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# ***Emerson Process Management A/S***

Generatorvej 8 A, 2., DK-2860 Søborg

## **Annual Report for 1 October 2021 - 30 September 2022**

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CVR No 31 48 24 29

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
22/2 2023

Peter Larsson  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Emerson Process Management A/S for the financial year 1 October 2021 - 30 September 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 financial position at 30 September 2022 of the Company and of the results of the Company operations for 2021/22.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 22 February 2023

## **Executive Board**

Erik Christensen  
Executive Officer

## **Board of Directors**

Lars Peter Larsson  
Chairman

Erik Langeland

Erik Christensen

# Independent Auditor's Report

To the Shareholder of Emerson Process Management A/S

## Opinion

We have audited the Financial Statements of Emerson Process Management A/S for the financial year 1 October 2021 - 30 September 2022 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 assets, liabilities and financial position at 30 September 2022 and of the results of the Company's operations for the financial year 1 October 2021 - 30 September 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 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 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.

# Independent Auditor's Report

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 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 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.

## **Independent Auditor's Report**

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

Copenhagen, 22 February 2023

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*

Kenn W. Hansen

State Authorised Public Accountant

mne30154

## **Company Information**

### **The Company**

Emerson Process Management A/S  
Generatorvej 8 A, 2.  
DK-2860 Søborg

Telephone: + 45 70253051

CVR No: 31 48 24 29

Financial period: 1 October - 30 September

Municipality of reg. office: Gladsaxe

### **Board of Directors**

Lars Peter Larsson, Chairman  
Erik Langeland  
Erik Christensen

### **Executive Board**

Erik Christensen

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	<u>2021/22</u> TDKK	<u>2020/21</u> TDKK	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	66.855	68.885	35.000	36.078	40.376
Profit/loss before financial income and expenses	26.542	34.168	3.486	4.489	7.380
Net financials	-404	-177	-38	-57	-108
Net profit/loss for the year	20.117	26.513	2.675	3.440	5.647
<b>Balance sheet</b>					
Balance sheet total	145.819	116.918	69.545	66.369	58.697
Equity	86.295	66.178	39.665	36.990	33.551
Investment in property, plant and equipment	256	152	59	203	724
Number of employees	36	36	36	33	37
<b>Ratios</b>					
Solvency ratio	59,2%	56,6%	57,0%	55,7%	57,2%
Return on equity	26,4%	50,1%	7,0%	9,8%	18,4%

As a result of the merger with Aventics ApS 1 October 2021, the comparative figures for 2020/21 have been adjusted. See the description under accounting policies for further information.



# Management's Review

## **Key activities**

The company's activities consist of sale of measuring instruments, systems and consultancy services within process automation. The majority of the sales is to customers in Denmark.

## **Development in the year**

The income statement of the Company for 2021/22 shows a profit of TDKK 20,117, and at 30 September 2022 the balance sheet of the Company shows equity of TDKK 86,295.

## **The past year and follow-up on development expectations from last year**

As per 1 October 2021 the Company has merged with Aventics ApS with Emerson Process Management A/S as the continuing Company. The new business unit of Aventics has contributed positively to the annual result.

The global shortage of electronic components has impacted the delivery lead times in 2021-22. The lead times are expected to be back to normal again in the beginning of 2023.

## ***Operating risks***

The Company's most significant operating risk relates to the customer demand and investments made in the industries we serve.

## ***Financial risks***

The Company has limited interest-bearing assets and liabilities so the exposure to interest rate changes is very low. The currency risk is also considered low as most of the business is conducted in local currency, DKK. Furthermore, the Company is not exposed to credit risks besides normal risks in relation to trade receivables.

## **Targets and expectations for the year ahead**

Management expects the result for the coming financial year to be at a higher level than 2021/22 thanks to continued large investments in the Life Science industry.

## **Research and development**

The Company does not have any significant research and development activities as these activities are carried out in foreign group companies.

# **Management's Review**

## **External environment**

The Company's activities do not cause any significant impact on the surrounding environment.

Emerson Process Management A/S is part of the Emerson global environmental, social and governance report. This report is published for the Emerson group by the parent company Emerson Electric Co., St. Louis, USA. The report is published on the following site: <https://www.emerson.com/en-us/about-us/corporate-social-responsibility>.

## **Intellectual capital resources**

In order to maintain a continuous growth, it is essential for the company to attract and retain highly skilled employees.

## **Unusual events**

The financial position at 30 September 2022 of the Company and the results of the activities of the Company for the financial year 2021/22, besides the merger with Aventics ApS, have not been affected by any unusual events.

