



DAS HERZ DER FRISCHE

ANNUAL REPORT FOR 2022

Adopted at the annual general meeting on 31 May 2023

Chairman: *Clint Alshah*

BITZER Electronics A/S

CVR no.: 21340006



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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of BITZER Electronics A/S for the financial year 1 January - 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2022 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2022.

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

Management recommends that the annual report should be approved by the company in general meeting.


Sønderborg, 31 May 2023

Executive board



Ulf Kretschmer
Managing Director

Supervisory board



Christian Jürgen Wehrle
chairman



Frank Hartmann



Rainer Meinhard Grosse-Kracht



Hans Martin Büchsel

Independent auditor's report

To the shareholders of BITZER Electronics A/S

Opinion

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

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

Basis for Opinion

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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

Statement on the management'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.

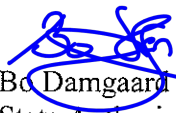
In connection with our audit of the financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially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

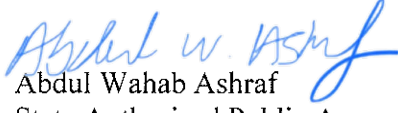
Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

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.

Odense, 31 May 2023

Deloitte Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56


Bo Damgaard Hansen
State Authorised Public Accountant
MNE no. mne34543


Abdul Wahab Ashraf
State Authorised Public Accountant
MNE no. mne46664

Company details

The company	BITZER Electronics A/S Kærvej 77 6400 Sønderborg CVR no.: 21 34 00 06 Reporting period: 1 January - 31 December 2022 Financial year: 25th financial year Domicile: Sønderborg
Supervisory board	Christian Jürgen Wehrle, chairman Frank Hartmann Rainer Meinhard Grosse-Kracht Hans Martin Büchsel
Executive board	Ulf Kretschmer
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Tværkajen 5 5000 Odense C
Bankers	Sydbank A/S

Financial highlights

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

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	112.489	109.843	119.772	111.573	96.609
Profit/loss before net financials	28.593	30.521	39.113	33.688	25.422
Net financials	-370	4.616	-7.303	865	2.466
Profit/loss for the year	22.319	28.010	24.830	26.937	21.729
Balance sheet					
Balance sheet total	124.871	132.795	119.417	164.566	148.415
Equity	65.673	43.353	35.343	76.664	70.727
Cash flows from:					
- operating activities	1.222	18.521	73.470	13.585	13.541
- investing activities	-2.949	-3.430	-1.201	-3.371	-6.645
- including investment in property, plant and equipment	-2.867	-3.438	-1.139	-3.371	-6.577
- financing activities	193	-20.000	-66.150	-22.615	-36.985
The year's changes in cash and cash equivalents	-1.534	-4.910	6.119	-12.402	-30.089
Number of employees	120	122	116	117	113
Financial ratios					
Return on assets	22,2%	24,2%	27,5%	21,5%	14,9%
Solvency ratio	52,6%	32,6%	29,6%	46,6%	47,7%
Return on equity	40,9%	71,2%	44,3%	36,6%	28,2%

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 review

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 annual report is not associated with any uncertainty.

Unusual matters

The company's financial position at 31 December 2022 and the results of its operations and cash flows for the financial year ended 31 December 2022 are not affected by any unusual matters.

Financial review

The company's income statement for the year ended 31 December 2022 shows a profit of DKK 22.319.254, and the balance sheet at 31 December 2022 shows equity of DKK 65.672.565.

Significant events occurring after the end of the financial year

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

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

Uncertainty has been prevalent throughout the year, both in terms of sales and cost prices. Sales was strong in the beginning of the year but ended lower than previous years.

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

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.

The environment

The company develops energy-saving products and seeks to comply with energy optimization 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.

Management's review

Expectation to the coming year

Sales, EBIT and headcount are overall expected at the same level next year, however still impacted by the increased uncertainty in terms of orders and cost price changes.

The beginning of the year is expected to have fewer incoming orders than normal, whereas a normalization to the order level is expected later in the year.

Impact on EBIT is expected to be neutral to the whole year.

Special risks apart from generally occurring risks in industry

The company's exposure to price, credit, liquidity and cash flow risks

Primary activities abroad imply that the profit, cash flow and equity are influenced by the exchange rates, especially for the USD. Fluctuations to exchange rates, especially USD/DKK, are monitored closely at BITZER Electronics. The BITZER Group furthermore monitors exchange risks from a global, group perspective and handles measures to reduce risk and exposure, if necessary.

