

Hengst Air Filtration Denmark A/S

Bergenevej 1, DK-4900 Nakskov

Annual Report for 2025

CVR No. 15 11 08 99

The Annual Report was presented and adopted at the
Annual General Meeting of the company on
27/03/2026

Frank Lykke Petersen
Chairman of the general meeting

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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Hengst Air Filtration Denmark A/S for the financial year 1 January - 31 December 2025.

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 2025 of the Company and of the results of the Company operations and cash flows for 2025.

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.

Nakskov, 27 March 2026

Executive Board

Frank Lykke Petersen
Managing Director

Board of Directors

Ulrich Eich
Chairman

Howard Samuel Boyer

Christoph Cramer

Independent Auditor's report

To the shareholder of Hengst Air Filtration Denmark 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 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.

We have audited the Financial Statements of Hengst Air Filtration Denmark A/S for the financial year 1 January - 31 December 2025, 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 Financial 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.

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.

Independent Auditor's report

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.

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.

Hellerup, 27 March 2026

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Flemming Eghoff

State Authorised Public Accountant

mne30221

Mads Lundemann

State Authorised Public Accountant

mne44181

Company information

The Company

Hengst Air Filtration Denmark A/S
Bergenevej 1
DK-4900 Nakskov
Telephone: + 45 5495 1390
Website: www.hengst.com
CVR No: 15 11 08 99
Financial period: 1 January - 31 December
Municipality of reg. office: Lolland

Board of Directors

Ulrich Eich, chairman
Howard Samuel Boyer
Christoph Cramer

Executive Board

Frank Lykke Petersen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

(TDKK)	2025	2024	2023	2022	2021
Key figures					
Profit/loss					
Gross profit	57,480	51,297	51,259	46,174	44,356
Profit/loss of primary operations	11,142	6,755	10,187	7,363	5,455
Profit/loss of financial income and expenses	-491	-169	-394	-627	-487
Net profit/loss for the year	8,314	5,113	7,611	5,413	3,875
Balance sheet					
Balance sheet total	74,840	72,941	68,316	71,046	63,912
Investment in property, plant and equipment	2,495	5,278	3,720	2,465	0
Equity	55,954	50,639	47,513	41,914	36,561
Cash flows					
Cash flows from:					
- operating activities	9,247	3,350	6,417	4,638	-5,829
- investing activities	-2,495	-4,007	-3,667	-2,465	-24,177
- financing activities	-7,088	-1,621	-3,606	1,161	37,743
Change in cash and cash equivalents for the year	-336	-2,278	-856	3,334	7,737
Number of employees	77	77	73	78	72
Ratios					
Return on assets	14.9%	9.3%	14.9%	10.4%	8.5%
Solvency ratio	74.8%	69.4%	69.5%	59.0%	57.2%
Return on equity	15.6%	10.4%	17.0%	13.8%	21.2%

For definition of ratios, please refer to Accounting policies

Management's review

Key activities

The Company's principal activities comprise the manufacture and sale of filter cartridges for industrial use in static and pulse dust collectors.

The products are primarily sold in export markets.

Development in the year and follow-up on development expectations from last year

The income statement for the financial year 2025 shows a profit before tax of DKK 10.651.090. As at 31 December 2025, the Company's equity amounts to DKK 55.953.790.

During 2025, the Company invested in both personnel and equipment in order to establish a Competence Center in Nakskov, serving the entire Process Air Filtration (PAF) business unit. The establishment phase of the Competence Center is expected to be completed in 2026.

In terms of revenue, 2025 was below management's expectations, although it represented an improvement compared with 2024. The improvement compared with 2024 is primarily attributable to an increase in sales staff in selected European markets.

The final result for the financial year 2025 exceeded management's expectations and shows an improvement compared with the prediction presented in the Management Review for the 2024 Annual Report. The improvement in the result for 2025 is mainly driven by improved cost efficiency related to products sold and lower administrative costs.

