market was stable and our sales met our expectations.

Both headcount and development activities was kept at the same level as in 2014, therefore the growth in sales lead to increased profit in 2015.



## **Management's Review**

### **Risks**

#### ***Currency risks***

Primary activities abroad imply that the profit, cash flow and equity are influenced by the exchange rates, especially for the USD.

#### **Know-how resources**

The Company's activities particular requires know-how resources from employees and technologies. Thus it is important that the Company is able to recruit and keep employees with a high level of education.

#### **The environment**

The Company develops energy-saving products and seeks to comply with energy optimisation in all respects, including our facilities etc.

#### **Social responsibility**

The Company focus on being social responsible in relation to developing and producing energy-saving products, supporting human rights, and selecting suppliers with high ethical standards.

In order to ensure continued focus and initiatives the Company joined the UN Global Compact in 2012. Please refer to our CSR report.

#### **Research and development**

The Company develops customized products. Furthermore the Company participates in technology projects in cooperation with Danish universities and institutes.

## Income statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
<b>Gross profit</b>		<b>82.234.390</b>	<b>56.511.035</b>
Staff expenses	1	<u>-57.022.025</u>	<u>-50.255.587</u>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-2.611.274</u>	<u>-3.618.449</u>
<b>Profit/loss before financial income and expenses</b>		<b>22.601.091</b>	<b>2.636.999</b>
Financial income	3	5.783.393	8.152.694
Financial costs	4	<u>-31.960</u>	<u>-45.715</u>
<b>Profit/loss before tax</b>		<b>28.352.524</b>	<b>10.743.978</b>
Tax on profit/loss for the year	5	<u>-6.690.537</u>	<u>-2.503.716</u>
<b>Net profit/loss for the year</b>		<b><u>21.661.987</u></b>	<b><u>8.240.262</u></b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	0	42.326.494
Retained earnings	<u>21.661.987</u>	<u>-34.086.232</u>
	<b><u>21.661.987</u></b>	<b><u>8.240.262</u></b>

## Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
<b>Assets</b>			
Development projects		4.931.874	3.861.030
Software		281.549	308.688
<b>Intangible assets</b>	6	<b><u>5.213.423</u></b>	<b><u>4.169.718</u></b>
Other fixtures and fittings, tools and equipment		4.879.388	2.591.295
Leasehold improvements		2.039.317	2.441.572
Property, plant and equipment in progress		152.500	783.404
<b>Property, plant and equipment</b>	7	<b><u>7.071.205</u></b>	<b><u>5.816.271</u></b>
<b>Fixed assets total</b>		<b><u>12.284.628</u></b>	<b><u>9.985.989</u></b>
Raw materials and consumables		32.607.903	41.365.511
Work in progress		7.237.702	580.222
Finished goods and goods for resale		8.718.572	9.024.755
<b>Inventories</b>		<b><u>48.564.177</u></b>	<b><u>50.970.488</u></b>
Trade receivables		27.787.228	21.334.123
Receivables from intercompany		19.593.415	47.759.371
Other receivables		11.253.265	5.102.045
Deferred tax asset		1.760.000	2.412.000
Corporation tax		2.063.463	2.210.700
Prepayments		836.693	1.279.939
<b>Receivables</b>		<b><u>63.294.064</u></b>	<b><u>80.098.178</u></b>
<b>Cash at bank and in hand</b>		<b><u>12.694.657</u></b>	<b><u>2.840.620</u></b>
<b>Currents assets</b>		<b><u>124.552.898</u></b>	<b><u>133.909.286</u></b>
<b>Assets</b>		<b><u>136.837.526</u></b>	<b><u>143.895.275</u></b>

## Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
<b>Liabilities and equity</b>			
Share capital		25.000.000	1.100.000
Retained earnings		48.661.987	50.900.000
Proposed dividend for the year		0	42.326.494
<b>Equity</b>	<b>8</b>	<b><u>73.661.987</u></b>	<b><u>94.326.494</u></b>
Warranty provisions		<u>19.645.625</u>	<u>17.697.748</u>
<b>Provisions</b>		<b><u>19.645.625</u></b>	<b><u>17.697.748</u></b>
Bank liabilities		0	3.690.806
Trade payables		29.918.618	19.302.603
Payables to intercompany		91.739	99.300
Other payables		<u>13.519.557</u>	<u>8.778.324</u>
<b>Short-term debt</b>		<b><u>43.529.914</u></b>	<b><u>31.871.033</u></b>
<b>Debt</b>		<b><u>43.529.914</u></b>	<b><u>31.871.033</u></b>
<b>Liabilities and equity</b>		<b><u>136.837.526</u></b>	<b><u>143.895.275</u></b>
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## Cash flow statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Net profit/loss for the year		21.661.987	8.240.262
Adjustments	11	5.498.255	-8.739.522
Change in working capital	12	33.760.875	-5.269.676
<b>Cash flows from operating activities before financial income and expenses</b>		<b>60.921.117</b>	<b>-5.768.936</b>
Financial income		5.462.756	7.232.631
Financial costs		-31.960	-45.715
<b>Cash flows from ordinary activities</b>		<b>66.351.913</b>	<b>1.417.980</b>
Corporation tax paid		-5.891.300	-273.416
<b>Cash flows from operating activities</b>		<b>60.460.613</b>	<b>1.144.564</b>
Purchase of intangible assets		-2.094.069	-1.280.265
Purchase of property, plant and equipment		-2.815.844	-3.098.498
Sale of property, plant and equipment		0	924.078
Interest received from intercompany		320.637	920.063
<b>Cash flows from investing activities</b>		<b>-4.589.276</b>	<b>-2.534.622</b>
Contracting of liabilities		-3.690.806	3.690.806
Dividend paid		-42.326.494	0
<b>Cash flows from financing activities</b>		<b>-46.017.300</b>	<b>3.690.806</b>
<b>Change in cash and cash equivalents</b>		<b>9.854.037</b>	<b>2.300.748</b>
Cash and cash equivalents at 1 January 2015		2.840.620	539.872
<b>Cash and cash equivalents at 31 December 2015</b>		<b>12.694.657</b>	<b>2.840.620</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		12.694.657	2.840.620
<b>Cash and cash equivalents at 31 December 2015</b>		<b>12.694.657</b>	<b>2.840.620</b>