## **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 October - 30 September

	<u>Note</u>	<u>2021/22</u> TDKK	<u>2020/21</u> TDKK
<b>Gross profit/loss</b>		<b>66.855</b>	<b>68.885</b>
Staff expenses	1	-38.677	-34.259
Depreciation, amortisation and impairment of property, plant and equipment		-1.618	-384
Other operating expenses		-18	-74
<b>Profit before financial income and expenses</b>		<b>26.542</b>	<b>34.168</b>
Financial income	2	34	110
Financial expenses	3	-438	-287
<b>Profit before tax</b>		<b>26.138</b>	<b>33.991</b>
Tax on profit for the year	4	-6.021	-7.478
<b>Net profit/loss for the year</b>		<b>20.117</b>	<b>26.513</b>

## Balance Sheet 30 September

### Assets

	Note	2021/22 TDKK	2020/21 TDKK
Goodwill		5.005	6.256
<b>Intangible assets</b>	5	<b>5.005</b>	<b>6.256</b>
Other fixtures and fittings, tools and equipment		784	869
Leasehold improvements		52	78
<b>Property, plant and equipment</b>	6	<b>836</b>	<b>947</b>
Deposits		550	555
<b>Financial fixed asset investments</b>	7	<b>550</b>	<b>555</b>
<b>Fixed assets</b>		<b>6.391</b>	<b>7.758</b>
<b>Inventories</b>		<b>690</b>	<b>225</b>
Trade receivables		50.711	34.986
Contract work in progress	8	13.715	10.787
Receivables from group enterprises		73.639	60.513
Other receivables		520	2.465
Deferred tax asset	9	25	0
Prepayments	10	128	184
<b>Receivables</b>		<b>138.738</b>	<b>108.935</b>
<b>Currents assets</b>		<b>139.428</b>	<b>109.160</b>
<b>Assets</b>		<b>145.819</b>	<b>116.918</b>

# Balance Sheet 30 September

## Liabilities and equity

	Note	2021/22 TDKK	2020/21 TDKK
Share capital		48.500	48.500
Retained earnings		37.795	17.678
<b>Equity</b>		<b>86.295</b>	<b>66.178</b>
Provision for deferred tax	9	0	8
Other provisions	11	262	1.445
<b>Provisions</b>		<b>262</b>	<b>1.453</b>
Trade payables		3.145	880
Prepayments received regarding work in progress	8	13.718	4.262
Payables to group enterprises		8.000	19.734
Payables to group enterprises relating to corporation tax		6.135	7.526
Other payables		20.659	11.800
Deferred income	12	7.605	5.085
<b>Short-term debt</b>		<b>59.262</b>	<b>49.287</b>
<b>Debt</b>		<b>59.262</b>	<b>49.287</b>
<b>Liabilities and equity</b>		<b>145.819</b>	<b>116.918</b>
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	14		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 October 2021	48.500	17.678	66.178
Net profit/loss for the year	0	20.117	20.117
<b>Equity at 30 September 2022</b>	<b>48.500</b>	<b>37.795</b>	<b>86.295</b>

# Notes to the Financial Statements

	2021/22	2020/21
	TDKK	TDKK
<b>1 Staff expenses</b>		
Wages and salaries	35.487	31.436
Pensions	2.943	2.549
Other social security expenses	247	274
	<u>38.677</u>	<u>34.259</u>
<b>Average number of employees</b>	<u>36</u>	<u>36</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>2 Financial income</b>		
Interest received from group enterprises	21	26
Exchange gains	13	84
	<u>34</u>	<u>110</u>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	2	0
Exchange loss	436	287
	<u>438</u>	<u>287</u>
<b>4 Tax on profit for the year</b>		
Current tax for the year	6.116	7.526
Deferred tax for the year	-33	-48
Adjustment of deferred tax concerning previous years	-62	0
	<u>6.021</u>	<u>7.478</u>

## Notes to the Financial Statements

### 5 Intangible assets

	Goodwill TDKK
Cost at 1 October 2021	6.256
Cost at 30 September 2022	6.256
Impairment losses and amortisation at 1 October 2021	0
Amortisation for the year	1.251
Impairment losses and amortisation at 30 September 2022	1.251
<b>Carrying amount at 30 September 2022</b>	<b>5.005</b>

### 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
Cost at 1 October 2021	2.613	405	3.018
Additions for the year	244	12	256
Cost at 30 September 2022	2.857	417	3.274
Impairment losses and depreciation at 1 October 2021	1.744	327	2.071
Depreciation for the year	329	38	367
Impairment losses and depreciation at 30 September 2022	2.073	365	2.438
<b>Carrying amount at 30 September 2022</b>	<b>784</b>	<b>52</b>	<b>836</b>



## Notes to the Financial Statements

### 7 Financial fixed asset investments

	Deposits TDKK
Cost at 1 October 2021	550
Cost at 30 September 2022	550
Impairment losses at 1 October 2021	0
Impairment losses for the year	0
Impairment losses at 30 September 2022	0
<b>Carrying amount at 30 September 2022</b>	<b>550</b>

