Körber Supply Chain DK A/S

Industrivej 8, DK-9510 Arden

Annual Report for 1 January - 31 December 2021

CVR No 61 62 87 11

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/3 2022

Palle Moldrup
Chairman of the General Meeting

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Körber Supply Chain DK A/S for the financial year 1 January - 31 December 2021.

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 31 December 2021 of the Company and of the results of the Company operations and cash flows for 2021.

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.

Arden, 23 March 2022

Executive Board

Hans-Henrik Jensen
CEO

Board of Directors

Andreas Ebert Chairman	Oliver Aberle	Hans-Henrik Jensen

Independent Auditor's Report

To the Shareholder of Körber Supply Chain DK A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Körber Supply Chain DK A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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' 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.

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 misstate-

ment, whether due to fraud or error.

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

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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

Independent Auditor's Report

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.

Trekantområdet, 23 March 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Lasse Berg
State Authorised Public Accountant
mne35811

Company Information

The Company	Körber Supply Chain DK A/S Industrivej 8 DK-9510 Arden CVR No: 61 62 87 11 Financial period: 1 January - 31 December Municipality of reg. office: Mariagerfjord
Board of Directors	Andreas Ebert, Chairman Oliver Aberle Hans-Henrik Jensen
Executive Board	Hans-Henrik Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

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

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	129.130	89.542	96.372	82.263	55.215
Profit/loss before financial income and expenses	3.219	-9.092	-4.874	-4.376	-20.538
Net financials	-916	-525	-1.380	-187	492
Net profit/loss for the year	2.303	-9.785	-15.660	-3.551	-15.843
Balance sheet					
Balance sheet total	234.835	163.279	127.586	130.974	85.255
Equity	10.884	8.581	18.366	34.027	37.578
Cash flows					
Cash flows from:					
including investment in property, plant and equipment	-7.330	-3.584	-1.103	-1.351	-2.940
Ratios					
Return on assets	1,4%	-5,6%	-3,8%	-3,3%	-24,1%
Solvency ratio	4,6%	5,3%	14,4%	26,0%	44,1%
Return on equity	23,7%	-72,6%	-59,8%	-9,9%	-34,8%

Management’s Review

Key activities

Körber Supply Chain DK's focuses on developing, producing and distributing innovative quality products and automation solutions for the optimization of internal logistics in selected businesses.

Development in the year

The pre-tax result of 2021 is negatively affected by approx. TDKK -16.000. At year-end, unforeseen and unexpected parent group initiatives presented the company with substantial compensations for intragroup manufacturing facilities and free-of-charge customer services. Nevertheless, the pre-tax result ended as a minor surplus. Disregarding above unusual compensations, the company would have recognized a positive pre-tax profit of approx. TDKK 18.000, clearly demonstrating the company’s actual performance:

The company is continuing its growth path. During 2021, order pipeline improved significantly, and actual order intake exceeded last year by more than 50%. In general, project business has increased in both scope and complexity without compromising profitability during execution; on the contrary profitability improved.

The business model of the company’s project business combined with increased order intake has positively contributed to the company’s cash flows from operating activities.

Largely our expectations for 2021 have been met. The impacts from the Covid-19 crisis did challenge the company’s performance ability, however, in general the company has only lightly been affected by the pandemic.

This is considered a very satisfactory development of the company.

Capital resources

The company has adequate resources to secure its continued operations; both in relation to cash and financial borrowing facilities and IT/technical equipment. The current credit facilities are adequate to support next year’s activity expectations.

Additionally, the company employs a variety of relevant competent employees and continuously onboards relevant key competences to ensure a balanced approach to the market expectations, cf. below.

To secure continued innovation of the company’s product portfolio and processes, relevant R&D activities are organized and performed.

Management's Review

Targets and expectations for the year ahead

The market expectations are promising and the business synergies from being a part of an intra-logistics group prove increasingly rewarding.

Next year the company expects to continue its growth; both in terms of increased order intake, number of employees, revenues and profitability.

Moreover, the company's outlook for its cash position is expected to be continuously satisfactory.

The 2022 outlook assumes a stable development in the markets in which the company operates and a continued gradual recovery of the global economy after the Covid-19 crisis.

Uncertainty relating to recognition and measurement

Uncertainties mainly relate to the recognition and measurement of contract work in progress and trade receivables.

The computation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions regarding future events. The estimates used are based on historical experience and other factors which by management are assessed to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise.

Unusual events

As described above, the result is negatively affected by substantial compensations for parent group initiatives regarding intragroup manufacturing facilities and free-of-charge customer services.

The Covid-19 crisis is by nature an unusual event, however, in general the company has only lightly been affected by the pandemic.

Apart from the above-mentioned event, the financial position at 31 December 2021 and the results of the activities and cash flows for the financial year 2021 have not been affected by any other unusual events.

Subsequent events

There are no subsequent events after the balance sheet date which affect the Financial Statements.

