
Promovec A/S

Brunbjergvej 2, DK-8240 Risskov

Annual Report for 1 July 2019 - 30 June 2020

CVR No 32 79 00 89

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/10 2020

Brian Christensen
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 July - 30 June	8
Balance Sheet 30 June	9
Statement of Changes in Equity	11
Notes to the Financial Statements	12

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Promovec A/S for the financial year 1 July 2019 - 30 June 2020.

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 June 2020 of the Company and of the results of the Company operations for 2019/20.

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.

Risskov, 29 October 2020

Executive Board

Jesper Lundqvist

Board of Directors

Gert Kristiansen
Chairman

Kurt Schlott Hansen

Brian Christensen

Independent Auditor's Report

To the Shareholders of Promovec A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2020 and of the results of the Company's operations for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Promovec A/S for the financial year 1 July 2019 - 30 June 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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.

Independent Auditor's Report

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 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.

Independent Auditor's Report

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

Esbjerg, 29 October 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Palle H. Jensen

State Authorised Public Accountant

mne32115

Company Information

The Company

Promovec A/S
Brunbjergvej 2
DK-8240 Risskov
E-mail: info@promovec.dk
Website: www.promovec.dk

CVR No: 32 79 00 89
Financial period: 1 July - 30 June
Financial year: 11st financial year
Municipality of reg. office: Aarhus

Board of Directors

Gert Kristiansen, Chairman
Kurt Schlott Hansen
Brian Christensen

Executive Board

Jesper Lundqvist

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Esbjerg Brygge 28
DK-6700 Esbjerg
Telefon 76 12 45 00
www.pwc.dk

Bankers

Skjern Bank
Banktorvet 3
6900 Skjern

Financial Highlights

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

	2019/20	2018/19	2017/18	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	29.475	31.966	23.006	21.694	20.381
Operating profit/loss	8.094	13.347	3.805	6.837	6.591
Profit/loss before financial income and expenses	8.094	13.347	3.805	6.837	6.591
Net financials	-1.273	-2.654	-618	-815	-599
Net profit/loss for the year	5.440	8.182	2.477	4.694	4.669
Balance sheet					
Balance sheet total	69.618	83.478	51.874	37.223	29.958
Equity	20.735	17.295	9.113	8.636	3.942
Ratios					
Return on assets	11,6%	16,0%	7,3%	18,4%	22,0%
Solvency ratio	29,8%	20,7%	17,6%	23,2%	13,2%
Return on equity	28,6%	62,0%	27,9%	74,6%	290,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The Company's principal activity consists of development, production, sale and servicing of electric bikes and drivelines for electric bikes.

Development in the year

The income statement of the Company for 2019/20 shows a profit of DKK 5,439,921, and at 30 June 2020 the balance sheet of the Company shows equity of DKK 20,735,289.

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

Profit for the year is considered satisfactory considering the challenges posed by COVID-19. We have succeeded in strengthening our position in both the Danish and the international markets despite some difficult months during the close-down of several countries in Q1 and Q2 2020. With respect to development, we have reached the finish line for new products and have moreover invested heavily in the future through new IT systems, an app-based service concept, considerable build-up of our staff segment throughout 2019/20 as well as through measures focusing more on the green transition, including measures regarding the production of lithium-ion batteries.

Targets and expectations for the year ahead

The effect of COVID-19 has pushed the already positive development of the electric bike industry as a whole and, accordingly, we see very positive trends in the market. Consequently, we also expect that we will perform well in the coming year while the growth that we anticipate will require our continued focus on procuring and developing the necessary intellectual capital resources among the Company's employees.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 30 June 2020 of the Company and the results of the activities of the Company for the financial year for 2019/20 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 July - 30 June

	Note	2019/20 DKK	2018/19 DKK
Gross profit/loss		29.474.640	31.966.227
Distribution expenses	1	-11.743.758	-9.575.495
Administrative expenses	1	-9.637.230	-9.043.446
Profit/loss before financial income and expenses		8.093.652	13.347.286
Financial income	2	378.493	360.636
Financial expenses		-1.651.275	-3.014.177
Profit/loss before tax		6.820.870	10.693.745
Tax on profit/loss for the year	3	-1.380.949	-2.511.693
Net profit/loss for the year		5.439.921	8.182.052