## Notes to the Annual Report

	<u>2015</u>	<u>2014</u>
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	51.079.911	44.822.759
Pensions	5.059.404	4.594.090
Other social security costs	882.710	838.738
	<u><b>57.022.025</b></u>	<u><b>50.255.587</b></u>
<b>Including remuneration to the Executive and Supervisory Boards</b>	<u><b>3.174.959</b></u>	<u><b>3.069.300</b></u>
Average number of employees	<u>100</u>	<u>96</u>
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation intangible assets	1.083.777	1.928.868
Depreciation tangible assets	1.527.497	1.689.581
	<u><b>2.611.274</b></u>	<u><b>3.618.449</b></u>
which breaks down as follows:		
Development projects	835.749	1.719.015
Software	248.028	209.853
Other fixtures and fittings, tools and equipment	1.109.483	1.210.881
Leasehold improvements	451.427	502.149
Amortisation/depreciation capitalized	-33.413	-23.449
	<u><b>2.611.274</b></u>	<u><b>3.618.449</b></u>

## Notes to the Annual Report

	<u>2015</u>	<u>2014</u>
	DKK	DKK
<b>3 Financial income</b>		
Interest received from intercompany	320.637	920.063
Other financial income	24.604	5.816
Exchange adjustments	<u>5.438.152</u>	<u>7.226.815</u>
	<b><u>5.783.393</u></b>	<b><u>8.152.694</u></b>
<b>4 Financial costs</b>		
Other financial costs	<u>31.960</u>	<u>45.715</u>
	<b><u>31.960</u></b>	<b><u>45.715</u></b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	6.038.537	34.300
Deferred tax for the year	652.000	2.478.054
Adjustment of tax concerning previous years	0	-518.584
Adjustment of deferred tax concerning previous years	<u>0</u>	<u>509.946</u>
	<b><u>6.690.537</u></b>	<b><u>2.503.716</u></b>

## Notes to the Annual Report

### 6 Intangible assets

	Development projects	Software	Total
	DKK	DKK	DKK
Cost at 1 January 2015	17.243.339	1.272.809	18.516.148
Additions for the year	1.906.593	220.889	2.127.482
Disposals for the year	0	0	0
Cost at 31 December 2015	<u>19.149.932</u>	<u>1.493.698</u>	<u>20.643.630</u>
Impairment losses and amortisation at 1 January 2015	13.382.309	964.121	14.346.430
Depreciation for the year	<u>835.749</u>	<u>248.028</u>	<u>1.083.777</u>
Impairment losses and amortisation at 31 December 2015	<u>14.218.058</u>	<u>1.212.149</u>	<u>15.430.207</u>
<b>Carrying amount at 31 December 2015</b>	<b><u>4.931.874</u></b>	<b><u>281.549</u></b>	<b><u>5.213.423</u></b>



## Notes to the Annual Report

### 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK
Cost at 1 January 2015	6.025.168	5.191.027	783.404	11.999.599
Additions for the year	2.614.172	49.172	152.500	2.815.844
Disposals for the year	-162.036	0	0	-162.036
Transfers for the year	783.404	0	-783.404	0
Cost at 31 December 2015	<u>9.260.708</u>	<u>5.240.199</u>	<u>152.500</u>	<u>14.653.407</u>
Impairment losses and depreciation at 1 January 2015	3.433.873	2.749.455	0	6.183.328
Depreciation for the year	1.109.483	451.427	0	1.560.910
Reversal of impairment and depreciation of sold assets	-162.036	0	0	-162.036
Impairment losses and depreciation at 31 December 2015	<u>4.381.320</u>	<u>3.200.882</u>	<u>0</u>	<u>7.582.202</u>
<b>Carrying amount at 31 December 2015</b>	<b><u>4.879.388</u></b>	<b><u>2.039.317</u></b>	<b><u>152.500</u></b>	<b><u>7.071.205</u></b>

## Notes to the Annual Report

### 8 Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2015	1.100.000	50.900.000	42.326.494	94.326.494
Ordinary dividend paid	0	0	-42.326.494	-42.326.494
Transfers, reserves	23.900.000	-23.900.000	0	0
Net profit/loss for the year	0	21.661.987	0	21.661.987
<b>Equity at 31 December 2015</b>	<b>25.000.000</b>	<b>48.661.987</b>	<b>0</b>	<b>73.661.987</b>

The share capital consists of 25.000 shares of a nominal value of DKK 1.000. No shares carry any special rights.