Income Statement 1 January - 31 December

	Note	2021	2020
		TDKK	TDKK
Gross profit/loss		**129.130**	**89.542**
Staff expenses	2	-121.618	-93.451
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-4.293	-5.183
Profit/loss before financial income and expenses		**3.219**	**-9.092**
Financial income	4	335	534
Financial expenses	5	-1.251	-1.059
Profit/loss before tax		**2.303**	**-9.617**
Tax on profit/loss for the year	6	0	-168
Net profit/loss for the year		**2.303**	**-9.785**

Proposed distribution of profit

Retained earnings	2.303	-9.785
	2.303	**-9.785**

Balance Sheet 31 December

Assets

	Note	2021 TDKK	2020 TDKK
Completed development projects		2.313	3.481
Acquired patents		0	0
Goodwill		1.772	1.969
Development projects in progress (Software)		4.971	4.581
Intangible assets	7	**9.056**	**10.031**
Land and buildings		15.784	16.232
Plant and machinery		2.287	113
Other fixtures and fittings, tools and equipment		2.523	2.849
Prepayments for property, plant and equipment		6.145	2.372
Property, plant and equipment	8	**26.739**	**21.566**
Fixed assets		**35.795**	**31.597**
Raw materials and consumables		8.574	8.975
Finished goods and goods for resale		3.122	2.493
Prepayments for goods		4.626	309
Inventories		**16.322**	**11.777**
Trade receivables		49.447	41.680
Contract work in progress	9	13.444	30.417
Receivables from group enterprises		87.479	27.674
Other receivables		7.956	460
Prepayments	10	5.817	1.156
Receivables		**164.143**	**101.387**
Cash at bank and in hand		**18.575**	**18.518**
Currents assets		**199.040**	**131.682**
Assets		**234.835**	**163.279**

Balance Sheet 31 December

Liabilities and equity

	Note	2021	2020
		TDKK	TDKK
Share capital	11	7.500	7.500
Revaluation reserve		1.575	1.674
Reserve for development costs		5.681	6.288
Retained earnings		-3.872	-6.881
Equity		**10.884**	**8.581**
Other provisions	13	17.804	9.685
Provisions		**17.804**	**9.685**
Other payables		0	9.547
Long-term debt	14	**0**	**9.547**
Trade payables		33.572	26.328
Contract work in progress, liabilities	9	129.781	84.795
Payables to group enterprises		20.450	4.611
Other payables	14	22.344	19.732
Short-term debt		**206.147**	**135.466**
Debt		**206.147**	**145.013**
Liabilities and equity		**234.835**	**163.279**

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Statement of Changes in Equity

	Share capital	Revaluation reserve	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	7.500	1.674	6.288	-6.881	8.581
Development costs for the year	0	0	-607	607	0
Depreciation, amortisation and impairment for the year	0	-99	0	99	0
Net profit/loss for the year	0	0	0	2.303	2.303
Equity at 31 December	**7.500**	**1.575**	**5.681**	**-3.872**	**10.884**

Cash Flow Statement 1 January - 31 December

	Note	2021	2020
		TDKK	TDKK
Net profit/loss for the year		2.303	-9.785
Adjustments	15	5.209	5.877
Change in working capital	16	45.918	94.814
Cash flows from operating activities before financial income and expenses		**53.430**	**90.906**
Financial income		335	534
Financial expenses		-1.255	-1.057
Cash flows from ordinary activities		**52.510**	**90.383**
Corporation tax received		0	-168
Cash flows from operating activities		**52.510**	**90.215**
Purchase of intangible assets		-1.177	-1.624
Purchase of property, plant and equipment		-7.330	-3.584
Sale of other fixtures and fittings, tools and equipment		20	0
Cash flows from investing activities		**-8.487**	**-5.208**
Repayment of payables to group enterprises, net		-43.966	-68.126
Cash flows from financing activities		**-43.966**	**-68.126**
Change in cash and cash equivalents		**57**	**16.881**
Cash and cash equivalents at 1 January		18.518	1.637
Cash and cash equivalents at 31 December		**18.575**	**18.518**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		18.575	18.518
Cash and cash equivalents at 31 December		**18.575**	**18.518**

Notes to the Financial Statements

1 Uncertainty in recognition and measurement

The computation of the carrying amount of certain assets as deferred tax assets and work in progress and liabilities as waranty accruals requires assements, estimates and assumptions regarding future events. The estimates used are based on historical experience and other factors which by Management are assessed to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise.

2 Staff expenses

	2021	2020
	TDKK	TDKK
Wages and salaries	111.946	86.058
Pensions	7.858	6.298
Other social security expenses	1.814	1.095
	121.618	**93.451**
Average number of employees	**195**	**149**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2021	2020
Amortisation of intangible assets	2.153	3.069
Depreciation of property, plant and equipment	2.140	2.114
	4.293	**5.183**

Notes to the Financial Statements

		2021	2020
		TDKK	TDKK
4	**Financial income**		
	Other financial income	54	22
	Exchange adjustments	281	512
		335	**534**

		2021	2020
5	**Financial expenses**		
	Interest paid to group enterprises	0	200
	Other financial expenses	1.251	859
		1.251	**1.059**

		2021	2020
6	**Tax on profit/loss for the year**		
	Current tax for the year	0	0
	Adjustment of tax concerning previous years	0	168
		0	**168**

