



## Dan-Web Machinery A/S

Røddikvej 82  
8464 Galten  
CVR No. 32474977

## Annual report 01.07.2021 - 30.06.2022

The Annual General Meeting adopted the  
annual report on 16.01.2023

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**Henrik Steen Jensen**  
Chairman of the General Meeting

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# Entity details

## Entity

Dan-Web Machinery A/S

Røddikvej 82

8464 Galten

Business Registration No.: 32474977

Registered office: Skanderborg

Financial year: 01.07.2021 - 30.06.2022

## Board of Directors

Henrik Steen Jensen, chairman

Linda Hansen

Kurt Dam Sørensen

## Executive Board

Kurt Dam Sørensen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Dan-Web Machinery A/S for the financial year 01.07.2021 - 30.06.2022.

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 Entity's financial position at 30.06.2022 and of the results of its operations for the financial year 01.07.2021 - 30.06.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Galten, 16.01.2023

## Executive Board

**Kurt Dam Sørensen**

## Board of Directors

**Henrik Steen Jensen**  
chairman

**Linda Hansen**

**Kurt Dam Sørensen**

# Independent auditor's report

## To the shareholders of Dan-Web Machinery A/S

### Opinion

We have audited the financial statements of Dan-Web Machinery A/S for the financial year 01.07.2021 - 30.06.2022, which comprise the income statement, balance sheet, statement of changes in equity 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 30.06.2022 and of the results of its operations for the financial year 01.07.2021 - 30.06.2022 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.

### 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.

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 commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Aarhus, 16.01.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

**Michael Bach**

State Authorised Public Accountant

Identification No (MNE) mne19691

**Rasmus Villadsen Madsen**

State Authorised Public Accountant

Identification No (MNE) mne45822

# Management commentary

## Primary activities

The Company's primary activity consists in delivering machinery and turnkey plants for air-laid paper production.

## Development in activities and finances

The financial performance for the year shows a loss of DKK 9,912 thousand, which is unsatisfactory. The result is negatively affected by delivery problems in supply chains as well as rising prices for components etc.

Furthermore, there have been major logistic shipping problems and substantial rises in freight costs. The increased costs could not be passed on to the customers according to the contracts. Those challenges have all negatively affected the large U.S. projects resulting in a lower contribution margin.

## Outlook

Based on the current order backlog and the Company's pipeline for additional orders, the future outlook is positive. The previously mentioned project will also have a significant negative impact on the expected result for 2022/23, so that the overall result will be a loss.

## 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.



# Income statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
<b>Gross profit/loss</b>		<b>10,521,900</b>	<b>45,358,354</b>
Staff costs	1	(21,510,645)	(16,879,277)
Depreciation, amortisation and impairment losses	2	(1,689,510)	(619,918)
<b>Operating profit/loss</b>		<b>(12,678,255)</b>	<b>27,859,159</b>
Other financial income	3	22,090	44,734
Other financial expenses	4	(567,670)	(857,590)
<b>Profit/loss before tax</b>		<b>(13,223,835)</b>	<b>27,046,303</b>
Tax on profit/loss for the year	5	3,311,751	(6,112,642)
<b>Profit/loss for the year</b>		<b>(9,912,084)</b>	<b>20,933,661</b>
<b>Proposed distribution of profit and loss</b>			
Extraordinary dividend distributed in the financial year		0	12,000,000
Retained earnings		(9,912,084)	8,933,661
<b>Proposed distribution of profit and loss</b>		<b>(9,912,084)</b>	<b>20,933,661</b>

# Balance sheet at 30.06.2022

## Assets

	Notes	2021/22 DKK	2020/21 DKK
Completed development projects	7	5,700,000	0
<b>Intangible assets</b>	6	<b>5,700,000</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		5,127,408	2,304,473
Leasehold improvements		768,796	932,224
<b>Property, plant and equipment</b>	8	<b>5,896,204</b>	<b>3,236,697</b>
Deposits		615,000	615,000
<b>Financial assets</b>	9	<b>615,000</b>	<b>615,000</b>
<b>Fixed assets</b>		<b>12,211,204</b>	<b>3,851,697</b>
Raw materials and consumables		1,667,421	1,633,197
<b>Inventories</b>		<b>1,667,421</b>	<b>1,633,197</b>
Trade receivables		789,371	6,289,609
Contract work in progress	10	1,569,491	7,881,099
Receivables from group enterprises		25,216	0
Other receivables		2,032,953	34,217,566
Joint taxation contribution receivable		2,251,751	0
Prepayments		243,463	216,196
<b>Receivables</b>		<b>6,912,245</b>	<b>48,604,470</b>
<b>Cash</b>		<b>17,982,747</b>	<b>18,277,002</b>
<b>Current assets</b>		<b>26,562,413</b>	<b>68,514,669</b>
<b>Assets</b>		<b>38,773,617</b>	<b>72,366,366</b>

**Equity and liabilities**

	Notes	2021/22 DKK	2020/21 DKK
Contributed capital		3,000,000	3,000,000
Reserve for development expenditure		4,446,000	0
Retained earnings		3,526,724	22,884,808
<b>Equity</b>		<b>10,972,724</b>	<b>25,884,808</b>
Deferred tax		6,241,000	7,301,000
Other provisions		1,000,000	1,000,000
<b>Provisions</b>		<b>7,241,000</b>	<b>8,301,000</b>
Joint taxation contribution payable		0	4,091,654
<b>Non-current liabilities other than provisions</b>	11	<b>0</b>	<b>4,091,654</b>
Prepayments received from customers		9,368,882	12,769,987
Trade payables		4,890,139	12,803,243
Payables to group enterprises		5,172,372	5,009,453
Joint taxation contribution payable		12	0
Other payables		1,128,488	3,506,221
<b>Current liabilities other than provisions</b>		<b>20,559,893</b>	<b>34,088,904</b>
<b>Liabilities other than provisions</b>		<b>20,559,893</b>	<b>38,180,558</b>
<b>Equity and liabilities</b>		<b>38,773,617</b>	<b>72,366,366</b>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		