Income statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Gross profit		112.488.952	109.843.398
Staff expenses	1	<u>-80.615.945</u>	<u>-75.785.265</u>
Profit/loss before amortisation/depreciation and impairment losses		31.873.007	34.058.133
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-3.279.737</u>	<u>-3.537.594</u>
Profit/loss before net financials		28.593.270	30.520.539
Financial income	3	2.106.958	5.022.772
Financial costs	4	<u>-2.477.181</u>	<u>-406.642</u>
Profit/loss before tax		28.223.047	35.136.669
Tax on profit/loss for the year	5	<u>-5.903.793</u>	<u>-7.126.684</u>
Profit/loss for the year		<u>22.319.254</u>	<u>28.009.985</u>
Distribution of profit	6		

Balance sheet 31 December

	Note	2022 DKK	2021 DKK
Assets			
Development projects		0	0
Software		67.936	22.611
Intangible assets	7	67.936	22.611
Other fixtures and fittings, tools and equipment		6.164.586	6.219.429
Leasehold improvements		981.185	1.438.502
Property, plant and equipment in progress		434.889	298.737
Property, plant and equipment	8	7.580.660	7.956.668
Total non-current assets		7.648.596	7.979.279
Raw materials and consumables		70.324.167	80.043.191
Work in progress		433.521	381.103
Finished goods and goods for resale		22.309.017	17.291.126
Inventories		93.066.705	97.715.420
Trade receivables		5.881.245	9.887.128
Receivables from intercompany		3.124.172	5.008.647
Other receivables		8.882.559	4.460.913
Deferred tax asset	9	5.751.936	4.415.199
Corporation tax		0	1.374.676
Prepayments		209.441	113.276
Receivables		23.849.353	25.259.839
Cash at bank and in hand		306.070	1.840.239
Total current assets		117.222.128	124.815.498
Total assets		124.870.724	132.794.777

Balance sheet 31 December

	Note	2022 DKK	2021 DKK
Equity and liabilities			
Share capital		25.000.000	25.000.000
Retained earnings		40.672.565	18.353.310
Equity		<u>65.672.565</u>	<u>43.353.310</u>
Warranty provisions	10	29.777.248	28.312.534
Total provisions		<u>29.777.248</u>	<u>28.312.534</u>
Other payables		0	2.044.640
Total non-current liabilities		<u>0</u>	<u>2.044.640</u>
Bank liabilities		192.560	0
Trade payables		13.497.486	43.281.811
Payables to intercompany		462.415	1.024.346
Corporation tax		1.955.778	0
Other payables		13.312.672	14.778.136
Total current liabilities		<u>29.420.911</u>	<u>59.084.293</u>
Total liabilities		<u>29.420.911</u>	<u>61.128.933</u>
Total equity and liabilities		<u>124.870.724</u>	<u>132.794.777</u>
Contingent liabilities	11		
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Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2022	25.000.000	18.353.311	43.353.311
Net profit/loss for the year	<u>0</u>	<u>22.319.254</u>	<u>22.319.254</u>
Equity at 31 December 2022	<u>25.000.000</u>	<u>40.672.565</u>	<u>65.672.565</u>

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2021	25.000.000	10.343.325	35.343.325
Net profit/loss for the year	<u>0</u>	<u>8.009.985</u>	<u>8.009.985</u>
Equity at 31 December 2021	<u>25.000.000</u>	<u>18.353.310</u>	<u>43.353.310</u>

Cash flow statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Net profit/loss for the year		22.319.254	28.009.985
Adjustments	13	11.018.467	2.094.228
Change in working capital	14	-27.835.099	-8.954.800
Cash flows from operating activities before financial income and expenses		5.502.622	21.149.413
Interest income and similar income		2.106.958	5.022.772
Interest expenses and similar charges		-2.477.177	-406.640
Cash flows from ordinary activities		5.132.403	25.765.545
Corporation tax paid		-3.910.076	-7.244.862
Cash flows from operating activities		1.222.327	18.520.683
Purchase of intangible assets		-82.175	0
Purchase of property, plant and equipment		-2.866.881	-3.438.355
Sale of property, plant and equipment		0	8.000
Cash flows from investing activities		-2.949.056	-3.430.355
Raising of loans from credit institutions		192.560	0
Dividend paid		0	-20.000.000
Cash flows from financing activities		192.560	-20.000.000
Change in cash and cash equivalents		-1.534.169	-4.909.672
Cash and cash equivalents		1.840.239	6.749.911
Cash and cash equivalents		306.070	1.840.239
Analysis of cash and cash equivalents:			
Cash at bank and in hand		306.070	1.840.239
Cash and cash equivalents		306.070	1.840.239

