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RESOLUX ApS

Tjørnevej 6, 5853 Ørbæk

Company reg. no. 27 18 06 63

Annual report

1 January - 31 December 2023

The annual report was submitted and approved by the general meeting on the 4 July 2024.

DocuSigned by:
Mads-Ole Astrupgaard
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Mads-Ole Astrupgaard
Chairman of the meeting

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Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

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Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of RESOLUX ApS for the financial year 1 January - 31 December 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Ørbæk, 4 July 2024

Managing Director

DocuSigned by:
Mads-Ole Astrupgaard
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Mads-Ole Astrupgaard

Board of directors

DocuSigned by:
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Ole Johannes Teglgaard

DocuSigned by:
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Robert H Connors

DocuSigned by:
Raymond Anthony Herzog
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Raymond Anthony Herzog

DocuSigned by:
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Steven Pier Hoekstra

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Independent auditor's report

To the Shareholders of RESOLUX ApS

Opinion

We have audited the financial statements of RESOLUX ApS for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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.

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.

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:

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Independent auditor's report

- 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.

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.

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Independent auditor's report

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Hillerød, 4 July 2024

Grant Thornton
Certified Public Accountants
Company reg. no. 34 20 99 36

DocuSigned by:
Mærbritt Nygaard
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Mærbritt Nygaard
State Authorised Public Accountant
mne42813

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Company information

The company	RESOLUX ApS Tjørnevej 6 5853 Ørbæk
	Company reg. no. 27 18 06 63 Financial year: 1 January - 31 December
Board of directors	Ole Johannes Teglgaard Robert H Connors Raymond Anthony Herzog Steven Pier Hoekstra
Managing Director	Mads-Ole Astrupgaard
Auditors	Grant Thornton, Godkendt Revisionspartnerselskab Nordstensvej 11 3400 Hillerød
Parent company	GS Holdings Denmark ApS
Subsidiaries	Resolux do Brazil Industria e Comercio Especializado em Energia Eolica Ltd., Brasilien Resolux Windpower Technology (Tianjin) Co. Ltd., Kina Resolux GmbH, Tyskland Resolux Turkey Ruzgar Turbinieri Elektrik Aksamlari Sanayi ve Ticaret Anonim Sirketi, Tyrkiet Resolux India Private Ltd., Indien

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Management´s review

Description of key activities of the company

The main activity in the Resolux ApS is supply chain, production, and sales of electrical and mechanical parts for the global wind industry, with focus on kit sets to towers and nacelles.

Development in activities and financial matters

The gross profit for the year totals t.DKK 35.238 against t.DKK 24.025 last year. Income or loss from ordinary activities after tax totals t.DKK 9.479 against t.DKK 60.118 last year.

The development must be seen in light of the fact that, the company sold its American subsidiary to a company in the group as part of a strategic reorganization of the group structure last year. The disposal had a positive influence on the result of m.DKK 41,5.

Management considers the net profit or loss for the year satisfactory.

Events occurring after the end of the financial year

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

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Income statement 1 January - 31 December

All amounts in DKK.

Note		2023	2022
	Gross profit	**35.237.636**	**24.024.961**
1	Staff costs	-23.631.703	-19.292.782
	Depreciation and impairment of non-current assets	-566.259	-478.714
	Other operating expenses	-1.457.200	-997.233
	Operating profit	**9.582.474**	**3.256.232**
	Income from investments in group enterprises	2.995.852	59.283.291
	Other financial income	808.117	1.712.654
2	Other financial expenses	-2.066.610	-1.681.904
	Pre-tax net profit or loss	**11.319.833**	**62.570.273**
	Tax on net profit or loss for the year	-1.840.888	-2.452.748
	Net profit or loss for the year	**9.478.945**	**60.117.525**
	Proposed distribution of net profit:		
	Reserves for net revaluation according to the equity method	3.252.662	19.283.873
	Transferred to retained earnings	6.226.283	40.833.652
	Total allocations and transfers	**9.478.945**	**60.117.525**

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Balance sheet at 31 December

All amounts in DKK.

Assets

Note		2023	2022
	Non-current assets		
3	Plant and machinery	13.068	37.020
4	Other fixtures, fittings, tools and equipment	2.806.006	2.027.549
	Total property, plant, and equipment	2.819.074	2.064.569
5	Investments in group enterprises	66.214.128	62.961.466
6	Deposits	1.289.842	292.298
	Total investments	67.503.970	63.253.764
	Total non-current assets	**70.323.044**	**65.318.333**
	Current assets		
	Raw materials and consumables	11.737.378	7.333.170
	Work in progress	859.144	1.665.825
	Manufactured goods and goods for resale	5.606.596	4.120.238
	Prepayments for goods	180.975	305.925
	Total inventories	18.384.093	13.425.158
	Trade receivables	24.230.838	15.015.328
	Receivables from group enterprises	51.405.790	36.049.202
	Receivables from associates	0	413.700
	Deferred tax assets	89.320	1.449.854
	Other receivables	1.012.689	606.468
	Prepayments	647.354	264.973
	Total receivables	77.385.991	53.799.525
	Cash and cash equivalents	470.925	1.135.528
	Total current assets	**96.241.009**	**68.360.211**
	Total assets	**166.564.053**	**133.678.544**