Financing and Expected Development

The Company expects a slight economic improvement in 2026 compared with 2025, in terms of both revenue and profitability. During 2026, the Company will commence the replacement of its ERP system, with a planned go-live in early 2027.

The Company expects profit before tax for 2026 to improve by approximately DKK 1 million compared with 2025. The costs related to the implementation of the new ERP system have been included in the budget for 2026.

Price Risk

The prices of the Company's raw materials are subject to fluctuations and therefore constitute a risk, as price increases can only to a limited extent be passed on to customers through sales prices.

Foreign exchange risks

As a significant portion of sales is generated in export markets and a substantial share of raw materials are imported, the Company's results, cash flows, and equity are affected by movements in interest rates and exchange rates across several currencies. The Company does not use financial instruments to hedge foreign exchange risk.

Foreign exchange adjustments of TDKK 711 were recognised as an expense and TDKK 291 were recognised as an income in the income statement for 2025.

Interest Rate Exposure

Moderate changes in interest rates are not expected to have a significant direct impact on the Company's earnings.

Environmental and Occupational Safety Conditions

Through investments and production planning, the Company has obtained all necessary environmental permits. The Company continuously focuses on investments and operational procedures aimed at improving workplace safety and working conditions.

Management's review

Research and Development Activities

Development activities are carried out on an ongoing basis and primarily relate to the development of new products and production methods. These activities mainly comprise external expenses.

Group Relationship

Hengst Air Filtration Denmark A/S is a wholly owned subsidiary of Hengst SE.

Subsequent events

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

Income statement 1 January - 31 December

(DKK)	Note	2025	2024
Gross profit		57,479,676	51,296,831
Staff expenses	2	-42,913,868	-41,570,299
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-3,423,986	-2,971,273
Profit/loss before financial income and expenses		11,141,822	6,755,259
Financial income	4	403,081	511,067
Financial expenses		-893,813	-680,161
Profit/loss before tax		10,651,090	6,586,165
Tax on profit/loss for the year	5	-2,336,656	-1,472,771
Net profit/loss for the year	6	8,314,434	5,113,394

Balance sheet 31 December

Assets

(DKK)	Note	2025	2024
Acquired licenses		214,803	535,709
Intangible assets	7	214,803	535,709
Land and buildings		11,074,290	10,808,504
Plant and machinery		8,360,095	8,862,969
Other fixtures and fittings, tools and equipment		318,882	503,354
Property, plant and equipment in progress		1,208,530	1,394,914
Property, plant and equipment	8	20,961,797	21,569,741
Fixed assets		21,176,600	22,105,450
Inventories	9	22,794,301	24,702,933
Trade receivables		17,583,470	15,944,183
Receivables from group enterprises		4,692,694	1,193,381
Other receivables		605,954	897,123
Corporation tax		147,487	0
Prepayments		237,110	159,965
Receivables		23,266,715	18,194,652
Cash at bank and in hand		7,602,758	7,938,397
Current assets		53,663,774	50,835,982
Assets		74,840,374	72,941,432

Balance sheet 31 December

Liabilities and equity

(DKK)	Note	2025	2024
Share capital		500,000	500,000
Retained earnings		52,453,790	47,139,356
Proposed dividend for the year		3,000,000	3,000,000
Equity		55,953,790	50,639,356
Provision for deferred tax		1,862,036	1,670,336
Other provisions	10	658,500	1,929,000
Provisions		2,520,536	3,599,336
Mortgage loans		2,212,119	2,603,958
Long-term debt	11	2,212,119	2,603,958
Mortgage loans	11	391,245	379,446
Credit institutions		45,015	19,824
Prepayments received from customers		148,873	317,178
Trade payables		8,838,818	8,316,555
Payables to group enterprises		264,746	2,054,095
Corporation tax		0	767,659
Other payables		4,465,232	4,244,025
Short-term debt		14,153,929	16,098,782
Debt		16,366,048	18,702,740
Liabilities and equity		74,840,374	72,941,432
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Statement of changes in equity

