

JP Air Tech ApS

Skifervej 2, 4990 Sakskøbing
CVR no. 25 05 43 42

Annual report for the financial year 01.10.22 - 30.09.23

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 11.12.23

Niels Gade-Jacobsen
Dirigent

Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 8
Management's review	9 - 11
Income statement	12
Balance sheet	13 - 14
Statement of changes in equity	15
Cash flow statement	16
Notes	17 - 29

The company

JP Air Tech ApS
Skifervej 2
4990 Sakskøbing
Tel.: 23 82 00 82
Registered office: Guldborgsund
CVR no.: 25 05 43 42
Financial year: 01.10 - 30.09

Executive Board

Adm. direktør André Radley Grundahl
Direktør Jørgen Bech Poulsen

Board of Directors

Adm. direktør André Radley Grundahl
Direktør Jørgen Bech Poulsen
Niels Gade-Jacobsen
Mads Schøldardt Bojda

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

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

We have on this day presented the annual report for the financial year 01.10.22 - 30.09.23 for JP Air Tech ApS.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30.09.23 and of the results of the company's activities and cash flows for the financial year 01.10.22 - 30.09.23.

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

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

Sakskøbing, December 11, 2023

Executive Board

André Radley Grundahl
Adm. direktør

Jørgen Bech Poulsen
Direktør

Board of Directors

André Radley Grundahl
Adm. direktør

Jørgen Bech Poulsen
Direktør

Niels Gade-Jacobsen

Mads Schølaradt Bojda

To the shareholder of JP Air Tech ApS**Opinion**

We have audited the financial statements of JP Air Tech ApS for the financial year 01.10.22 - 30.09.23, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 30.09.23 and of the results of the company's operations and cash flows for the financial year 01.10.22 - 30.09.23 in accordance with the the Danish Financial Statements Act.

Basis for Opinion

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

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 the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management's review

Management is responsible for the management's review.

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

In connection with our audit of the financial statements, it is our responsibility 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 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 the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Nakskov, December 11, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Svend Skaarup Sand

State Authorized Public Accountant
MNE-no. mne21424

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000

	2022/23	2021/22	2020/21	2019/20	2018/19
<i>Profit/loss</i>					
Operating profit	15,446	11,507	13,039	6,018	5,614
Index	275	205	232	107	100
Total net financials	-814	-352	-627	-302	-184
Profit for the year	11,395	8,698	9,357	4,382	4,205

Balance

Total assets	55,107	62,308	62,058	30,244	23,801
Investments in property, plant and equipment	3,248	13,514	9,816	4,317	1,471
Equity	28,895	17,500	22,303	15,351	14,069

Ratios

	2022/23	2021/22	2020/21	2019/20	2018/19
<i>Profitability</i>					
Return on equity	49%	50%	50%	30%	60%

Equity ratio

Solvency ratio	52%	28%	36%	51%	59%
----------------	-----	-----	-----	-----	-----

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Primary activities

The company's principal activities

The main activities of the Company are manufacturing and sale of filter air filtration media for segments; industrial, gas turbine, automotive, industrial vacuum cleaners, HVAC, Life science and Venting.

Products are sold domestic, but majority is for export.

Development in activities and financial affairs

The income statement for the period 01.10.22 - 30.09.23 shows a profit/loss of DKK 11,394,772 against DKK 8,697,656 for the period 01.10.21 - 30.09.22. The balance sheet shows equity of DKK 28,895,162.

The year has been a bit challenging due to international unrest arising and the global inflation.

Development during the fiscal year

Revenue

The year 2022/23 realized a certain decline in revenue due to the war in Ukraine, but has at the same time also brought new customers to our business. We have even been able to diversify our skills and competencies to serve new product segments in new and developing markets.

P&L – Balance sheet

The income statement of the Company for 2022/23 shows a profit of DKK 14,632k before tax and 30th September 2023. The balance sheet of the Company shows equity of DKK 55,107k

.