# Statement of changes in equity for 2021/22

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Total DKK
Equity beginning of year	3,000,000	0	22,884,808	0	25,884,808
Extraordinary dividend paid	0	0	0	(15,000,000)	(15,000,000)
Group contributions etc	0	0	10,000,000	0	10,000,000
Transfer to reserves	0	4,446,000	(4,446,000)	0	0
Profit/loss for the year	0	0	(24,912,084)	15,000,000	(9,912,084)
<b>Equity end of year</b>	<b>3,000,000</b>	<b>4,446,000</b>	<b>3,526,724</b>	<b>0</b>	<b>10,972,724</b>

# Notes

## 1 Staff costs

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	18,552,418	15,273,493
Pension costs	1,382,635	1,055,041
Other social security costs	484,674	272,942
Other staff costs	1,090,918	277,801
	<b>21,510,645</b>	<b>16,879,277</b>
Average number of full-time employees	36	27

## 2 Depreciation, amortisation and impairment losses

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	400,000	0
Depreciation of property, plant and equipment	1,289,510	619,918
	<b>1,689,510</b>	<b>619,918</b>

## 3 Other financial income

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	0	17,612
Other interest income	20	0
Exchange rate adjustments	22,070	27,122
	<b>22,090</b>	<b>44,734</b>

## 4 Other financial expenses

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	166,747	0
Other interest expenses	59,826	201,745
Exchange rate adjustments	322,511	640,687
Other financial expenses	18,586	15,158
	<b>567,670</b>	<b>857,590</b>

## 5 Tax on profit/loss for the year

	2021/22 DKK	2020/21 DKK
Current tax	(1,342,000)	4,091,642
Change in deferred tax	(1,060,000)	2,021,000
Refund in joint taxation arrangement	(909,751)	0
	<b>(3,311,751)</b>	<b>6,112,642</b>

## 6 Intangible assets

	Completed development projects DKK
Additions	6,100,000
<b>Cost end of year</b>	<b>6,100,000</b>
Amortisation for the year	(400,000)
<b>Amortisation and impairment losses end of year</b>	<b>(400,000)</b>
<b>Carrying amount end of year</b>	<b>5,700,000</b>

## 7 Development projects

Development projects include the development of several new methods for mold casting as well as increased capacity on traditional machines. Capitalized costs consist of internal costs for employees, purchased materials and purchased assistance from external consultants. The new methods are expected to be able to ensure continued development in the primary activities and lead to increased market shares. On the basis of an assessment of the individual development projects, the management has concluded that the recoverable or useful value exceeds the booked value.

## 8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	5,888,897	1,634,275
Additions	3,949,017	0
<b>Cost end of year</b>	<b>9,837,914</b>	<b>1,634,275</b>
Depreciation and impairment losses beginning of year	(3,584,424)	(702,051)
Depreciation for the year	(1,126,082)	(163,428)
<b>Depreciation and impairment losses end of year</b>	<b>(4,710,506)</b>	<b>(865,479)</b>
<b>Carrying amount end of year</b>	<b>5,127,408</b>	<b>768,796</b>

## 9 Financial assets

	<b>Deposits DKK</b>
Cost beginning of year	615,000
<b>Cost end of year</b>	<b>615,000</b>
<b>Carrying amount end of year</b>	<b>615,000</b>

## 10 Contract work in progress

	<b>2021/22 DKK</b>	<b>2020/21 DKK</b>
Contract work in progress	139,039,482	162,174,547
Progress billings regarding contract work in progress	(146,838,873)	(167,063,435)
Transferred to liabilities other than provisions	9,368,882	12,769,987
	<b>1,569,491</b>	<b>7,881,099</b>

## 11 Non-current liabilities other than provisions

	<b>Outstanding after 5 years 2021/22 DKK</b>
Other payables	962,761
	<b>962,761</b>

## 12 Unrecognised rental and lease commitments

	<b>2021/22 DKK</b>	<b>2020/21 DKK</b>
Liabilities under rental or lease agreements until maturity in total	<b>5,342,902</b>	<b>8,416,395</b>
Of this, liabilities under rental or lease agreements with group enterprises	<b>5,088,878</b>	<b>8,302,906</b>

## 13 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where K.D.S. Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

**14 Assets charged and collateral**

Bank loans are secured on a letter of indemnity with floating charge. The letter of indemnity of DKK 23.000 k is secured on unsecured claims, inventories, operating equipment and intellectual property rights. At 30.06.2022 there is no bank debt in the company.

The carrying amount of mortgaged unsecured claims amounts to DKK 789 k.

The carrying amount of mortgaged inventories amounts to DKK 1.667 k.

The carrying amount of mortgaged operating equipment (exclusive leasehold improvements) amounts to DKK 5.127 k.



# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, cost of raw materials and consumables and external expenses.

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

**Cost of sales**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

**Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Staff costs**

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

**Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

**Other financial income**

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

**Balance sheet****Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income

statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	<b>Useful life Years</b>
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### **Inventories**

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

**Contract work in progress**

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

**Joint taxation contributions receivable or payable**

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises cash in hand and bank deposits.

**Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at

their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Other provisions**

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

**Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.