

ALUNITED Denmark A/S

Kærgårdsvej 5, 6270 Tønder
CVR No.: 32 57 11 90

Annual Report 2025

1 January - 31 December

The Annual Report has been presented and adopted at the
Company's Annual General Meeting on 2 March 2026

Dongxin Fang

BDO Statsautoriseret Revisionspartnerselskab
Røms Hule 4, 1. sal
DK-7100 Vejle
CVR no. 45 71 93 75

Tel.: +45 76 42 94 00
Vejle@bdo.dk
www.bdo.dk

The BDO logo is positioned on a large red triangle that points towards the bottom-left corner of the page. The logo itself consists of the letters 'BDO' in a bold, white, sans-serif font, with a horizontal line underneath the letters.

Contents

Company Details	
Company Details	3
Statement and Report	
Management's Statement	4
Independent Auditor's Report	5-7
Management Commentary	
Financial Highlights	8
Management Commentary	9
Financial Statements 1 January - 31 December	
Income Statement	10
Balance Sheet	11-12
Equity	13
Cash Flow Statement	14
Notes	15-19
Accounting Policies	20-24

BDO Statsautoriseret Revisionspartnerselskab, a Danish limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Company Details

Company	ALUNITED Denmark A/S Kærgårdsvej 5 6270 Tønder
	CVR No.: 32 57 11 90
	Established: 1 November 2009
	Municipality: Tønder
	Financial Year: 1 January - 31 December
Board of Directors	Dongxin Fang, chairman Sebastien Gilbert Donovan Pallavicini Junfang Peng
Executive Board	Christian Wolfgang Aumüller
Auditor	BDO Statsautoriseret Revisionspartnerselskab Roms Hule 4, 1. sal 7100 Vejle

Management's Statement

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of ALUNITED Denmark A/S for the financial year 1 January - 31 December 2025.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2025 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2025.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Tønder, 2 March 2026

Executive Board

Christian Wolfgang Aumüller

Board of Directors

Dongxin Fang
Chairman

Sebastien Gilbert Donovan Pallavicini Junfang Peng

Independent Auditor's Report

To the Shareholder of ALUNITED Denmark A/S

Opinion

We have audited the Financial Statements of ALUNITED Denmark A/S for the financial year 1 January - 31 December 2025, which comprise income statement, Balance Sheet, statement of changes in equity, cash flows, notes and 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 assets, liabilities and financial position of the Company at 31 December 2025 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2025 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Independent Auditor's Report

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover 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 Management Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 Management Commentary.

Vejle, 2 March 2026

BDO Statsautoriseret Revisionspartnerselskab
CVR no. 45 71 93 75

Bent Skov
State Authorised Public Accountant
MNE no. mne31481

Financial Highlights

	2025	2024	2023	2022	2021
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Gross profit/loss	17,806	80,361	73,275	92,651	119,242
Operating profit/loss of main activities	-55,556	17,292	863	-36,426	-10,619
Financial income and expenses, net	-4,313	-2,192	-1,992	-2,160	-2,043
Profit/loss for the year	-61,683	14,500	2,626	-39,656	-10,285
Balance sheet					
Total assets	155,570	125,833	127,117	141,021	170,314
Equity	-7,167	54,516	40,016	37,390	77,046
Invested capital	21,143	78,080	32,258	-11,631	56,727
Cash flows					
Investment in property, plant and equipment	74,428	3,561	2,779	4,942	0
Average number of full-time employees					
	99	116	132	142	149
Key ratios					
Equity ratio	Neg.	43.3	31.5	26.5	45.2
Return on equity	-260.5	30.7	6.8	-69.3	-17.7

The ratios stated in the list of key figures and ratios have been calculated as follows:

Equity ratio:
$$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$$

Return on equity:
$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

Management Commentary

Principal activities

Alunited Denmark is primarily engaged in the production of aluminium components for the automotive industry.

Development in activities and financial and economic position

In 2025, we made substantial investments in human resources and project teams to support the development of new BMW projects. This required significant spending on personnel, tooling, and equipment. At the same time, the company completed a carve out from Fidelium shareholders and was integrated into its new owner, Apalt Group, which officially took over on 1 October.

As part of its status as a publicly listed company, Apalt Group initiated audits and asset evaluations. This process aims to eliminate non-value adding assets and provide a fresh start for Alunited Denmark.

Our strategic focus remained on strengthening the organizational structure, implementing improvements, and successfully launching the new BMW projects. In addition, as a member of Apalt Group, we aim to leverage the Group's long-term presence in Europe to create synergies that support growth.