Organization

Restructuring of the company from 1 to 3 shareholders. One of the new shareholders with + 12 years of executive international filtration experience was appointed as the CEO. The other new shareholder has 7 years of filtration experience and has held various leading positions in the company, today Chief Business Development Officer.

To support the further sustainable growth of the Company, other organizational changes has also taken place during the fiscal year.

Continuously improvement

During the fiscal year, several of actions were recorded, Organization changes, new KPI- and reporting structure, IoT systems has been implemented to measure operation efficiencies. Among our AI driven systems, we have secured increased efficiency throughout our operation, and in parallel to this secured more independency for the individual employees.

During the year 2022/23, we have upgraded existing production equipment and have further

invested in a completely new production line. This new line will lead the company to serve new customer segments within static filtration.

Working capital

Continuously during the year, we have worked on reducing inventory which has resulted in a strong cashflow improvement.

Safety conditions:

The Company has obtained all necessary environmental authorizations. The Company is constantly aiming at investments and working routines, that improves the safety of the working conditions.

The earnings expectations for the financial year 01.10.22 - 30.09.23 were a net profit of DKK 13.219k. .

ESG & Environmental performance

During 2022/23 we have made further progress in our ESG activities and released our first ESG report. Measures have been taken and investments made to reduce energy and waste consumption. This means that we are on our way to map and report the carbon emission arising from our activities and to set up goals for a reduction of the emissions. Our social activities for all our JP Air Tech employees are in our scope of focus. We have initiated various social actions during the past year. In terms of governance, we comply with authority regulations and to our knowledge comply to any rule.

Events after the balance sheet date

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

Outlook

The company expects a profit before tax in the region of DKK 15.200k for the coming year. Although a trend of global recession, we anyhow expect a slight >5% improvement in our performance overall..

Income statement

Note		2022/23 DKK	2021/22 DKK
	Gross profit	38,222,661	35,278,640
1	Staff costs	-19,040,190	-19,353,373
	Profit before depreciation, amortisation, write-downs and impairment losses	19,182,471	15,925,267
	Depreciation and impairments losses of property, plant and equipment	-3,736,302	-4,417,806
	Operating profit	15,446,169	11,507,461
2	Financial income	6,820	256,528
	Financial expenses	-821,193	-608,109
	Profit before tax	14,631,796	11,155,880
	Tax on profit for the year	-3,237,024	-2,458,224
	Profit for the year	11,394,772	8,697,656

3 Proposed appropriation account

ASSETS		30.09.23	30.09.22
Note		DKK	DKK
	Acquired rights	133,333	0
4	Total intangible assets	133,333	0
	Leasehold improvements	782,352	879,420
	Plant and machinery	16,558,979	18,365,849
5	Total property, plant and equipment	17,341,331	19,245,269
	Total non-current assets	17,474,664	19,245,269
	Manufactured goods and goods for resale	17,758,263	26,290,083
	Prepayments for goods	0	873,951
	Total inventories	17,758,263	27,164,034
	Trade receivables	12,576,878	14,314,242
	Receivables from group enterprises	155,917	0
	Other receivables	290,784	425,652
6	Prepayments	585,079	252,128
	Total receivables	13,608,658	14,992,022
	Cash	6,265,051	906,643
	Total current assets	37,631,972	43,062,699
	Total assets	55,106,636	62,307,968