(DKK)	Share capital	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January	500,000	47,139,356	3,000,000	50,639,356
Ordinary dividend paid	0	0	-3,000,000	-3,000,000
Net profit/loss for the year	0	5,314,434	3,000,000	8,314,434
Equity at 31 December	500,000	52,453,790	3,000,000	55,953,790

Cash flow statement 1 January - 31 December

(DKK)	Note	2025	2024
Result of the year		8,314,434	5,113,394
Adjustments	12	6,251,374	4,613,138
Change in working capital	13	-1,778,846	-4,867,117
Cash flow from operations before financial items		12,786,962	4,859,415
Financial income		403,081	511,067
Financial expenses		-892,445	-663,745
Cash flows from ordinary activities		12,297,598	4,706,737
Corporation tax paid		-3,050,376	-1,356,587
Cash flows from operating activities		9,247,222	3,350,150
Purchase of intangible assets		0	-135,138
Purchase of property, plant and equipment		-2,495,136	-3,871,469
Cash flows from investing activities		-2,495,136	-4,006,607
Repayment of mortgage loans		-380,816	-350,876
Repayment of loans from credit institutions		25,191	-27,106
Repayment of payables to group enterprises		-3,732,100	744,787
Dividend paid		-3,000,000	-1,987,474
Cash flows from financing activities		-7,087,725	-1,620,669
Change in cash and cash equivalents		-335,639	-2,277,126
Cash and cash equivalents at 1 January		7,938,397	10,215,523
Cash and cash equivalents at 31 December		7,602,758	7,938,397
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		7,602,758	7,938,397
Cash and cash equivalents at 31 December		7,602,758	7,938,397

Notes to the Financial Statements

1. Other operating income

(DKK)	2025	2024
Other income	875,750	0
	875,750	0

2. Staff expenses

(DKK)	2025	2024
Wages and salaries	37,364,292	36,354,812
Pensions	3,594,172	3,229,894
Other social security expenses	1,035,088	931,871
Other staff expenses	920,316	1,053,722
	42,913,868	41,570,299
Average number of employees	77	77

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

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

(DKK)	2025	2024
Amortisation of intangible assets	320,906	309,644
Depreciation of property, plant and equipment	3,103,080	2,666,629
Gain and loss on disposal	0	-5,000
	3,423,986	2,971,273

4. Financial income

(DKK)	2025	2024
Interest from group enterprises	44,485	0
Other financial income	67,216	174,059
Exchange gains	291,380	337,008
	403,081	511,067

Notes to the Financial Statements

5. Income tax expense

(DKK)	2025	2024
Current tax for the year	2,136,332	1,475,517
Deferred tax for the year	191,700	0
Adjustment of tax concerning previous years	8,624	-2,746
	2,336,656	1,472,771

6. Profit allocation

(DKK)	2025	2024
Proposed dividend for the year	3,000,000	3,000,000
Retained earnings	5,314,434	2,113,394
	8,314,434	5,113,394

7. Intangible fixed assets

(DKK)	Acquired licenses
Cost at 1 January	5,772,083
Cost at 31 December	5,772,083
Impairment losses and amortisation at 1 January	5,236,374
Amortisation for the year	320,906
Impairment losses and amortisation at 31 December	5,557,280
Carrying amount at 31 December	214,803

8. Property, plant and equipment

(DKK)	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
Cost at 1 January	25,155,092	32,705,137	2,784,746	1,394,914
Additions for the year	517,053	769,555	0	1,208,530
Transfers for the year	884,121	510,792	0	-1,394,914
Cost at 31 December	26,556,266	33,985,484	2,784,746	1,208,530
Impairment losses and depreciation at 1 January	14,346,589	23,842,167	2,281,393	0
Depreciation for the year	1,135,387	1,783,222	184,471	0
Impairment losses and depreciation at 31 December	15,481,976	25,625,389	2,465,864	0
Carrying amount at 31 December	11,074,290	8,360,095	318,882	1,208,530