Turnover was slightly above budget; however, EBITDA fell significantly short due to inventory write-downs and additional resources required for the BMW projects.

For 2025, we implemented planned maintenance activities due to the launch of new projects. Additionally, major investments were made, driven by new customer programs. These investments are expected to further strengthen our market position and support future growth. Alunited have received a letter of financial support from its parent company.

By maintaining our strategic priorities, we are confident that Alunited Denmark will continue to deliver strong value and sustainable growth for our stakeholders.

Profit/loss for the year compared to the expected development

For 2025, we expected sales of approximately DKK 275 million. Our primary focus was to enhance organizational efficiency and implement improvement measures to mitigate the significant reduction in sales volume. Actual sales reached DKK 286 million.

We had targeted an EBITDA margin of 4.7% and a positive result of DKK 1.7 million. However, the final EBITDA margin ended at -15.5%, mainly due to inventory write-downs and additional resources allocated to BMW project support. The net result was a loss of DKK 61.7 million.

Future expectations

Looking ahead to 2026, we remain committed to maintaining the cost reduction initiatives already achieved and to successfully launching the BMW projects. These strategic actions are intended to strengthen profitability and offset the projected decline in sales.

We are targeting an EBITDA margin of -2.5%, corresponding to an expected loss of DKK 7.3 million. Our ambition is to secure additional production orders by continuing to innovate in highly complex forming technologies for diverse aluminium applications. Our strong reputation, long-standing customer relationships, and proven capabilities position us well in this market.

ALUNITED is exceptionally well positioned to capitalize on the growing demand for lightweight components a trend driven by stricter environmental and safety regulations as well as the rapid transition to e mobility. Our innovative approach ensures we remain at the forefront of this evolution and continue to meet, and exceed, customer expectations.

Income Statement 1 January - 31 December

	Note	2025 DKK '000	2024 DKK '000
Gross profit	2	17,806	80,361
Staff costs	3	-62,289	-67,043
Depreciation, amortisation and impairment		-10,940	-8,255
Other operating expenses		-133	12,229
Operating loss		-55,556	17,292
Other financial income	4	133	386
Other financial expenses	5	-4,446	-2,578
Loss before tax		-59,869	15,100
Tax on profit/loss for the year	6	-1,814	-600
Loss for the year	7	-61,683	14,500

Balance Sheet at 31 December

Assets

	Note	2025 DKK '000	2024 DKK '000
Acquired concessions, patents, licences, trademarks and similar rights		4,235	6,746
Intangible assets	8	4,235	6,746
Land and buildings		7,347	7,811
Production plant and machinery		11,650	15,729
Other plant, fixtures and equipment		8,123	11,788
Tangible fixed assets in progress and prepayments for tangible fixed assets		75,433	1,005
Property, plant and equipment	9	102,553	36,333
Non-current assets		106,788	43,079
Expenses for raw materials and consumables		11,199	39,832
Work in progress		5,750	6,625
Finished goods and goods for resale		3,137	4,842
Inventories		20,086	51,299
Trade receivables		16,687	10,318
Contract work in progress	10	1,053	4,264
Deferred tax assets	11	0	1,813
Other receivables		7	3,691
Corporation tax receivable		104	454
Prepayments	12	228	399
Receivables		18,079	20,939
Cash and cash equivalents		10,617	10,516
Current assets		48,782	82,754
Assets		155,570	125,833

Balance Sheet at 31 December

Equity and liabilities

	Note	2025 DKK '000	2024 DKK '000
Share capital	13	501	501
Retained earnings		-7,668	54,015
Equity		-7,167	54,516
Other provisions	14	450	450
Provisions		450	450
Lease liabilities		3,137	0
Non-current liabilities	15	3,137	0
Bank debt		35,747	29,970
Trade payables		98,273	33,999
Debt to Group companies		14,210	750
Other liabilities		10,920	6,148
Current liabilities		159,150	70,867
Liabilities		162,287	70,867
Equity and liabilities		155,570	125,833

Information on uncertainty with respect to going concern	1
Contractual obligations and contingencies, etc.	16
Charges and securities	17
Related parties	18
Consolidated Financial Statements	19

Equity

DKK '000	Share capital	Retained earnings	Total
Equity at 1 January 2025	501	54,015	54,516
Proposed profit allocation, see note 7		-61,683	-61,683
Equity at 31 December 2025	501	-7,668	-7,167

