

Lodam electronics a/s

CVR no 21 34 00 06

Annual report for 2016

Adopted at the annual general meeting
on 5 May 2017

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 2016.

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 2016 and of the results of the the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

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, 24 February 2017

Executive Board

Henning Højberg Kristensen
Managing Director

Anna Marie Damgaard
Kristensen
Managing Director

Supervisory Board

Christian Jürgen Wehrle
Chairman

Gianbattista Parlanti

Frank Hartmann

Rainer Meinhard Grosse-
Kracht

Independent auditor's report

To the shareholders of Lodam electronics a/s

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lodam electronics a/s for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent auditor's report

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sønderborg, 24 February 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Flemming Callesen
State Authorised Public Accountant

Company details

The Company

Lodam electronics a/s
Kærvej 77
6400 Sønderborg

CVR no.: 21 34 00 06
Reporting period: 1 January - 31 December
Financial year: 19th financial year
Domicile: Sønderborg

Supervisory Board

Christian Jürgen Wehrle, Chairman
Gianbattista Parlanti
Frank Hartmann
Rainer Meinhard Grosse-Kracht

Executive Board

Henning Højberg Kristensen, Managing Director
Anna Marie Damgaard Kristensen, Managing Director

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Ellegårdvej 25
6400 Sønderborg

Bankers

Sydbank A/S

Financial highlights

5-year summary:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	84.942	82.234	56.511	42.079	89.039
Profit/loss before financial income and expenses	25.976	22.601	2.637	-5.331	44.727
Net financials	2.439	5.751	8.107	-1.180	-1.441
Profit/loss for the year	22.140	21.662	8.240	-5.399	32.436
Balance sheet					
Balance sheet total	163.759	136.838	143.895	143.176	137.554
Equity	84.802	73.662	94.326	86.086	91.485
Cash flows from:					
- operating activities	14.295	60.461	1.145	-10.319	22.288
- investing activities	-2.127	-4.589	-2.535	-3.292	-39.922
- including investment in property, plant and equipment	-1.798	-2.816	-3.098	-2.057	-1.136
- financing activities	-10.589	-46.017	3.691	0	0
The year's changes in cash and cash equivalents	1.580	9.854	2.301	-13.611	-17.633
Number of employees	98	100	96	87	75
Financial ratios					
Return on assets	15,9%	16,5%	1,8%	-3,7%	32,5%
Solvency ratio	51,8%	53,8%	65,6%	60,1%	66,5%
Return on equity	27,9%	25,8%	9,1%	-6,1%	43,3%

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

Management's review

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 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 2016 and the results of its operations and cash flows for the financial year ended 31 December 2016 are not affected by any unusual matters.

Financial review

The Company's income statement for the year ended 31 December shows a profit of DKK 22.140.435, and the balance sheet at 31 December 2016 shows equity of DKK 84.802.423.

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

Sales started off very slow in first half of 2016 but came back strong in second half of the year.

Headcount and development activities was kept on the same level as previous year.

Knowledge 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.

Special risks apart from generally occurring risks in industry

Currency risks

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

Management's review

The environment

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

Research and development

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

Statutory report on corporate 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.

Significant events occurring after end of reporting period

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

Income statement 1 January - 31 December

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Gross profit		84.941.739	82.234.390
Staff expenses	1	-56.424.704	-57.022.025
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-2.541.172</u>	<u>-2.611.274</u>
Profit/loss before financial income and expenses		25.975.863	22.601.091
Financial income	3	2.470.297	5.783.393
Financial costs	4	<u>-31.482</u>	<u>-31.960</u>
Profit/loss before tax		28.414.678	28.352.524
Tax on profit/loss for the year	5	<u>-6.274.243</u>	<u>-6.690.537</u>
Net profit/loss for the year		<u>22.140.435</u>	<u>21.661.987</u>

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	31.923.343	11.000.000
Transferred to other statutory reserves	879.079	0
Retained earnings	<u>-10.661.987</u>	<u>10.661.987</u>
	<u>22.140.435</u>	<u>21.661.987</u>

Balance sheet 31 December

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Assets			
Development projects		5.455.511	4.931.874
Software		127.010	281.549
Intangible assets	6	<u>5.582.521</u>	<u>5.213.423</u>
Other fixtures and fittings, tools and equipment		4.572.856	4.879.388
Leasehold improvements		1.752.096	2.039.317
Property, plant and equipment in progress		321.737	152.500
Property, plant and equipment	7	<u>6.646.689</u>	<u>7.071.205</u>
Fixed assets total		<u>12.229.210</u>	<u>12.284.628</u>
Raw materials and consumables		35.350.799	32.607.903
Work in progress		7.314.410	7.237.702
Finished goods and goods for resale		12.278.755	8.718.572
Inventories		<u>54.943.964</u>	<u>48.564.177</u>
Trade receivables		52.074.707	27.787.228
Receivables from intercompany		24.804.581	19.593.415
Other receivables		2.990.530	11.253.265
Deferred tax asset		2.131.000	1.760.000
Corporation tax		0	2.063.463
Prepayments		311.117	836.693
Receivables		<u>82.311.935</u>	<u>63.294.064</u>
Cash at bank and in hand		<u>14.274.317</u>	<u>12.694.657</u>
Currents assets total		<u>151.530.216</u>	<u>124.552.898</u>
Assets total		<u>163.759.426</u>	<u>136.837.526</u>