Notes

	<u>2022</u>	<u>2021</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	72.448.668	68.301.323
Pensions	6.391.280	6.286.264
Other social security costs	<u>1.775.997</u>	<u>1.197.678</u>
	<u>80.615.945</u>	<u>75.785.265</u>
Including remuneration to the executive board:		
Executive board	<u>4.920.993</u>	<u>2.732.818</u>
	<u>4.920.993</u>	<u>2.732.818</u>
Average number of employees	<u>120</u>	<u>122</u>
No remuneration has been paid to the supervisory board. 2022 includes two managing directors.		
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	36.850	20.872
Depreciation tangible assets	<u>3.242.887</u>	<u>3.516.722</u>
	<u>3.279.737</u>	<u>3.537.594</u>
which breaks down as follows:		
Software	36.850	20.872
Other fixtures and fittings, tools and equipment	3.042.327	3.218.067
Leasehold improvements	<u>200.560</u>	<u>298.655</u>
	<u>3.279.737</u>	<u>3.537.594</u>

Notes

	<u>2022</u>	<u>2021</u>
	DKK	DKK
3 Financial income		
Other financial income	62.560	427
Exchange adjustments	<u>2.044.398</u>	<u>5.022.345</u>
	<u>2.106.958</u>	<u>5.022.772</u>
4 Financial costs		
Interest paid to intercompany	2.377.543	311.705
Other financial costs	<u>99.638</u>	<u>94.937</u>
	<u>2.477.181</u>	<u>406.642</u>
5 Tax on profit/loss for the year		
Current tax for the year	7.522.504	6.297.324
Deferred tax for the year	-1.336.737	1.418.102
Adjustment of tax concerning previous years	<u>-281.974</u>	<u>-588.742</u>
	<u>5.903.793</u>	<u>7.126.684</u>
6 Distribution of profit		
Extraordinary dividend for the year	0	20.000.000
Retained earnings	<u>22.319.254</u>	<u>8.009.985</u>
	<u>22.319.254</u>	<u>28.009.985</u>

Notes

7 Intangible assets

	Development projects	Software	Total
Cost at 1 January 2022	8.986.993	1.276.105	10.263.098
Additions for the year	0	82.175	82.175
Disposals for the year	0	0	0
Cost at 31 December 2022	<u>8.986.993</u>	<u>1.358.280</u>	<u>10.345.273</u>
Impairment losses and amortisation at 1 January 2022	8.986.993	1.253.494	10.240.487
Amortisation for the year	0	36.850	36.850
Impairment losses and amortisation at 31 December 2022	<u>8.986.993</u>	<u>1.290.344</u>	<u>10.277.337</u>
Carrying amount at 31 December 2022	<u>0</u>	<u>67.936</u>	<u>67.936</u>

Development projects in general comprise further development of customized controllers for heating and refrigeration. Development project comprise both hardware and software development within several segments. All projects have been completed and the customized solutions are in service and part of the current products sold to customers. Since 2018 no further capitalisation has been made.

Notes

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2022	25.745.507	6.711.361	298.737	32.755.605
Additions for the year	2.179.358	252.634	434.889	2.866.881
Transfers for the year	808.128	-509.391	-298.737	0
Cost at 31 December 2022	<u>28.732.993</u>	<u>6.454.604</u>	<u>434.889</u>	<u>35.622.486</u>
Impairment losses and depreciation at 1 January 2022	19.526.080	5.272.859	0	24.798.939
Depreciation for the year	2.963.186	279.701	0	3.242.887
Transfers for the year	79.141	-79.141	0	0
Impairment losses and depreciation at 31 December 2022	<u>22.568.407</u>	<u>5.473.419</u>	<u>0</u>	<u>28.041.826</u>
Carrying amount at 31 December 2022	<u>6.164.586</u>	<u>981.185</u>	<u>434.889</u>	<u>7.580.660</u>

Notes

	<u>2022</u>	<u>2021</u>
	DKK	DKK
9 Provision for deferred tax		
Provisions for deferred tax at 1 January 2022	-4.415.199	-5.833.301
Deferred tax recognised in income statement	<u>-1.336.737</u>	<u>1.418.102</u>
Provisions for deferred tax at 31 December 2022	<u><u>-5.751.936</u></u>	<u><u>-4.415.199</u></u>

Deferred tax is capitalised by 22% of the basis of deferred tax.