Cash Flow Statement 1 January - 31 December

	2025 DKK '000	2024 DKK '000
Profit/loss for the year	-61,683	14,500
Depreciation and amortisation, reversed	10,940	8,255
Tax on profit/loss, reversed	1,814	600
Corporation tax paid	347	-454
Change in inventories	31,213	-11,151
Change in receivables (ex tax)	697	12,912
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility)	82,506	-43,872
Cash flows from operating activity	65,834	-19,210
Purchase/sale of intangible assets, net	-219	-315
Purchase/sale of property, plant and equipment, net	-74,428	-1,023
Cash flows from investing activity	-74,647	-1,338
Change in bank debt	5,777	28,088
Other cash flows from financing activities	3,137	0
Cash flows from financing activity	8,914	28,088
Change in cash and cash equivalents	101	7,540
Cash and cash equivalents at 1 January	10,516	2,976
Cash and cash equivalents at 31 December	10,617	10,516
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents	10,617	10,516
Cash and cash equivalents	10,617	10,516

Notes

1 | Information on uncertainty with respect to going concern

The company have made significant investments in new projects in 2025 and expects to make significant investments in new projects in 2026, which will lead to increased activity in the coming years and increased financial support. The company have received a letter of financial support from its parent company to ensure financial support going forward.

Based on this, the company is presenting the annual report on the assumption of going concern.

2 | Special items

Changes to the valuation of spare parts for production machinery and equipment

The valuation of spare parts have been re-evaluated and the write down follows new group policy which effects the gross profit negatively and decreases the inventory with DKK ('000) 23,309.

In 2024 The valuation of spare parts were re-evaluated and the write down from prior years have been canceled which effected the gross profit positively and increases the inventory with DKK 20,175.

Income from the bank-related heist

In other operating expenses for 2024 cash retrieved from the bank-related heist from 2022 is included totalling DKK ('000) 12,454.

	2025 DKK '000	2024 DKK '000
3 Staff costs		
Average number of full time employees	99	116
Wages and salaries	54,882	58,940
Pensions	5,730	6,355
Social security costs	1,541	1,573
Other staff costs	136	175
	62,289	67,043
Remuneration of Management and Board of Directors	1,237	1,257
	1,237	1,257

In accordance with the section 98b(3.2) of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors is presented together for 2024 and 2025.

4 | Other financial income

Interest income from group enterprises	0	130
Other interest income	133	256
	133	386

Notes

	2025 DKK '000	2024 DKK '000
5 Other financial expenses		
Interest expenses to group enterprises	0	303
Other interest expenses	4,446	2,275
	4,446	2,578
6 Tax on profit/loss for the year		
Adjustment of deferred tax	1,814	600
	1,814	600
7 Proposed distribution of profit		
Retained earnings	-61,683	14,500
	-61,683	14,500
8 Intangible assets		
DKK '000		Acquired concessions, patents, licences, trademarks and similar rights
Cost at 1 January 2025		9,803
Additions		219
Cost at 31 December 2025		10,022
Amortisation and impairment losses at 1 January 2022		3,055
Impairment losses		1,697
Amortisation for the year		1,035
Amortisation and impairment losses at 31 December 2023		5,787
Carrying amount at 31 December 2025		4,235

Notes

9 | Property, plant and equipment

DKK '000	Land and buildings	Production plant and machinery
Cost at 1 January 2025	47,561	130,914
Cost at 31 December 2025	47,561	130,914
Depreciation and impairment losses at 1 January 2025	39,750	115,185
Depreciation for the year	464	4,079
Depreciation and impairment losses at 31 December 2025	40,214	119,264
Carrying amount at 31 December 2025	7,347	11,650

Finance lease assets 2,889,869

DKK '000	Other plant, fixtures and equipment	Tangible fixed assets in progress and prepayments for tangible fixed assets
Cost at 1 January 2025	32,548	1,005
Additions	0	74,428
Cost at 31 December 2025	32,548	75,433
Depreciation and impairment losses at 1 January 2025	20,760	0
Impairment losses	2,239	0
Depreciation for the year	1,426	
Depreciation and impairment losses at 31 December 2025	24,425	0
Carrying amount at 31 December 2025	8,123	75,433

Finance lease assets 420,765

	2025	2024
	DKK '000	DKK '000

10 | Contract work in progress

Sales value of completed work	1,053	4,264
Contract work in progress, net	1,053	4,264

Recognised as follows		
Contract work in progress (asset)	1,053	4,264
	1,053	4,264

Notes

11 | Deferred tax assets

The provision for deferred tax is related to differences between the carrying amount and tax value of unused tax losses, inventories, intangible and tangible fixed assets.