Balance Sheet 30 June

Assets

	Note	2020 DKK	2019 DKK
Completed development projects		2.651.967	3.388.359
Development projects in progress		2.743.204	1.262.808
Intangible assets	4	5.395.171	4.651.167
Other fixtures and fittings, tools and equipment		531.157	487.171
Leasehold improvements		722.894	816.855
Property, plant and equipment	5	1.254.051	1.304.026
Other receivables		356.000	356.000
Fixed asset investments	6	356.000	356.000
Fixed assets		7.005.222	6.311.193
Inventories	7	15.584.118	26.315.112
Trade receivables		26.339.814	29.366.659
Receivables from group enterprises		8.173.534	8.918.637
Receivables from associates		7.502.334	4.866.251
Other receivables		1.636.018	300.435
Prepayments	8	2.498.053	929.989
Receivables		46.149.753	44.381.971
Cash at bank and in hand		879.109	6.469.729
Currents assets		62.612.980	77.166.812
Assets		69.618.202	83.478.005

Balance Sheet 30 June

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		5.000.000	5.000.000
Reserve for development costs		3.667.660	2.755.521
Retained earnings		10.067.629	7.539.847
Proposed dividend for the year		2.000.000	2.000.000
Equity		20.735.289	17.295.368
Provision for deferred tax	10	1.188.573	1.034.624
Provision for guarantee repairs	11	1.622.127	1.192.677
Provisions		2.810.700	2.227.301
Subordinate loan capital		0	733.350
Credit institutions		0	777.221
Other payables		1.528.123	0
Long-term debt	12	1.528.123	1.510.571
Subordinate loan capital	12	731.963	2.567.000
Credit institutions	12	12.347.284	41.597.278
Prepayments received from customers		0	23.409
Trade payables		14.459.388	9.277.839
Payables to group enterprises		347.238	1.554.153
Payables to associates		6.323.713	0
Corporation tax		3.589.836	2.962.402
Other payables	12	6.744.668	4.462.684
Short-term debt		44.544.090	62.444.765
Debt		46.072.213	63.955.336
Liabilities and equity		69.618.202	83.478.005
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 July	5.000.000	2.755.521	7.539.847	2.000.000	17.295.368
Ordinary dividend paid	0	0	0	-2.000.000	-2.000.000
Development costs for the year	0	1.401.329	-1.401.329	0	0
Depreciation, amortisation and impairment for the year	0	-489.190	489.190	0	0
Net profit/loss for the year	0	0	3.439.921	2.000.000	5.439.921
Equity at 30 June	5.000.000	3.667.660	10.067.629	2.000.000	20.735.289

Notes to the Financial Statements

	2019/20	2018/19
	DKK	DKK
1 Staff		
Wages and Salaries	16.724.744	15.119.602
Pensions	1.883.008	992.413
Other social security expenses	165.217	111.052
Other staff expenses	604.890	500.671
	19.377.859	16.723.738
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	7.944.921	6.856.733
Distribution expenses	7.363.586	6.355.021
Administrative expenses	4.069.352	3.511.984
	19.377.859	16.723.738
Average number of employees	48	33
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Financial income		
Interest received from group enterprises	37.593	0
Interest received from associates	197.173	110.752
Other financial income	143.727	249.884
	378.493	360.636
3 Tax on profit/loss for the year		
Current tax for the year	1.227.000	2.362.836
Deferred tax for the year	153.949	148.857
	1.380.949	2.511.693

Notes to the Financial Statements

4 Intangible assets

	Completed development projects <u>DKK</u>	Development projects in progress <u>DKK</u>
Cost at 1 July	13.666.079	1.262.800
Additions for the year	0	1.796.576
Transfers for the year	316.172	-316.172
Cost at 30 June	<u>13.982.251</u>	<u>2.743.204</u>
Impairment losses and amortisation at 1 July	10.277.720	0
Amortisation for the year	1.052.564	0
Impairment losses and amortisation at 30 June	<u>11.330.284</u>	<u>0</u>
Carrying amount at 30 June	<u>2.651.967</u>	<u>2.743.204</u>
Amortised over		<u>5 years</u>

Development projects relate to the development of new versions of the Company's existing products as well as expansion of the Company's product range. Five of the projects are expected to be completed in FY 2020/21. The last four projects is not expected to be completed until 2021/22. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The products are expected to be sold in the present market to the Company's existing customers, but it is also expected that the new products will be able to reach a new group of younger customers. Prior to the initiation of the projects, the Company inquired its customers as to the need for an updated program, which was well received.