### 8 Contract work in progress

	2021/22 TDKK	2020/21 TDKK
Selling price of work in progress	33.006	29.482
Payments received on account	-33.009	-22.957
	<b>-3</b>	<b>6.525</b>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	13.715	10.787
Prepayments received recognised in debt	-13.718	-4.262
	<b>-3</b>	<b>6.525</b>

### 9 Deferred tax asset

Deferred tax asset at 1 October 2021	-8	-56
Amounts recognised in the income statement for the year	33	48
<b>Deferred tax asset at 30 September 2022</b>	<b>25</b>	<b>-8</b>

### 10 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums.

## Notes to the Financial Statements

	2021/22 TDKK	2020/21 TDKK
<b>11 Other provisions</b>		
Provision for warranties	246	193
Provision for losses on contract work in progress	16	1.252
	<u>262</u>	<u>1.445</u>

### 12 Deferred income

Deferred income consist of invoicing to customers for sales in subsequent year.

### 13 Distribution of profit

Retained earnings	20.117	26.513
	<u>20.117</u>	<u>26.513</u>

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

#### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Between 0 and 5 years	5.429	5.652
	<u>5.429</u>	<u>5.652</u>

#### Other contingent liabilities

The Company has via bank provided warranty to a third party in the amount of TDKK 14,386 (2020/21: TDKK 266)

The Danish group companies are jointly and severally liable for tax on the Danish jointly taxed incomes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 15 Related parties

### Transactions

During the year, the Company had following transactions with related parties:

Purchase of Services from related parties TDKK 16,734

Purchase of Goods from related parties TDKK 67,396

Sales of Services to related parties TDKK 0

Sales of Goods to related parties TDKK 85,155

Interest received from related parties TDKK 21

Interest paid to related parties TDKK 2

Receivables from related parties TDKK 79,639

Payables to related parties TDKK 8,000

### Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Emerson Electric Co. (largest group)	Saint Louis, Missouri, United States
Emerson Process Management AB (smallest group)	Karlstad, Sweden

The Group Annual Report of Emerson Electric Co. (largest group) may be obtained at the following address:

Emerson Electric Co.  
World Headquarters  
8000 W Florissant Ave.  
P.O. Box 4100  
St. Louis, MO 63136, USA

## Notes to the Financial Statements

### 15 Related parties (continued)

The Group Annual Report of Emerson Process Management AB (smallest group) may be obtained at the following address:

Emerson Process Management AB  
Körkarlsvägen 8  
Box 1053  
SE 651 15 Karlstad, Sweden

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of Emerson Process Management A/S for 2021/22 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 remain unchanged from last year.

The Financial Statements for 2021/22 are presented in TDKK.

With effect on 1. October 2021 the Company has merged with the subsidiary Aventics ApS, which previously has been measured to cost price.

The merger is measured according to the group method, and the difference between cost price and net asset value on 1 October 2021 amounts to DKK 6,256 thousand, which is recognised as Goodwill.

As a result of the merger, the comparative figures for 2020/21 have been adjusted, which has increased the balance sheet at 1 October 2021 total DKK 3,645 thousand. Profit and loss statement for 2020/21 and equity at 1 October 2021 is not affected by the merger.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Emerson Process Management AB (smallest group), the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### **Business combinations**

#### ***Pooling of interests***

Pooling of interests Intragroup business combinations (mergers) are accounted for under the pooling-of-interests method (Group method). Under this method, the two enterprises are combined at carrying amounts. Any difference, in the continuing company, between the carrying amounts of the investments previously recognized and the carrying amount of the net assets identified is recognized as goodwill. The pooling-of-interests method (Group method) is applied at the date of acquisition, and comparative figures have been restated.

#### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

## **Income Statement**

### **Revenue**

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, change in inventories of finished goods, work in progress and goods for resale and other external expenses.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll related expenses.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

### Other operating expenses

Other operating expenses comprise items of a secondary nature to the main activities of the Company, including losses on the sale of 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 for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with other Danish subsidiaries of the group. The tax effect of the joint taxation is allocated to enterprises in proportion to their incomes.

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	5-6 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Financial fixed asset investments

Financial fixed asset investments consist of deposits.

### Impairment of fixed assets

The carrying amounts of intangible assets, property, plant and equipment and financial fixed asset investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of finished goods and goods for resale comprises the cost of purchase price plus delivery costs.



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

### Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

### Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums.

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include expected losses on work in progress and warranty obligations in respect of repair work within the warranty period of 1-5.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

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

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

## Financial Highlights

### Explanation of financial ratios

Solvency ratio

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

Return on equity

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