	2025 DKK '000	2024 DKK '000
Deferred tax provisions, beginning of year	1,814	2,413
Deferred tax of the year, income statement	-1,814	-600
Deferred tax assets 31 December 2025	0	1,813

12 | Prepayments

Prepayments include prepaid costs that relate to subsequent financial years.

Costs	228	399
	228	399

13 | Share capital

Allocation of Share capital:

Shares, 1 unit in the denomination of 501,000 DKK	501	501
	501	501

14 | Other provisions

Other provisions	450	450
------------------	-----	-----

The company has provisions against claims and warranty.

15 | Long-term liabilities

DKK '000	31/12 2025 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2024 total liabilities
Lease liabilities	2,491	-646	0	0
	2,491	-646	0	0

Notes

16 | Contractual obligations and contingencies, etc.

	2025 DKK '000
Lease commitment	
The total lease commitment as of the balance sheet date amount to:	4,894

17 | Charges and securities

The Company has no charges or securities.

18 | Related parties

The Company's related parties include:

Controlling interest

APALT Technology (HK) Developing Limited, Kwun Tong Road 348, District Kowloon, 6/F Kwun Tong Hongkong.

APALT Technology (HK) Developing Limited holds the majority of the contributed capital in the Company.

Transactions with related parties

	2025 DKK '000	2024 DKK '000	
APALT Group			
No transactions other than group payables			
ALUNITED France SAS			
Revenue		266	168
Other operating income	0	172	
Purchase of goods	- 14.348	-433	
Interest expenses	0	-158	
Other operating expenses		0	-48
Fidelium			
Other operating income		0	1
Management fee	- 2.908	-6,500	
Consultancy costs		- 1.463	-2,804
Other operating expenses		0	-354

Payables to group entities are disclosed in the balance sheet.

19 | Consolidated Financial Statements

The company is included in the consolidated accounts of Jiangsu Asia Pacific Light Alloy Technology Co., Ltd. No. 8, Fangxing Road, Xinwu District, Wuxi City, Jiangsu Province, China, 214111.

Accounting Policies

The Annual Report of ALUNITED Denmark A/S for 2025 has been presented in accordance with the provisions of the Danish medium-size Financial Statements Act for enterprises in reporting class C .

The Annual Report is prepared consistently with the accounting principles applied last year.

Income Statement

Net revenue

Net revenue from the sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.

Where products with a high degree of individual adjustment are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total income and expenses regarding the contract and the degree of completion at the Balance Sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the Company.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Costs of raw materials and consumables

Raw materials and consumables comprises the costs of raw materials and consumables used to reach the revenue for the year. Additionally, decrease or increase of inventories of raw materials and consumables for the year is included, as well as normal impairment of inventories of raw materials and consumables.

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, operating loss and conflict compensations, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

Other external expenses

Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, operating lease expenses, etc

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the Group's and the Company's activities. Losses from sale of intangible and tangible fixed assets are also included.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Accounting Policies

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

Balance Sheet

Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement, however, no more than 5 years.

Development projects comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the Company's development activities and which fulfil the criteria for recognition in the Balance Sheet.

The accounting item is measured at the lower of the capitalised costs less accumulated amortisation and recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5-7 years.

Intangible fixed assets are generally written down to the recoverable amount if this is lower than the carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Property, plant and equipment

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life
Buildings	25 years
Production plant and machinery	10-14 years
Other plant, fixtures and equipment	5-10 years

Profit or loss on sale of property, plant and equipment is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Profit or loss from sale of property, plant and equipment is stated as the difference between the sales price less costs of sale and the carrying amount at the date of sale. Profits or losses are recognised in the Income Statement.

Accounting Policies

Lease contracts

Lease contracts relating to tangible fixed assets

The capitalised residual lease liability is recognised in the Balance Sheet as a liability and the interest portion of the lease payment is recognised in the Income Statement over the contract period.

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the Income Statement over the contract period. The Company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

Impairment of fixed assets

The carrying amount of intangible fixed and property, plant and equipment, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Accounting Policies

Contract work in progress

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the Balance Sheet date and the total anticipated revenue related to the specific piece of work in progress.

The specific piece of work in progress is recognised in the Balance Sheet as receivables or payables, depending on the net value of the selling price less progress invoicing and progress payments.

Costs relating to sales work and obtaining of contracts are recognised in the Income Statement as and when they are incurred.

Prepayments, assets

Prepayments recognised as assets include costs incurred relating to the subsequent financial year.

Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructurings etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated on the contract.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff 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 under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

Accounting Policies

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:

Cash and cash equivalents include cash at bank and in hand and short-term securities, for which there is only negligible risk of changes in value, and which are readily negotiable for cash at bank and in hand.