Balance sheet 31 December

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Liabilities and equity			
Share capital		25.000.000	25.000.000
Reserve for development expenditure		879.080	0
Retained earnings		27.000.000	37.661.987
Proposed dividend for the year		<u>31.923.343</u>	<u>11.000.000</u>
Equity	8	<u>84.802.423</u>	<u>73.661.987</u>
Warranty provisions		<u>22.681.527</u>	<u>19.645.625</u>
Provisions total		<u>22.681.527</u>	<u>19.645.625</u>
Bank liabilities		411.297	0
Trade payables		38.685.436	29.918.618
Payables to intercompany		71.559	91.739
Corporation tax		3.901.818	0
Other payables		<u>13.205.366</u>	<u>13.519.557</u>
Short-term debt		<u>56.275.476</u>	<u>43.529.914</u>
Debt total		<u>56.275.476</u>	<u>43.529.914</u>
Liabilities and equity total		<u>163.759.426</u>	<u>136.837.526</u>
Contingent assets, liabilities and other financial obligations	9		
Related parties and ownership	10		

Statement of changes in equity

	Share capital	Reserve for develop- ment expenditure	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January 2016	25.000.000	0	37.661.987	11.000.000	73.661.987
Ordinary dividend paid	0	0	0	-11.000.000	-11.000.000
Net profit/loss for the year	0	879.080	21.261.356	0	22.140.436
Proposed dividend for the year	0	0	-31.923.343	31.923.343	0
Equity at 31 December 2016	25.000.000	879.080	27.000.000	31.923.343	84.802.423

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity 1. januar 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
Proposed dividend for the year	0	-11.000.000	11.000.000	0
Equity 31. december 2015	25.000.000	37.661.987	11.000.000	73.661.987

Cash flow statement 1 January - 31 December

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Net profit/loss for the year		22.140.435	21.661.987
Adjustments	11	9.202.362	5.498.255
Change in working capital	12	-18.657.674	33.760.875
Cash flows from operating activities before financial income and expenses		12.685.123	60.921.117
Interest income and similar income		2.321.443	5.462.756
Interest expenses and similar charges		-31.483	-31.960
Cash flows from ordinary activities		14.975.083	66.351.913
Corporation tax paid		-679.962	-5.891.300
Cash flows from operating activities		14.295.121	60.460.613
Purchase of intangible assets		-1.121.534	-2.094.069
Purchase of property, plant and equipment		-1.797.551	-2.815.844
Sale of property, plant and equipment		643.473	0
Interest received from intercompany		148.854	320.637
Cash flows from investing activities		-2.126.758	-4.589.276
Repayment of loans from credit institutions		0	-3.690.806
Raising of loans from credit institutions		411.297	0
Dividend paid		-11.000.000	-42.326.494
Cash flows from financing activities		-10.588.703	-46.017.300
Change in cash and cash equivalents		1.579.660	9.854.037
Cash and cash equivalents at 1 January 2016		12.694.657	2.840.620
Cash and cash equivalents at 31 December 2016		14.274.317	12.694.657
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		14.274.317	12.694.657
Cash and cash equivalents at 31 December 2016		14.274.317	12.694.657

Notes to the Annual Report

	<u>2016</u>	<u>2015</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	50.670.345	51.079.911
Pensions	4.913.769	5.059.404
Other social security costs	840.590	882.710
	<u>56.424.704</u>	<u>57.022.025</u>
Including remuneration to the Executive and Supervisory Boards	<u>3.605.106</u>	<u>3.174.959</u>
Average number of employees	<u>98</u>	<u>100</u>
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	776.881	1.083.777
Depreciation tangible assets	1.764.291	1.527.497
	<u>2.541.172</u>	<u>2.611.274</u>
which breaks down as follows:		
Development projects	622.342	835.749
Software	154.539	248.028
Other fixtures and fittings, tools and equipment	1.421.513	1.109.483
Leasehold improvements	367.221	451.427
Amortisation/depreciation capitalized	-24.443	-33.413
	<u>2.541.172</u>	<u>2.611.274</u>