The share capital has developed as follows:

	2015	2014	2013	2012	2011
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January 2015	1.100.000	1.100.000	1.100.000	1.100.000	1.100.000
Additions for the year	23.900.000	0	0	0	0
Disposals for the year	0	0	0	0	0
<b>Share capital at 31 December 2015</b>	<b>25.000.000</b>	<b>1.100.000</b>	<b>1.100.000</b>	<b>1.100.000</b>	<b>1.100.000</b>

### 9 Contingent assets, liabilities and other financial obligations

#### Security

No security for loans had been placed at 31 December 2015.

#### Contingent liabilities

The Company has entered into tenancy agreements and leases for a period up to and including 2021. Rent and lease payments for the period total DKK 13.464 thousand.

## Notes to the Annual Report

### 10 Related parties and ownership

#### Controlling interest

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

The Annual Report is incorporated in the Group Consolidated Accounts of BITZER SE, Eschenbrünnlestrasse 15, 71065 Sindelfingen, Germany.

	<u>2015</u>	<u>2014</u>
	DKK	DKK
<b>11 Cash flow statement - adjustments</b>		
Financial income	-5.783.393	-8.152.694
Financial costs	31.960	45.715
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.611.274	3.210.071
Tax on profit/loss for the year	6.690.537	2.503.716
Change in other provisions	1.947.877	-6.346.330
	<u><b>5.498.255</b></u>	<u><b>-8.739.522</b></u>
<b>12 Cash flow statement - change in working capital</b>		
Change in inventories	2.406.311	-6.365.762
Change in receivables	16.004.877	5.961.469
Change in trade payables, etc	15.349.687	-4.865.383
	<u><b>33.760.875</b></u>	<u><b>-5.269.676</b></u>

## **Accounting Policies**

The Annual Report of Lodam electronics a/s for 2015 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 are consistent with those applied last year.

The Annual Report for 2015 is presented in DKK.

### **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 amortisation, depreciation and impairment losses, 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 the asset 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 the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the Annual Report is presented and which confirm or invalidate matters existing at the balance sheet date.

### **Income statement**

#### **Gross profit**

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

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

#### **Revenue**

Revenue is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

## **Accounting Policies**

### **Staff expenses**

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

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's 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, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement, whereas the tax attributable to the equity transactions is recognised directly in the equity.

### **Balance sheet**

#### **Intangible assets**

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents and licenses are amortised over a period of 3 years.

Development projects that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated, and where the intention is to produce, market or use the project or the process, are recognised as intangible assets provided that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the aggregate development costs. Other development costs are expensed in the income statement as incurred.

Development costs are measured at direct costs and a portion of the costs that can be related indirectly to the individual development projects.

Development projects are amortised over a period of 3 years.

#### **Property, plant and equipment**

Items of Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

## Accounting Policies

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful life of the asset based on the following expected useful lives:

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	10	years

Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

### Leases

All leases are considered operating leases. Payments under operating leases are recognised in the income statement over the term of the lease. The Company's aggregate commitment relating to operating leases is disclosed under contingent assets, liabilities and other financial obligations.

### Inventories

Inventories are measured at using FIFO method. Where the net realisable value is lower than the cost, inventories are carried at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes raw materials, consumables and direct labour costs.

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

### Receivables

Receivables are measured at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

## **Accounting Policies**

### **Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

### **Equity**

#### **Dividend**

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the Annual General Meeting.

#### **Provisions**

Provisions comprise expected expenses relating to guarantee commitments, reconstructions, etc. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

#### **Income tax and deferred tax**

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the taxation rules and taxation rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Any changes in deferred tax due to tax rates are recognised in the income statement. For the current year the tax rate is 22%.

#### **Financial debts**

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

#### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

## **Accounting Policies**

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### **Cash flow statement**

The cash flow statement shows the Company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the Company's cash and cash equivalents at the beginning and at the end of the year.

#### **Cash flows from operating activities**

Cash flows from operating activities are stated as the profit or loss for the year, adjusted for changes in working capital and non-cash operating items such as depreciations, amortisation and impairment losses as well as provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

#### **Cash flows from investing activities**

Cash flows from investing activities comprise payments related to the acquisition and sale 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.

The cash flow statement cannot be immediately derived from the published financial records.



## Accounting Policies

### Financial highlights

Definitions of financial ratios:

Return on assets  $\text{Profit/loss before financials} \times 100 / \text{Total assets}$

Solvency ratio  $\text{Equity at year end} \times 100 / \text{Total assets}$

Return on equity  $\text{Net profit for the year} \times 100 / \text{Average equity}$