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 July	2.165.623	1.827.953
Additions for the year	<u>223.775</u>	<u>197.888</u>
Cost at 30 June	<u>2.389.398</u>	<u>2.025.841</u>
Impairment losses and depreciation at 1 July	1.678.453	1.011.099
Depreciation for the year	<u>179.788</u>	<u>291.848</u>
Impairment losses and depreciation at 30 June	<u>1.858.241</u>	<u>1.302.947</u>
Carrying amount at 30 June	<u>531.157</u>	<u>722.894</u>
Depreciated over	<u>3-7 years</u>	<u>5 years</u>

6 Fixed asset investments

	Other receiv- ables
	DKK
Cost at 1 July	<u>356.000</u>
Cost at 30 June	<u>356.000</u>
Carrying amount at 30 June	<u>356.000</u>

7 Inventories

	2020	2019
	DKK	DKK
Finished goods and goods for resale	<u>15.584.118</u>	<u>26.315.112</u>
	<u>15.584.118</u>	<u>26.315.112</u>

Notes to the Financial Statements

8 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
9 Distribution of profit		
Proposed dividend for the year	2.000.000	2.000.000
Retained earnings	3.439.921	6.182.052
	<u>5.439.921</u>	<u>8.182.052</u>

	<u>2020</u> DKK	<u>2019</u> DKK
10 Provision for deferred tax		
Provision for deferred tax at 1 July	1.034.624	885.767
Amounts recognised in the income statement for the year	153.949	148.857
Provision for deferred tax at 30 June	<u>1.188.573</u>	<u>1.034.624</u>

11 Provision for guarantee repairs

The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of kDKK 1,622 (2018/19: kDKK 1,193) have been recognised for expected warranty claims.

Other provisions	<u>1.622.127</u>	<u>1.192.677</u>
	<u>1.622.127</u>	<u>1.192.677</u>

Notes to the Financial Statements

12 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2020 DKK	2019 DKK
Subordinate loan capital		
Between 1 and 5 years	0	733.350
Long-term part	0	733.350
Within 1 year	731.963	2.567.000
	731.963	3.300.350
Credit institutions		
Between 1 and 5 years	0	777.221
Long-term part	0	777.221
Within 1 year	777.221	1.023.000
Other short-term debt to credit institutions	11.570.063	40.574.278
Short-term part	12.347.284	41.597.278
	12.347.284	42.374.499
Other payables		
Between 1 and 5 years	1.528.123	0
Long-term part	1.528.123	0
Other short-term payables	6.744.668	4.462.684
	8.272.791	4.462.684

Notes to the Financial Statements

	2020 DKK	2019 DKK
13 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with Skjern Bank A/S:		
Company mortgage on nom. kDKK 22,000, which provides security in the Company's intangible and tangible fixed assets, inventories and debtors with an accounting value of DKK	48.573.154	61.636.964

Contingent liabilities

The Company has provided a guarantee to Skjern Bank for the bank's facilities with EB-Component A/S and Promovec Group A/S.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Jesper Lundqvist Holding ApS, which is the management company of the joint taxation purposes. 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 un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

14 Related parties

Basis

Controlling interest

Jesper Lundqvist Holding ApS

Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

14 Related parties (continued)

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Jesper Lundqvist Holding ApS

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Jesper Lundqvist Holding ApS	
Promovec Group A/S	Risskov, Denmark

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Promovec A/S for 2019/20 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 2019/20 are presented in DKK.

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 Promovec Group A/S, 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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

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.

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

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of sales.

Distribution expenses

Distribution expenses comprise costs in the form of advertising and marketing expenses etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year 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 its Parent Company. The tax effect of the joint taxation is allocated to

Notes to the Financial Statements

15 Accounting Policies (continued)

enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development costs are measured at cost less accumulated depreciation and any accumulated impairment losses.

Development projects that are clearly defined and identifiable where the technical utilization rate, available resources and a potential future market or development opportunity in the company can be demonstrated, and where the intention is to manufacture, market or use, the project is recognized as intangible fixed assets if there is sufficient assurance that the capital value of future earnings can cover production, sales and administrative costs as well as the development costs themselves.

Development projects that do not meet the criteria for recognition in the balance sheet are recognized as expenses in the income statement as the costs are incurred.

Costs for capitalized development costs include the cost of materials, services and direct wages plus indirect costs, which are calculated as costs in the income statement as incurred.

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 is expected to be 5 years.

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.

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	3-7 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 14,100 are expensed in the year of acquisition.

Notes to the Financial Statements

15 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment 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.

Fixed asset investments

Fixed asset investments consist of rent deposit.

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 goods for resale, raw materials and consumables equals landed cost.

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

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.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

15 Accounting Policies (continued)

Provisions

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

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 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

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Financial Highlights

Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Notes to the Financial Statements

15 Accounting Policies (continued)

Solvency ratio

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

Return on equity

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