Notes to the Financial Statements

7 Intangible assets

	Completed development projects	Acquired patents	Goodwill	Development projects in progress (Software)
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	6.430	28.280	3.660	4.581
Additions for the year	787	0	0	390
Cost at 31 December	7.217	28.280	3.660	4.971
Impairment losses and amortisation at 1 January	2.949	28.280	1.691	0
Amortisation for the year	1.955	0	197	0
Impairment losses and amortisation at 31 December	4.904	28.280	1.888	0
Carrying amount at 31 December	**2.313**	**0**	**1.772**	**4.971**

Development projects comprise costs related to software products.
Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it is available for use;
- management intends to complete or sell the software product;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during the development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	31.603	1.790	12.219	2.372
Additions for the year	478	0	766	6.103
Disposals for the year	0	0	-71	0
Transfers for the year	0	2.330	0	-2.330
Cost at 31 December	32.081	4.120	12.914	6.145
Revaluations at 1 January	5.052	0	0	0
Revaluations at 31 December	5.052	0	0	0
Impairment losses and depreciation at 1 January	20.423	1.677	9.370	0
Depreciation for the year	926	156	1.057	0
Reversal of impairment and depreciation of sold assets	0	0	-36	0
Impairment losses and depreciation at 31 December	21.349	1.833	10.391	0
Carrying amount at 31 December	**15.784**	**2.287**	**2.523**	**6.145**
Revaluation less amortisation, depreciation and impairment losses	2.021	0	0	0
Carrying amount at 31 December before revaluations	**13.763**	**2.287**	**2.523**	**6.145**

Notes to the Financial Statements

9 Contract work in progress

	2021 TDKK	2020 TDKK
Selling price of work in progress	416.730	246.121
Payments received on account	-533.067	-300.499
	-116.337	**-54.378**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	13.444	30.417
Prepayments received recognised in debt	-129.781	-84.795
	-116.337	**-54.378**

10 Prepayments

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

11 Equity

The share capital consists of 7,500 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

12 Distribution of profit

	2021 TDKK	2020 TDKK
Retained earnings	2.303	-9.785
	2.303	**-9.785**

Notes to the Financial Statements

	2021	2020
	TDKK	TDKK

13 Other provisions

General provisions is guarantee obligations concerning goods sold within sales and product sales which are delivered with one year's quarantee. The provisions are prepared based on previous years' experiences. Expectations are that the costs will be incurred within 12 months.

	2021	2020
Other provisions	17.804	9.685
	17.804	**9.685**

14 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:

Other payables

	2021	2020
Between 1 and 5 years	0	9.547
Long-term part	0	9.547
Other short-term payables	22.344	19.732
	22.344	**29.279**

15 Cash flow statement - adjustments

	2021	2020
Financial income	-335	-534
Financial expenses	1.251	1.059
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.293	5.184
Tax on profit/loss for the year	0	168
	5.209	**5.877**

Notes to the Financial Statements

	2021	2020
	TDKK	TDKK

16 Cash flow statement - change in working capital

	2021 TDKK	2020 TDKK
Change in inventories	-4.545	-1.198
Change in receivables	-2.951	8.542
Change in other provisions	8.119	4.674
Change in trade payables, etc	45.295	82.796
	45.918	**94.814**

17 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

	2021 TDKK	2020 TDKK
The guarantor has provided a guarantee in connection with projects in progress. Guarantees amounts at the balance sheet date to DKK:	27.308	73.496

Rental and lease obligations

	2021 TDKK	2020 TDKK
Unrecognised rental and lease commitments	1.874	2.121

Notes to the Financial Statements

18 Related parties

	Basis
Controlling interest	
Körber Supply Chain GmbH	Holds all company shares and therefore has a controlling interest in the 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.

Consolidated Financial Statements

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

Name	Place of registered office
Körber AG	Hamborg, Germany

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Körber Supply Chain DK A/S for 2021 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 are presented in TDKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as the Company's administration, 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, other operating income, expenses for raw materials and consumables and other external expenses.

Notes to the Financial Statements

19 Accounting Policies (continued)

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts 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.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development

Notes to the Financial Statements

19 Accounting Policies (continued)

costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 15 years.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of years. determined on the basis of Management's experience with the individual business areas.

Property, plant and equipment

On acquisition land and buildings are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed properties comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and supsuppliers up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of properties are recognised in cost over the construction period.

After the initial recognition land and buildings are measured at fair value.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

In Management's opinion the determination of fair value for the year was enabled through comparable market transactions and, consequently, valuation is based on the expected selling price of land and buildings.

Other 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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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

Buildings	30-50	years
Plant and machinery	5-10	years
Other fixtures and equipment etc.	3-13	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

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.

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 with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

Contract work in progress

Contract work in progress is measured at selling price 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 toal budgeted consumption of resources.

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 rent, insurance premiums, subscriptions and interest.

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 warranty obligations in respect of repair work within the warranty period of 1-5. Provisions are measured and recognised based on experience with guarantee work. Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield.

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 de-

Notes to the Financial Statements

19 Accounting Policies (continued)

ferred 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.

Cash Flow Statement

The cash flow statement shows the Company´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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