Notes to the Financial Statements

9. Inventories

(DKK)	2025	2024
Raw materials and consumables	16,639,539	19,469,624
Finished goods and goods for resale	5,045,762	4,276,509
Prepayments for goods	1,109,000	956,800
	22,794,301	24,702,933

10. Other provisions

(DKK)	2025	2024
The Company provides warranties 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 DKK 659 (2024: DKK 1.929) have been recognised for expected warranty claims.		
Other provisions	658,500	1,929,000
	658,500	1,929,000
The provisions are expected to mature as follows:		
Within 2 years	658,500	1,929,000
	658,500	1,929,000

11. 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:

(DKK)	2025	2024
Mortgage loans		
After 5 years	0	985,649
Between 1 and 5 years	2,212,119	1,618,309
Long-term part	2,212,119	2,603,958
Within 1 year	391,245	379,446
	2,603,364	2,983,404

Notes to the Financial Statements

12. Cash flow statement - Adjustments

(DKK)	2025	2024
Financial income	-403,081	-511,067
Financial expenses	893,813	680,161
Depreciation, amortisation and impairment losses, including losses and gains on sales	3,423,986	2,971,273
Tax on profit/loss for the year	2,336,656	1,472,771
	6,251,374	4,613,138

13. Cash flow statement - Change in working capital

(DKK)	2025	2024
Change in inventories	1,908,632	922,977
Change in receivables	-1,192,476	-6,790,597
Change in other provisions	-1,270,500	1,112,000
Change in trade payables, etc	-1,224,502	-111,497
	-1,778,846	-4,867,117

14. Contingent assets, liabilities and other financial obligations

(DKK)	2025	2024
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with a carrying amount of	11,074,290	10,808,504
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	506,650	355,756
Between 1 and 5 years	1,353,807	1,077,540
After 5 years	282,544	504,976
	2,143,001	1,938,272

Other financial obligations

The Company has open purchase orders at year end amounting to DKK 8,6 mio relating to ordered inventory to be delivered in 2026, not paid.

Notes to the Financial Statements

15. Related parties and disclosure of consolidated financial statements

Transactions

The sale of goods to group enterprises amount to kDkk 5,314 and re invoicing of salaries amount to kDkk 875 have been effected at arm's length. Receivables from group enterprises amount to kDkk 961 at year end.

The purchase of goods from group enterprises amount to kDkk 907, whereas other IC purchases amount to kDkk 2,353. At year end payables to group entities amount to kDkk 265.

A loan to group entities has been granted during the year, receivables amount to kDkk 3,732 and corresponding interest income for the year amount to kDkk 44.

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

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

Name	Place of registered office
Hengst Holding SE & Co. KG	Münster, Germany

16. Subsequent events

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

Notes to the Financial Statements

17. Accounting policies

The Annual Report of Hengst Air Filtration Denmark A/S for 2025 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 2025 are presented in DKK.

A reclassification between other receivables, trade receivables and prepayments of inventory as of 31 December 2024 has been made in order to ensure comparability between the two financial years. The reclassifications do not have an effect of the results or equity.

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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Notes to the Financial Statements

17. Accounting policies (continued)

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.

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 as well as office expenses, etc.

Gross profit

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.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

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 re-invoicing of costs, gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of realised and unrealised exchange adjustments, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Notes to the Financial Statements

17. Accounting policies (continued)

Balance sheet

Intangible fixed assets

Intangible assets, including software etc., are measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over its useful life, which is assessed at 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:

Properties	5-30 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	3-10 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 and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

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

Inventories

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

In addition to the direct costs, freight and duties are added to the inventory. The amounts are calculated based on total cost of sales and related freight and duty expenses for the year.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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.

Notes to the Financial Statements

17. Accounting policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

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 Dividend item.

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 2 years. 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 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 liabilities

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.

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.

Notes to the Financial Statements

17. Accounting policies (continued)

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 as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$