Notes to the Annual Report

	<u>2016</u>	<u>2015</u>
	DKK	DKK
3 Financial income		
Interest received from intercompany	148.854	320.637
Other financial income	31.814	24.604
Exchange adjustments	<u>2.289.629</u>	<u>5.438.152</u>
	<u>2.470.297</u>	<u>5.783.393</u>
4 Financial costs		
Other financial costs	<u>31.482</u>	<u>31.960</u>
	<u>31.482</u>	<u>31.960</u>
5 Tax on profit/loss for the year		
Current tax for the year	6.637.818	6.038.537
Deferred tax for the year	-371.000	652.000
Adjustment of tax concerning previous years	<u>7.425</u>	<u>0</u>
	<u>6.274.243</u>	<u>6.690.537</u>

Notes to the Annual Report

6 Intangible assets

	Development projects	Software	Total
	DKK	DKK	DKK
Cost at 1 January 2016	19.149.932	1.493.698	20.643.630
Additions for the year	1.145.979	0	1.145.979
Disposals for the year	-8.776.544	0	-8.776.544
Cost at 31 December 2016	<u>11.519.367</u>	<u>1.493.698</u>	<u>13.013.065</u>
Impairment losses and amortisation at 1 January 2016	14.218.058	1.212.149	15.430.207
Amortisation for the year	622.342	154.539	776.881
Reversal of impairment and amortisation of sold assets	-8.776.544	0	-8.776.544
Impairment losses and amortisation at 31 December 2016	<u>6.063.856</u>	<u>1.366.688</u>	<u>7.430.544</u>
Carrying amount at 31 December 2016	<u>5.455.511</u>	<u>127.010</u>	<u>5.582.521</u>

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 2016	9.260.708	5.240.199	152.500	14.653.407
Additions for the year	1.395.814	80.000	321.737	1.797.551
Disposals for the year	-1.129.476	0	0	-1.129.476
Transfers for the year	152.500	0	-152.500	0
Cost at 31 December 2016	<u>9.679.546</u>	<u>5.320.199</u>	<u>321.737</u>	<u>15.321.482</u>
Impairment losses and depreciation at 1 January 2016	4.381.320	3.200.882	0	7.582.202
Depreciation for the year	1.421.513	367.221	0	1.788.734
Reversal of impairment and depreciation of sold assets	-696.143	0	0	-696.143
Impairment losses and depreciation at 31 December 2016	<u>5.106.690</u>	<u>3.568.103</u>	<u>0</u>	<u>8.674.793</u>
Carrying amount at 31 December 2016	<u>4.572.856</u>	<u>1.752.096</u>	<u>321.737</u>	<u>6.646.689</u>

Notes to the Annual Report

8 Equity

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

The share capital has developed as follows:

	2016	2015	2014	2013	2012
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January 2016	25.000.000	1.100.000	1.100.000	1.100.000	1.100.000
Additions for the year	0	23.900.000	0	0	0
Disposals for the year	0	0	0	0	0
Share capital	25.000.000	25.000.000	1.100.000	1.100.000	1.100.000

9 Contingent assets, liabilities and other financial obligations

Security

No security for loans had been placed at 31 December 2016.

Contingent liabilities

The Company has entered into tenancy agreements and leases for a period up to and including 2021. Rent at lease payments for the period total DKK 11.090 thousands.

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.

Notes to the Annual Report

	<u>2016</u>	<u>2015</u>
	DKK	DKK
11 Cash flow statement - adjustments		
Financial income	-2.470.297	-5.783.393
Financial costs	31.482	31.960
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.331.032	2.611.274
Tax on profit/loss for the year	6.274.243	6.690.537
Change in other provisions	3.035.902	1.947.877
	<u>9.202.362</u>	<u>5.498.255</u>
12 Cash flow statement - change in working capital		
Change in inventories	-6.379.787	2.406.311
Change in receivables	-20.710.334	16.004.877
Change in trade payables, etc	8.432.447	15.349.687
	<u>-18.657.674</u>	<u>33.760.875</u>

Accounting policies

The annual report of Lodam electronics a/s for 2016 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 of last year.

The annual report for 2016 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.

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

Income from the sale of goods for resale and finished goods 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 losses. Patents and licenses are amortised on a straight-line basis 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.

Accounting policies

Property, plant and equipment

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

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.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

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

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

All leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingent assets, liabilities and other financial obligations'.

Inventories

Inventories are measured using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised 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 the cost of raw materials, consumables and direct cost of labour.

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

Accounting policies

Receivables

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

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 as a result of a past event the company has a legal or constructive obligation 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 in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

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

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

Liabilities

Liabilities are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

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.

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 exchange rate at the transaction date.

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 and as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flow from the raising and repayment of long-term debts 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.

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

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

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