Deferred tax asset comprise DKK 674 thousands from non-current assets (DKK 705 thousands in 2021) and DKK 5.078 thousands from warranty provisions (DKK 3.710 thousands in 2021).

Deferred tax asset is recognised in the balance sheet, as it is considered very likely that the tax asset can be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

10 Warranty provisions

The Company provides 1-7 years warranty on certain products and thereby undertakes to repair or replace goods that are not satisfactory. Other provisions of DKK 29.777 thousands (2021: DKK 28.313 thousands) have been included for expected warranty claims based on previous experience regarding the level of repairs and returns, which are estimated as follows:

Balance at beginning of year at 1 January 2022	28.312.534	32.258.455
Provision in year	<u>1.464.714</u>	<u>-3.945.921</u>
Balance at 31 December 2022	<u><u>29.777.248</u></u>	<u><u>28.312.534</u></u>

11 Contingent liabilities

Other contingent liabilities not recognised in balance sheet

The Company has entered into tenancy agreements and leases for a period up to and including 2024. Rent and lease payments for the period total DKK 6.938 thousands.

Rent and lease payments for the period comprise DKK 6.582 thousands from rent agreements and DKK 356 thousands from lease agreements.

Notes

12 Related parties and ownership structure

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, Eschenbrunnlestrasse 15, 71065 Sindelfingen, Germany.

In accordance with sector 98c (7) of the Danish Financial Statements Act, the company has not disclosed any related party transactions as they were conducted on an arm's length basis.

	<u>2022</u> DKK	<u>2021</u> DKK
13 Cash flow statement - adjustments		
Financial income	-2.106.958	-5.022.772
Financial costs	2.477.181	406.642
Depreciation, amortisation and impairment losses, including losses and gains on sales	3.279.737	3.529.595
Tax on profit/loss for the year	5.903.793	7.126.684
Change in other provisions	1.464.714	-3.945.921
	<u>11.018.467</u>	<u>2.094.228</u>
14 Cash flow statement - change in working capital		
Change in inventories	4.648.714	-18.319.466
Change in receivables	1.372.547	-110.311
Change in trade payables, etc	-33.856.360	9.474.977
	<u>-27.835.099</u>	<u>-8.954.800</u>

15 Accounting policies

The annual report of BITZER Electronics A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized class C entities.

Notes

15 Accounting policies

The accounting policies applied are consistent with those of last year.

The annual report for 2022 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 costs of 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.

Other operating income

The item Other operating income includes items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment.

Notes

15 Accounting policies

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and items of property, plant and equipment.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

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 that relate to the financial year. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

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, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Software are measured at the lower of cost less accumulated amortisation and recoverable losses. Software are amortised on a straight-line basis over a period of 3 years.

Notes

15 Accounting policies

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 plant and machinery and fixtures and fittings, tools 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 components of an item of property, plant and equipment have different useful lives, and the individual component is a significant part of the total cost, the cost is divided into separate components, which are depreciated separately.

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

	Useful life
Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	3-10 years

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under other operating income or other operating expenses, respectively.

Notes

15 Accounting policies

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 'Contingencies liabilities'.

Inventories

Inventories are measured at cost using the weighted average 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.

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

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is calculated as the expected selling price less direct 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.

Receivables

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

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Notes

15 Accounting policies

Provisions

Provisions comprise expected expenses relating to warranty commitments, restructuring, 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 at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement. For the current year the tax rate is 22%.

Deferred tax assets are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. Any deferred net tax assets are measured at net realisable value.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent 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.

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.

Notes

15 Accounting policies

Fixed assets acquired in foreign currencies are translated 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 company's profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

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 investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flow from 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.

Financial Highlights

Definitions of financial ratios.

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