EQUITY AND LIABILITIES		30.09.23	30.09.22
Note		DKK	DKK
	Share capital	125,000	125,000
	Retained earnings	16,570,162	17,375,390
	Proposed dividend for the financial year	12,200,000	0
	Total equity	28,895,162	17,500,390
7	Provisions for deferred tax	759,921	547,489
	Total provisions	759,921	547,489
8	Lease commitments	3,273,255	5,800,888
8	Prepayments received from customers	836,478	504,685
	Total long-term payables	4,109,733	6,305,573
8	Short-term part of long-term payables	1,518,788	2,009,523
	Payables to other credit institutions	244,923	12,769,032
	Trade payables	11,371,785	17,664,115
	Payables to group enterprises	2,281,043	1,316,673
	Income taxes	3,024,604	2,210,858
	Other payables	2,900,677	1,984,315
	Total short-term payables	21,341,820	37,954,516
	Total payables	25,451,553	44,260,089
	Total equity and liabilities	55,106,636	62,307,968
9	Contingent liabilities		
10	Charges and security		
11	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.10.22 - 30.09.23				
Balance as at 01.10.22	125,000	17,375,390	0	17,500,390
Net profit/loss for the year	0	-805,228	12,200,000	11,394,772
Balance as at 30.09.23	125,000	16,570,162	12,200,000	28,895,162

Cash flow statement

Note	2022/23 DKK	2021/22 DKK
Profit for the year	11,394,772	8,697,656
12 Adjustments	7,787,711	7,228,631
Change in working capital:		
Inventories	9,405,771	-8,114,658
Receivables	1,383,364	11,030,520
Trade payables	-6,292,330	3,232,857
Other payables relating to operating activities	2,212,524	1,108,937
Cash flows from operating activities before net financials	25,891,812	23,183,943
Interest income and similar income received	6,820	256,528
Interest expenses and similar expenses paid	-821,193	-608,109
Income tax paid	-2,210,858	-2,954,741
Cash flows from operating activities	22,866,581	19,877,621
Purchase of intangible assets	-160,000	0
Purchase of property, plant and equipment	-3,248,403	-10,234,764
Sale of property, plant and equipment	1,442,707	3,582,418
Cash flows from investing activities	-1,965,696	-6,652,346
Dividend paid	0	-13,500,000
Arrangement of payables to credit institutions	0	75,198
Repayment of payables to credit institutions	-12,524,109	0
Repayment of lease commitments	-3,018,368	1,069,366
Cash flows from financing activities	-15,542,477	-12,355,436
Total cash flows for the year	5,358,408	869,839
Cash, beginning of year	906,643	36,804
Cash, end of year	6,265,051	906,643
Cash, end of year, comprises:		
Cash	6,265,051	906,643
Total	6,265,051	906,643

	2022/23	2021/22
	DKK	DKK

1. Staff costs

Wages and salaries	16,942,221	16,032,547
Pensions	1,418,327	2,301,971
Other social security costs	227,201	283,267
Other staff costs	452,441	735,588

Total	19,040,190	19,353,373
-------	------------	------------

Average number of employees during the year	31	34
---	----	----

Remuneration for the management:

Salaries for the Executive Board	1,930,011	2,760,600
Pension for the Executive Board	134,056	576,022

Total remuneration for the Executive Board	2,064,067	3,336,622
--	-----------	-----------

Remuneration for the Board of Directors	826,003	0
---	---------	---

Remuneration for the Executive Board and Board of Directors	2,890,070	3,336,622
---	-----------	-----------

2. Financial income

Interest, group enterprises	5,917	255,641
Other interest income	903	887

Total	6,820	256,528
-------	-------	---------

	2022/23	2021/22
	DKK	DKK

3. Proposed appropriation account

Extraordinary dividend for the financial year	0	8,500,000
Proposed dividend for the financial year	12,200,000	0
Retained earnings	-805,228	197,656
Total	11,394,772	8,697,656

4. Intangible assets

Figures in DKK

Acquired rights

Cost as at 01.10.22	481,883
Additions during the year	160,000
Cost as at 30.09.23	641,883
Amortisation and impairment losses as at 01.10.22	-481,883
Amortisation during the year	-26,667
Amortisation and impairment losses as at 30.09.23	-508,550
Carrying amount as at 30.09.23	133,333
Carrying amount of assets held under finance leases as at 30.09.23	0