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Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2023	2022
	Equity		
	Contributed capital	312.500	312.500
	Reserve for net revaluation according to the equity method	64.426.017	60.916.546
	Retained earnings	34.839.663	28.613.381
	Total equity	**99.578.180**	**89.842.427**
	Liabilities other than provisions		
	Other payables	1.238.232	1.238.232
	Total long term liabilities other than provisions	1.238.232	1.238.232
	Bank loans	16.048.857	10.482.959
	Prepayments received from customers	5.730	66.670
	Trade payables	10.757.940	7.599.026
	Payables to group enterprises	32.329.366	19.354.171
	Income tax payable	480.354	0
	Other payables	6.125.394	5.095.059
	Total short term liabilities other than provisions	65.747.641	42.597.885
	Total liabilities other than provisions	**66.985.873**	**43.836.117**
	Total equity and liabilities	**166.564.053**	**133.678.544**

7 Charges and security

8 Contingencies

9 Related parties

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Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revalua-tion according to the eq-uity method	Retained earnings	Total
Equity 1 January 2022	312.500	41.770.193	-9.218.411	32.864.282
Share of profit or loss	0	19.283.873	40.833.652	60.117.525
Foreign currency translation adjustments	0	-137.520	0	-137.520
Net effect from merger and acquisition under the uniting of interests method	0	0	-3.001.860	-3.001.860
Equity 1 January 2023	312.500	60.916.546	28.613.381	89.842.427
Share of profit or loss	0	3.252.662	6.226.283	9.478.945
Foreign currency translation adjustments	0	256.809	0	256.809
	312.500	**64.426.017**	**34.839.663**	**99.578.180**

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Notes

All amounts in DKK.

		2023	2022
1.	**Staff costs**		
	Salaries and wages	21.635.218	18.035.760
	Pension costs	1.691.029	1.052.174
	Other costs for social security	305.456	204.848
		23.631.703	**19.292.782**
	Average number of employees	36	25
2.	**Other financial expenses**		
	Other financial costs	2.066.610	1.681.904
		2.066.610	**1.681.904**

		31/12 2023	31/12 2022
3.	**Plant and machinery**		
	Cost 1 January 2023	999.531	999.531
	Cost 31 December 2023	**999.531**	**999.531**
	Depreciation and write-down 1 January 2023	-962.511	-937.191
	Amortisation and depreciation for the year	-23.952	-25.320
	Depreciation and write-down 31 December 2023	**-986.463**	**-962.511**
	Carrying amount, 31 December 2023	**13.068**	**37.020**

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Notes

All amounts in DKK.

		31/12 2023	31/12 2022
4.	**Other fixtures, fittings, tools and equipment**		
	Cost 1 January 2023	6.393.288	6.097.740
	Additions during the year	1.320.764	295.548
	Cost 31 December 2023	**7.714.052**	**6.393.288**
	Depreciation and write-down 1 January 2023	-4.365.739	-3.912.345
	Amortisation and depreciation for the year	-542.307	-453.394
	Depreciation and write-down 31 December 2023	**-4.908.046**	**-4.365.739**
	Carrying amount, 31 December 2023	**2.806.006**	**2.027.549**
5.	**Investments in group enterprises**		
	Cost 1 January 2023	2.044.920	2.045.481
	Disposals during the year	0	-561
	Cost 31 December 2023	**2.044.920**	**2.044.920**
	Revaluations, opening balance 1 January 2023	60.916.546	41.770.214
	Translation at the exchange rate at the balance sheet date	256.810	-137.520
	Net profit or loss for the year before amortisation of goodwill	2.995.852	17.296.866
	Reversals for the year concerning disposals	0	1.647.514
	Other movements in capital	0	339.472
	Revaluations 31 December 2023	**64.169.208**	**60.916.546**
	Carrying amount, 31 December 2023	**66.214.128**	**62.961.466**

Group enterprises:

	Domicile	**Equity interest**
Resolux do Brazil Industria e Comercio Especializado em Energia Eolica Ltd.	Brasilien	100 %
Resolux Windpower Technology (Tianjin) Co. Ltd.	Kina	100 %
Resolux GmbH	Tyskland	100 %
Resolux Turkey Ruzgar Turbinieri Elektrik Aksamlari Sanayi ve Ticaret Anonim Sirketi	Tyrkiet	100 %
Resolux India Private Ltd.	Indien	98 %

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Notes

All amounts in DKK.

		31/12 2023	31/12 2022
6.	**Deposits**		
	Cost 1 January 2023	292.298	292.298
	Additions during the year	997.544	0
	Cost 31 December 2023	**1.289.842**	**292.298**
	Carrying amount, 31 December 2023	**1.289.842**	**292.298**

7. Charges and security

For bank loans, DKK 16.049, the company has provided security in company assets representing a nominal value of DKK 13.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Inventories	18.384
Trade receivables	24.231
Property, Plant and Equipment	2.819

8. Contingencies

Contingent liabilities

Lease liabilities

In addition to finance leases, the company has entered into operational leases with an average annual lease payment of t.DKK 4.148. The leases have 1-32 months to maturity and total outstanding lease payments total t.DKK 6.772.

9. Related parties

Controlling interest

Distribution Solutions Group Inc.	Ultimate Parent
GS Holdings Denmark ApS	Parent

Consolidated financial statements

The Company is included in the Group Annual Report for the ultimate parent company, Distribution Solutions Group Inc.

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Accounting policies

The annual report for RESOLUX ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of RESOLUX ApS and its group enterprises are included in the consolidated financial statements for Distribution Solutions Group Inc., United States of America.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

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Accounting policies

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

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Accounting policies

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Other operating expenses

Other operating expenses comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

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Accounting policies

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Investments in group enterprises

Investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a measurement method.

Investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Investments in group enterprises with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

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Accounting policies

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

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Accounting policies

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

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Accounting policies

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.