5. Property, plant and equipment

Figures in DKK	Leasehold improvements	Plant and machinery
Cost as at 01.10.22	1,079,674	31,756,475
Additions during the year	12,000	3,236,403
Disposals during the year	0	-3,185,854
Cost as at 30.09.23	1,091,674	31,807,024
Depreciation and impairment losses as at 01.10.22	-200,254	-13,390,625
Depreciation during the year	-109,068	-3,600,567
Reversal of depreciation of and impairment losses on disposed assets	0	1,743,147
Depreciation and impairment losses as at 30.09.23	-309,322	-15,248,045
Carrying amount as at 30.09.23	782,352	16,558,979
Carrying amount of assets held under finance leases as at 30.09.23	0	6,170,088
	30.09.23	30.09.22
	DKK	DKK

6. Prepayments

Other prepayments	306,923	252,128
Test cost prepayments	278,156	0
Total	585,079	252,128

	30.09.23	30.09.22
	DKK	DKK

7. Deferred tax

Deferred tax as at 01.10.22	547,489	300,123
Deferred tax recognised in the income statement	212,432	247,366
Deferred tax as at 30.09.23	759,921	547,489

8. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 30.09.23	Total payables at 30.09.22
Lease commitments	1,518,788	0	4,792,043	7,810,411
Prepayments received from customers	0	0	836,478	504,685
Total	1,518,788	0	5,628,521	8,315,096

9. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with the other companies in the group and is liable for income taxes on a pro rata basis for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The maximum liability totals DKK 3,025k at the balance sheet date, of which DKK 3,025k is recognised in the balance sheet. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

The company has entered into a lease on production premises, where the lease obligation amounts to DKK 4,500k.

10. Charges and security

The company has provided a company charge of DKK 15,000k as security for debt to credit institutions. As at 30.09.23, the company charge comprises the following assets with the following carrying amounts:

- Other plant, fixtures and fittings, tools and equipment, DKK 16,559k in which asset hold i
finacial lease of DKK 6,170k
- Inventories, DKK 17,758k
- Trade receivables, DKK 12,577k

In addition, the corporate mortgage also serves as security for the parent company's debt to banks, unlimited.

11. Related parties

Controlling influence	Basis of influence
Jørgen Bech Poulsen	Share ownership
JMA Filtration ApS, Guldborgsund	100% ownership
	30.09.23
Balances	DKK
Receivables from group enterprises	155,917
Payables to group enterprises	-2,281,043

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment. No write-downs have been made on the receivables.

	2022/23	2021/22
	DKK	DKK
12. Adjustments for the cash flow statement		
Depreciation and impairments losses of property, plant and equipment	3,736,302	4,417,806
Financial income	-6,820	-256,528
Financial expenses	821,193	608,109
Tax on profit or loss for the year	3,237,024	2,458,224
Other adjustments	12	1,020
Total	7,787,711	7,228,631

13. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

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

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

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

CURRENCY

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

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

13. Accounting policies - continued -**LEASES**

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

INCOME STATEMENT**Gross profit**

Gross profit comprises revenue and raw materials and consumables and other external expenses.

Revenue

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

Costs of raw materials and consumables

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

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

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and

13. Accounting policies - continued -

administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

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

Depreciation and impairment losses

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

	Useful lives, years	Residual value DKK
Acquired rights	5	0
Leasehold improvements	10	0
Plant and machinery	5	0

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

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

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

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

13. Accounting policies - continued -

The company is jointly taxed with Danish consolidated enterprises.

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

BALANCE SHEET**Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation and impairment losses' section.

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

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements og plant and machinery.

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

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

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

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

13. Accounting policies - continued -

Impairment losses on fixed assets

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

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

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

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

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

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

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

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

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

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

Receivables

13. Accounting policies - continued -

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

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

Prepayments

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

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

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

Current and deferred tax

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

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

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

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

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according

13. Accounting policies - continued -

to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash.