

**WYKO Holdings Limited**

**Annual Report and Financial Statements for the  
year ended 31 December 2022**

Company number 3776822



## **WYKO Holdings Limited**

### **Annual Report and Financial Statements for the year ended 31 December 2022**

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## **WYKO Holdings Limited**

### **Strategic report for the year ended 31 December 2022**

The director presents his Strategic report for the company for the year ended 31 December 2022.

#### **Principal activities**

The principal activity of the company is the holding of investments and the provision of management services to other group companies.

#### **Review of the business**

The profit for the financial year ended 31 December 2022 was £4,681,000 (2021: £3,395,000). At the year end the company had net assets of £140,527,000 (2021: £139,846,000). The director is satisfied with the performance of the company for the year.

#### **Principal risks and uncertainties**

As the company holds several investments, the carrying value of these investments is the principal risk within the entity. Management carry out an annual assessment of carrying values in order to mitigate this risk and regularly consider the impact of group reorganisation projects or transactions.

The director has undertaken an impact assessment of the current economic conditions and is confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements (see Note 3 for further details).

Excluding financial risk considered in Directors' report, at the date of signing the financial statements the director is not aware of any further principal risks and uncertainties affecting the company.

#### **Future outlook**

The company will continue to act as an intermediate holding company and provider of management services within the ERIKS UK Group of Companies and it is not envisaged that it will undertake any other form of business activity. A full business review for the ERIKS Group of Companies is given in the report and financial statements of the ultimate holding company, SHV Holdings N.V.

**By order of the Board**



**M R Powell**  
**Company Secretary**  
**5 July 2023**

## **WYKO Holdings Limited**

### **Director's report for the year ended 31 December 2022**

The director presents his report and audited financial statements of the company for the year ended 31 December 2022.

#### **Director**

The director who served during the year and up to the date of signing the financial statements, unless otherwise stated, was:

AMJ Fitchford

#### **Independent auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

#### **Financial risk management**

The principal risk that could potentially affect the company is credit risk, which relates to the loss that the company could incur if an obligor or counterparty defaulted on a loan. However, the Director considers this risk to be minimal as all lending is to affiliate companies under a common ultimate parent (SHV Holdings N.V.).

Other risks relating to financing and funding are managed by the Group Treasury department at ERIKS Group N.V. level. The directors of the ERIKS Group of Companies, which includes WYKO Holdings Limited, manage operations on a divisional basis. For this reason, the company's director believes that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business.

#### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2021: nil)

#### **Dividends proposed**

A dividend on ordinary shares of £4,000,000 (2021: £3,500,000) was authorised by the members in general meeting and was paid during the year.

#### **Statement of disclosure of information to auditor**

In the case of each director in office at the date the Directors' Report is approved, under section 418 of the Companies Act 2006 the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**By order of the Board**



**M R Powell**  
**Company Secretary**  
**5 July 2023**

Registered office  
Seven Stars Road  
Oldbury  
West Midlands  
B69 4JR

## **WYKO Holdings Limited**

### **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**By order of the Board**



**M R Powell**  
**Company Secretary**  
**5 July 2023**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WYKO HOLDINGS LIMITED

### Opinion

We have audited the financial statements of WYKO Holdings Limited ("the company") for the year ended 31 December 2022 which comprise the *Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity* and related notes, including the summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the ERIKS' policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

#### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


#### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Xavier Timmermans (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill, Snow Hill Queensway  
Birmingham  
B4 6GH  
5 July 2023

## WYKO Holdings Limited

### Profit and loss account for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Administrative expenses		(11)	(5)
<b>Operating loss</b>	4	<b>(11)</b>	<b>(5)</b>
Income from shares in group undertakings	6	700	600
Interest receivable	7	4,702	3,010
<b>Profit before taxation</b>		<b>5,391</b>	<b>3,605</b>
Tax charge on profit	8	(710)	(210)
<b>Profit for the financial year</b>		<b>4,681</b>	<b>3,395</b>

### Statement of comprehensive income for the year ended 31 December 2022

	2022 £000	2021 £000
Profit for the financial year	4,681	3,395
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>4,681</b>	<b>3,395</b>

The above results all relate to continuing operations.



# WYKO Holdings Limited

## Balance sheet as at 31 December 2022

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Investments	10	<u>21,721</u>	<u>21,721</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	117,295	115,914
Debtors: amounts falling due after more than one year	11	2,391	2,211
Cash at bank and in hand		-	-
		<u>119,686</u>	<u>118,125</u>
Creditors: amounts falling due within one year	12	<u>(880)</u>	-
<b>Net current assets</b>		<u>118,806</u>	<u>118,125</u>
<b>Net assets</b>		<u>140,527</u>	<u>139,846</u>
<b>Capital and reserves</b>			
Called up share capital	14	2,453	2,453
Share premium account		54,530	54,530
Capital reserve		32,000	32,000
Profit and loss account		51,544	50,863
<b>Total shareholders' funds</b>		<u>140,527</u>	<u>139,846</u>

Notes on the pages 9 to 14 form part of the financial statements

The financial statements on pages 6 to 14 were approved by director on date 5 July 2023 and were signed on its behalf by:

AMJ 

**AMJ Fitchford**  
Director  
5 July 2023

**WYKO Holdings Limited**  
Registered number 3776822

# WYKO Holdings Limited

## Statement of changes in equity

	Notes	Called-up share capital £000	Share Premium £000	Capital Reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2021		2,453	54,530	32,000	50,968	139,951
Profit for the year		-	-	-	3,395	3,395
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	3,395	3,395
Transactions with shareholders:						
Dividends	9	-	-	-	(3,500)	(3,500)
<b>Balance at 31 December 2021</b>		<b>2,453</b>	<b>54,530</b>	<b>32,000</b>	<b>50,863</b>	<b>139,846</b>
Balance at 1 January 2022		2,453	54,530	32,000	50,863	139,846
Profit for the year		-	-	-	4,681	4,681
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	4,681	4,681
Transactions with shareholders:						
Dividends	9	-	-	-	(4,000)	(4,000)
<b>Balance at 31 December 2022</b>		<b>2,453</b>	<b>54,530</b>	<b>32,000</b>	<b>51,544</b>	<b>140,527</b>

## **WYKO Holdings Limited**

### **Notes to the financial statements for the year ended 31 December 2022**

#### **1 General information**

WYKO Holdings Limited holds investments and provides management services to other members of the ERIKS UK group.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Seven stars Road, Oldbury, West Midlands, B69 4JR.

#### **2 Statement of compliance**

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3 Principal accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented unless otherwise stated. The company has adopted FRS 102 in these financial statements..

##### **Basis of Preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention.

##### **Going Concern**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

The company meets its day-to-day working capital requirements via its cash pooling arrangements with its fellow ERIKS UK subsidiary companies. As a result, the Company's funding requirements are directly linked to the UK Group's overall financial position. The UK cash pool is headed by the ultimate UK holding company, ERIKS UK Holdings Limited which is financed by a long-term group loan of £7 million arranged with the group's immediate holding company, ERIKS NV with a maturity date of 30 September 2024, an additional on-demand facility of up to £1.5 million with ERIKS NV due on 31 December 2022 and a net overdraft facility with HSBC of £4 million providing a net available cash balance within the cash pool at 31 December 2022 of £22.6 million and at 30 April 2023 of £27.1 million.

The directors have prepared a going concern assessment for the UK companies within the cash pool for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic environment. The base case forecast assumes a small level of growth in sales and profitability over that achieved during 2022. The downside forecasts take the actual results for Q1 2023 and model various scenarios of sales and margin reductions to the base case forecast from Q2 2023 to Q2 2024. The scenarios model turnover reductions reflecting a worst-case economic downturn along with margin reductions reflecting the current input price pressures seen in the market. The company continues to work with all its trading partners to implement pricing structures to mitigate the input cost increases experienced. All the scenarios modelled leave the UK companies with sufficient headroom.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

##### **Consolidation**

The company is a wholly owned subsidiary of SHV Holdings N.V., a company incorporated in The Netherlands, and as provided by S400 Companies Act 2006, is exempt from the preparation of group financial statements.

##### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements.

## WYKO Holdings Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 3 Principal accounting policies (*continued*)

##### **Taxation** (*continued*)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised to the extent that they are regarded recoverable and that there will be suitable taxable profits from which the future reversal can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis.

##### **Foreign currencies**

The company's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are translated into sterling at the rate of exchange on the day of the transaction or at a contracted rate if it is covered by a forward contract. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date or, if appropriate, any forward contract rates. Exchange differences arising from these translations are taken to the profit and loss account.

##### **Basic financial instruments**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

##### **Interest payable and receivable**

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

##### **Investments**

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

##### **Cash flow statement**

The Company's ultimate parent undertaking, SHV Holdings NV, includes the Company in its consolidated financial statements. The consolidated financial statements of SHV Holdings NV are prepared in accordance with Dutch Generally Accepted Accounting Principle and are available to the public and may be obtained from its registered office (note 17).

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and as the consolidated financial statements of SHV Holdings NV include the equivalent disclosures, the Company has applied the exemptions available under FRS 102 and has not prepared a cash flow statement.

##### **Dividends**

Dividends are recognised as a liability in the financial year in which they are approved or committed. These amounts are recognised in the statement of changes in equity.

#### 4 Operating profit

	2022	2021
	£000	£000
Operating profit is stated after charging / (crediting):		
Audit fees payable to the company's auditor	12	6
Income from management services provided (included in 'Other operating income')	(6)	(6)

Included within fees paid for the audit of the financial statements is £3,000 (2021: £2,000) relating to the audit fee of fellow subsidiary and other group companies.

## WYKO Holdings Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 5 Directors and employees

The monthly average number of persons employed by the company during the year was:

	2022 Number	2021 Number
Group director	1	1

The Director did not receive any remuneration from the company during the year for his services. No payments have been made to a money purchase pension scheme in respect of any director. No directors were a member of the Wyko Group Retirement Benefit Scheme (2021 - none), a defined benefit pension scheme. Further information in respect of the pension scheme is given in the financial statements of the fellow subsidiary company, ERIKS Industrial Services Limited.

#### 6 Income from shares in group undertakings

	2022 £000	2021 £000
Dividends received from subsidiary undertakings	700	600

#### 7 Interest receivable

	2022 £000	2021 £000
Interest receivable and similar income		
Interest on loans to ultimate UK parent company	4,702	3,010
	4,702	3,010

#### 8 Tax charge on profit

	2022 £000	2021 £000
Analysis of charge for the year:		
Current tax:		
UK corporation tax at 19.00% (2021: 19.00%)	-	-
Amount payable by other group undertakings in respect of group relief	(890)	-
<b>Current year tax charge</b>	<b>(890)</b>	<b>-</b>
Deferred taxation		
Origination and reversal of timing differences (note 13)	180	(210)
<b>Tax charge on profit</b>	<b>(710)</b>	<b>(210)</b>

The tax assessed for the year is lower (2021: lower) than the standard effective rate of corporation tax in the UK for the year ended 2022 of 19.00% (2021: 19.00%). The factors affecting tax credit for the year are:

	2022 £000	2021 £000
Profit before tax	5,391	3,605
Profit before tax at the standard rate of corporation tax, 19.00% (2021: 19.00%)	(1,024)	(685)
Effects of:		
Income not subject to tax	133	114
Tax rate changes	180	360
Utilisation of tax losses	-	-
Transfer pricing adjustments	1	1
<b>Total tax charge for the year</b>	<b>(710)</b>	<b>(210)</b>

## WYKO Holdings Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 9 Dividends

	2022 £000	2021 £000
Dividends paid during the year:		
Ordinary shares at £1.634 per share (2021: £1.430 per share)	777	680
A Ordinary shares at £1.634 per share (2021: £1.430 per share)	3,223	2,820
	<u>4,000</u>	<u>3,500</u>

#### 10 Investments

Investments in subsidiaries	£000
Cost and net book value at 31 December 2021 and 31 December 2022	<u>21,721</u>

The director believes that the carrying value of the investments is supported by their underlying net assets. A full list of the company's subsidiary and related undertakings is given in note 18.

#### 11 Debtors

	2022 £000	2021 £000
<b>Amounts falling due within one year:</b>		
Amounts owed by parent company	117,275	115,891
Amounts owed by fellow subsidiary undertakings	6	-
Called-up share capital not paid	13	13
Corporation tax	-	10
Sundry debtors	1	-
	<u>117,295</u>	<u>115,914</u>
<b>Amounts falling due after more than one year:</b>		
Deferred taxation (note 13)	2,391	2,211
	<u>119,686</u>	<u>118,125</u>

The amounts owed by the company's UK parent company accrue interest at an average rate of 3.99% per annum calculated quarterly in arrears (2021: 2.58%), are unsecured and repayable on demand.

#### 12 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Corporation tax	880	-
	<u>880</u>	<u>-</u>

#### 13 Deferred tax

<b>Deferred taxation</b>	£000
At 1 January 2022	2,211
Credit to profit and loss account	180
<b>At 31 December 2022</b>	<u>2,391</u>

Full provision has been made for deferred taxation at either 19% or 25% reflecting the expected timing of the reversal of the balance (2021: 19%) in respect of:

	2022 £000	2021 £000
Accumulated losses	<u>2,391</u>	<u>2,211</u>

There are no unrecognised deferred tax assets or liabilities as at 31 December 2022 (2021: nil).

## WYKO Holdings Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 14 Called up share capital

	Number	£000
<b>Allotted and fully paid</b>		
<i>Ordinary share capital</i>		
Ordinary shares of £1 each – fully paid	462,650	463
Ordinary shares of £1 each – part paid	12,908	13
'A' ordinary shares of £1 each	1,972,350	1,972
<b>At 31 December 2021 and 2022</b>	<b>2,447,908</b>	<b>2,448</b>
<i>Preference share capital</i>		
'A' Preference shares of £0.0001 each	2,500,000	-
'B' Preference shares of £0.0001 each	52,035,417	5
<b>At 31 December 2021 and 2022</b>	<b>54,535,417</b>	<b>5</b>
<b>Total at 31 December 2021 and 2022</b>	<b>56,983,325</b>	<b>2,453</b>

The rights relating to each class of share in issue at 31 December 2022 are as follows:

- i) the ordinary shares and A ordinary shares rank pari passu as if one class of share for the purposes of income;
- ii) the A and B preference shares carry no right to participate in or receive any dividends;
- iii) in the event of winding up the company or otherwise reducing capital, the assets shall be applied;
  - first in repaying to the holders of the A preference shares the amounts paid up on such shares (including any premium);
  - secondly in repaying the holders of the B preference shares the amounts paid up on such shares (including any premium);
  - thirdly in paying the holders of A ordinary shares £1 per share together with any arrears or accruals of dividends on the shares; then
  - in paying the holders of ordinary shares £1 per share; then
  - the balance of the assets, up to £1,000,000 per share shall be distributed amongst the holders of the A ordinary share and ordinary shares pari passu as if the shares constituted one class;
- iv) the ordinary shares carry one vote per share and the A ordinary shares carry ten votes per share;
- v) The Director considers that in accordance with FRS 102 section 22, all issued share capital is equity in nature.

#### 15 Financial Instruments

The company has the following financial instruments:

	Notes	2022 £000	2021 £000
<b>Financial assets valued through profit or loss</b>			
<b>Financial assets that are debt instruments measured at amortised cost</b>			
- Loans to ultimate UK parent company	11	117,275	115,891
- Amounts owed by fellow subsidiary undertakings		6	-
- Called-up share capital not paid	11	13	13
		<b>117,294</b>	<b>115,904</b>
<b>Financial liabilities measured at fair value through profit or loss</b>			
<b>Financial liabilities measured at amortised cost</b>			

## WYKO Holdings Limited

### Notes to the financial statements for the year ended 31 December 2022 (*continued*)

#### 16 Related parties

The company has taken advantage of the exemption, allowed by paragraph 33.1A of FRS 102, not to disclose transactions and balances with related party undertakings which are wholly owned by the Group.

#### 17 Ultimate parent company and controlling party

The company's immediate parent company is ERIKS UK Holdings Limited, a company registered in England and Wales.

The ultimate parent company and controlling party is SHV Holdings N.V. a company registered in The Netherlands.

The largest group in which the results of the Company are consolidated is that headed by SHV Holdings N.V. Copies of the financial statements of SHV Holdings N.V. may be obtained from the company at the following address:

SHV Holdings N.V.  
Rijnkade 1  
3511 LC Utrecht  
The Netherlands

The smallest group in which they are consolidated is that headed by ERIKS N.V, incorporated in The Netherlands.

Copies of the financial statements of ERIKS N.V. may be obtained from the company at the following address:

ERIKS N.V.  
P.O. Box 19108  
3501 DC Utrecht  
The Netherlands

#### 18 Subsidiaries and related undertakings

The company had the following subsidiary and related undertakings at 31 December 2022 (all interests are 100% unless otherwise stated):

<u>Company</u>	<u>Activity</u>	<u>Country of incorporation</u>
WYKO Investments Limited	Holding Company	England
Lilleshall Limited *	Holding Company	England
Lilleshall Building products Limited *	Non-trading	England
Lilleshall International Holdings Limited *	Non-trading	England
Brymill Limited *	Dormant	England

Subsidiaries and related undertakings marked \* are held via intermediate holding companies.

All of the above subsidiaries are registered at the following address: Seven Stars Road, Oldbury, West Midlands, B69 4JR.



**ERIKS**  
**N.V.** | **2022**

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**Annual Report 2022**

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## Company profile

ERIKS is a specialized industrial service provider that offers a wide range of technical products, co-engineering and customization solutions, as well as related services. We help customers in a variety of industrial segments to improve their products' performance and reduce their total cost of ownership.

Our technical know-how is the basis of our specialism and our major strength. Over the years, we have built up deep expertise and knowledge in the areas of sealing & polymer, industrial plastics, flow control, industrial & hydraulic hoses, gaskets, power transmission & bearings valves, tools, maintenance & safety products and conveying systems. We supply A-brands as well as our own ERIKS products. A strong focus on digitalization and data insights allows us to develop new services and improve processes for our customers.

We apply our skills, knowledge and expertise to make industrial companies work better, increasing their efficiency, while continuously challenging both them and us to improve. This starts with the ERIKS Success Principles: Passion, Specialism and Innovation. Further information about ERIKS can be found on [www.eriks.com](http://www.eriks.com).

## Strategy

We want to make our customers successful by providing solutions to both OEM and MRO customers, focusing on reducing their cost of operation and improving product performance. For MRO customers, we find smart ways to make plants operate more efficiently and sustainably, reducing their energy consumption or downtime. We do this by optimizing processes, advising better performing components, decreasing the number of suppliers and by offering innovative services such as on-demand parts printing. Our vast knowledge of products and materials allows us to customize, assemble and co-engineer to make better end-products together with our OEM customers.

### *Reducing cost of operation*

Reducing the cost of operation, or total cost of ownership (TCO), is a key challenge for our industrial customers. We aim to be an experienced partner that can make our customers' business work better and more efficient. The added value we offer includes documented savings potential throughout the entire process chain. Our customized products help companies to optimize their cost of operation and produce more sustainably and efficiently, allowing faster time-to-market.

### *Improving product performance*

We see great opportunity in using our products and services to ensure the most innovative, highest-quality and most productive industry. Our extensive product and process knowledge allows us to co-engineer with our customers in original equipment manufacturing (OEM) and to improve their products' performance.

### *Innovation*

ERIKS makes significant investments in developing innovative products and services. With technological developments changing our business, the industrial world is accelerating rapidly towards 'Industry 4.0'. New technology provides ERIKS with opportunities in many areas such as supply chain integration, smart logistics, predictive maintenance and rapid prototyping. To adapt to an ever-changing market environment our innovation strategy was updated, which now focuses on digital communications, applying new technology, co-innovating products with our customers and suppliers and finding new business models.

### *People*

We believe our people are the key to our success. It is their passion, specialism and innovative power that makes the difference for our customers. We put great trust in our people and we invest in them. We give them responsibility in their work, stimulate creativity and taking initiative. We coach and train our people, and reward excellent achievements. In addition, we care greatly about their well-being and personal development. This is reflected in our relentless focus on health and safety, but also in the constant improvement of employee

plans, succession management and talent development programs. It is measures like these that allow us to manage the growth of ERIKS.

#### *Sustainability*

We believe improvements in industrial production have helped create a better quality of life for much of the world's population. We recognize that many industrial processes are still too wasteful, polluting and inefficient. As an industrial service provider, we are in the position to change this. We can make a big positive impact to our environment by developing innovative ways to reduce our own and our customers' footprint. We are committed to applying our skills, knowledge and expertise to make industry work better and become future proof.

More information about sustainability can be found on <https://report.sustainability.eriks.com/>

## Report of the Management Board

The report of the Management Board is available at the visiting address of the Company.

## Consolidated balance sheet as at 31 December

*Before proposed profit appropriation*

In thousands of euros

	Note	2022	2021
Intangible fixed assets	3	15,335	19,633
Tangible fixed assets	4	112,747	133,169
Financial fixed assets	5	17,162	53,579
<b>Fixed assets</b>		<b>145,244</b>	<b>206,381</b>
Inventories	6	226,682	279,657
Trade and other receivables	7	261,631	296,640
Cash and cash equivalents	8	18,234	34,663
<b>Current assets</b>		<b>506,547</b>	<b>610,960</b>
<b>Total</b>		<b>651,791</b>	<b>817,341</b>
Shareholder's equity		293,101	281,540
Minority interests		-	-
<b>Equity</b>	9	<b>293,101</b>	<b>281,540</b>
<b>Provisions</b>	10	<b>46,771</b>	<b>53,340</b>
<b>Non-current liabilities</b>	11	<b>70,829</b>	<b>25,767</b>
<b>Current liabilities</b>	12	<b>241,090</b>	<b>456,694</b>
<b>Total</b>		<b>651,791</b>	<b>817,341</b>

## Consolidated profit and loss account

In thousands of euros

	Note	2022	2021
<b>Net sales</b>	17	1,384,750	1,618,175
Cost of goods sold		(1,049,013)	(1,249,190)
<b>Gross margin on sales</b>		<b>335,737</b>	<b>368,985</b>
Selling expenses		(170,572)	(198,659)
General and administrative expenses		(161,787)	(152,905)
<b>Total operating expenses</b>		<b>(332,359)</b>	<b>(351,564)</b>
<b>Net result on sales</b>	18	<b>3,378</b>	<b>17,421</b>
Other operating result	21	4,044	2,079
Interest income and similar income		870	264
Interest expense and similar expenses		(2,825)	(7,137)
Other financial results – net		1,411	(339)
<b>Total financial results</b>	22	<b>(544)</b>	<b>(7,212)</b>
<b>Result before income tax</b>		<b>6,878</b>	<b>12,288</b>
Income taxes	23	4,530	(7,234)
<b>Result after tax</b>		<b>11,408</b>	<b>5,054</b>
<b>Net result</b>		<b>11,408</b>	<b>5,054</b>

## Consolidated statement of comprehensive income

In thousands of euros

	<b>2022</b>	<b>2021</b>
<b>Net result</b>	<b>11,408</b>	<b>5,054</b>
Translation difference on foreign operations	153	5,895
<b>Total of items recognized directly in shareholder's equity</b>	<b>153</b>	<b>5,895</b>
<b>Total result of the legal entity</b>	<b>11,561</b>	<b>10,949</b>



## Notes to the Consolidated Financial Statements

ERIKS is an international industrial service provider, a multi-product specialist offering a wide range of high-quality mechanical engineering components and associated technical and logistics services. For further detail, we refer to Company Profile and Report of the Management Board.

Basis for consolidation, valuation of assets and liabilities and determination of income.

### **General**

The consolidated financial statements of ERIKS N.V. (ERIKS or the Company) are stated in thousands of euros. ERIKS has its registered office in Alkmaar and its visiting address in Utrecht, Mariaplaats 21, the Netherlands and is registered under number 37013289 in the Trade Register. ERIKS is part of the SHV Group. The direct parent of 100% of the ERIKS N.V. shares is ERIKS International B.V. (Alkmaar). The ultimate parent company of this Group is SHV Holdings N.V., registered at Bonaire (Boulevard Gob. N. Debrot 36, Kralendijk).

### **Financial reporting period**

These financial statements cover the year 2022, which ended at the balance sheet date of 31 December 2022.

### **Basis of preparation**

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

The accounting policies applied for measuring assets and liabilities and the determination of result are based on the historical cost convention, unless otherwise stated in the further principles.

### **Application of Section 402**

The financial information of the parent company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate profit and loss account of the parent company exclusively states the share of the result of participating interests after tax and the other results after tax.

### **Going Concern**

These financial statements have been prepared on the basis of the going concern assumption.

## Accounting policies

### General

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken into account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate. Revenues are recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer.

### Functional and presentation currency

The financial statements are presented in euros, which is the Company's functional currency. All financial information in euros has been rounded to the nearest thousand, if not stated otherwise.

### Comparative figures

The principles for valuation and determination of equity, balance sheet accounts and income statement accounts remained unchanged compared to the prior year.

### Consolidation

The consolidated financial statements include the financial information of the Company, its subsidiaries in the group, other group companies and other companies over which the Company can exercise control or of which it conducts the central management. Subsidiaries are participating interests in which the Company (and/or one or more of its subsidiaries) can exercise more than half of the voting rights in the general meeting, or can appoint or dismiss more than half of the management board or supervisory board.

Group companies are participating interests in which the Company has a majority interest, or in which it can exercise decisive influence (control) by other means. In assessing whether the Company has control, potential voting rights are taken into account that can be exercised in such a way that they will provide the Company with more or less influence.

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

For an overview of the consolidated group companies, please refer to 'Operating Companies'.

The consolidated financial statements include the separate financial statements of:

- ERIKS N.V.
- companies over which ERIKS has control;

Total assets, liabilities and results of operations of these companies are included in the consolidation.

- companies over which ERIKS has control along with other participants (joint-ventures).
- Only ERIKS's share in assets, liabilities and results of operations of these companies is included in the consolidation (proportional consolidation).

Assets, liabilities and results of the above companies are calculated in accordance with the accounting principles that apply for the financial statements of ERIKS N.V.

Investments in affiliates include companies in which ERIKS:

- does not have control or joint control;
- has significant influence (to be presumed if ERIKS holds an interest of 20% or more); and
- intends to maintain a long-term relationship for the benefit of ERIKS's own activities.

#### *Business combinations*

A business combination is a transaction whereby the group obtains control over the assets and liabilities and the activities of the acquired party. Business combinations are accounted for using the 'purchase accounting' method on the date that control is transferred to the group (the acquisition date). The transaction price is the cash consideration or equivalent agreed as part of the acquisition, or the fair value of the consideration transferred at the acquisition date. Transaction costs that are directly attributable to the business combination are allocated to the transaction price. In case of deferred payment of the consideration, the transaction price is the discounted value of the consideration.

The group recognises the identifiable assets and liabilities of the acquiree at the acquisition-date. These assets and liabilities are recognised individually at their fair values, provided that it is probable that future economic benefits will flow to the group (assets) or settlement will result in an outflow of resources embodying economic benefits (liabilities), and the cost or fair value of it can be measured with reliability. Refer to the accounting policy under the heading 'Intangible fixed assets' for the recognition of positive or negative goodwill resulting from a business combination.

An agreed possible adjustment to the purchase price that is contingent on future events is included in the purchase price if the adjustment is probable and the amount can be measured reliably. It is also possible that a previous estimate of the adjustment to the purchase price must be revised. Such adjustments to the purchase price, that are recorded as changes in estimates, will also result in an adjustment to (positive or negative) goodwill. The adjusted goodwill is amortised prospectively from the date of the adjustment of the purchase price. Comparative figures are not adjusted.

#### *Uniting of interests*

A uniting of interests is a business combination in which the parties involved combine control over the whole, or effectively the whole, of their net assets and operations, such that neither party can be identified as the acquirer. Uniting of interests is accounted for by use of the 'pooling of interests' method. In this respect, the assets and liabilities of the combining entities, as well as their income and expenses, for the period in which the combination has occurred and for the comparative period disclosed are included in the financial statements of the combined entity as if they had been combined from the beginning of the comparative period. The carrying amounts of the assets and liabilities are combined, no revaluation to fair value takes place. Any differences between the accounting policies of the combined entities are unified through a change in accounting policies. In the situation that the date of merger is not the date of the start of the reporting period, the results of the acquired entity are recognised in the profit and loss account of the acquiring entity. Any difference between the nominal amount of the share capital issued as a result of the combination (plus any additional consideration in the form of cash or other assets) and the carrying amount of the assets and liabilities underlying the share capital acquired, is recognised in share premium.

#### *Business combinations under common control*

A business combination under common control is a business combination of an entity that is under common control with the acquirer. Such business combinations are also referred to as common control transactions. Business combinations under common control are accounted for using the 'carry over accounting' method.

The 'carry over accounting' method follows the same accounting procedures as the 'pooling of interests' method (see under the heading 'Uniting of interests'), except that the figures before the acquisition or combining date are not restated.

#### *Consolidation method*

The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of result of the group.

In the consolidated financial statements, intragroup shareholdings, liabilities, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the Company has less than a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

Subsidiaries are consolidated in full, whereby minority interest is presented separately within group equity. If losses to be allocated to the minority interest exceed the minority interest within equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder, except to the extent that the minority shareholder has the obligation to, and is able to, compensate for the losses. The minority interest in the result is deducted from group result on a separate line item in the consolidated profit and loss account.

#### *Acquisitions and disposals of companies*

Acquired companies in which ERIKS owns an interest of 20% or more, and intends to maintain a long-term relationship for the benefit of ERIKS's own activities, are initially valued at ERIKS's share in the fair value of the net assets of these companies at the date of acquisition.

Identifiable assets acquired and liabilities assumed in an acquired company, in which ERIKS exercises predominant management influence, are recognised in the consolidated financial statements from the acquisition date, being the moment from which control can be exercised in the acquired company. Group companies continue to be consolidated until control ceases to

exist. The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. Interest in companies available for sale are stated at the lower of their carrying amount and net realisable value.

Capital gains and losses resulting from the sale of companies represents the difference between the sales price of the sold companies and the carrying value of the net assets of these companies at the date of divestment, deducted by the external costs directly related to the sale and are recognised in the statement of income under Other operating income.

#### **Related party transactions**

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required to provide a true and fair view.

#### **Foreign currency**

##### *Functional currency*

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency of the respective group company). The consolidated financial statements are presented in euros, which is the functional and presentation currency of ERIKS N.V.

##### *Transactions and balances*

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Translation gains and losses resulting from the settlement or translation of monetary items denominated in foreign currency are taken to the profit and loss account in the period the translation gain or loss occurs. Exempted from this are gains and losses on monetary items that are part of a net investment in a foreign operation (see below).

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates applying on the transaction date.

##### *Foreign operations*

The assets and liabilities that are part of the net investment in a foreign operation are translated into euros at the exchange rate on the reporting date. The revenues and expenses of such a foreign operation are translated into euros at the exchange rate on the transaction date.

Currency translation differences are recognised in the translation reserve within shareholder's equity.

As per 1 January 2021 the option to translate the fair value adjustments of foreign operations to the presentation currency at the exchange rates on the transaction date has been deleted, the translation should take place at the closing rates. Goodwill resulting from the acquisition of a foreign operation and fair value adjustments made at the acquisition date are translated into euros at the closing rate.

When a foreign operation is fully or partially sold, the respective amount is transferred from the translation reserve to the other reserves within shareholders' equity.

#### *Hedging of the net investment in foreign operations*

For recognition of the derivatives which are concluded to offset foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency, the Company applies net investment hedge accounting, regardless of whether the net investment is held directly or through an intermediate parent.

Currency translation differences arising from the translation of a financial liability considered as a hedge of the net investment in a foreign operation, are directly recognised in equity (in the translation reserve) to the extent that the hedge is effective. The ineffective part is recognised as result in profit and loss.

## **Impairment**

#### *Impairment of non-financial assets*

For non-financial assets an assessment is made as of each balance sheet date as to whether there is any indication of an impairment. If there are such indications, then the recoverable amount of the asset is estimated. The recoverable amount is the higher of the value in use and the net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash generating unit to which the asset belongs.

If the carrying value of an asset is higher than the recoverable amount, an impairment loss is recorded for the difference between the carrying value and the recoverable value. If there is an impairment loss for a cash-generating unit, the loss is first allocated to goodwill allocated to the cash-generating unit. Any residual loss is allocated to the other assets of the unit pro rata to their book values.

Subsequently, an assessment is made on each balance sheet date whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such indication, then the recoverable amount of the related asset or cash-generating unit is estimated.

Contrary to what is measured before, at each reporting date the recoverable amount is assessed for the intangible assets that have not been put into use yet, irrespective of whether there is any indicator of an impairment.

Reversal of an impairment loss that was recorded in the past only takes place in case of a change in the estimates used to determine the recoverable amount since the recording of the last impairment loss. In such case, the carrying value of the asset (or cash-generating unit) is increased up to the amount of the estimated recoverable amount, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash-generating unit).

Losses resulting from goodwill impairments recorded in the past are not reversed.

#### *Impairment of financial assets*

A financial asset that is not stated at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loan and receivables and financial assets that are held to maturity) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those individually significant assets found not to be specifically impaired and assets that are

not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset stated at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's effective interest rate.

Impairment losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised by using the asset's effective interest rate.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

## **Estimates**

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying ERIKS' accounting policies. The following accounting policies are in the opinion of management the most critical for the purpose of presenting the financial position and require estimates and assumptions:

- Intangible fixed assets
- Deferred tax assets
- Inventories
- Receivables
- Derivative financial instruments
- Provisions

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

## **Intangible fixed assets**

Intangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Intangible fixed assets are measured at acquisition or construction cost, less accumulated amortisation and impairment losses.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included to the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

The accounting principles for the determination and recognition of impairments are included under the section Impairments of fixed assets.

### *Goodwill*

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill represents the difference between the acquisition price of acquired companies included in the consolidation, and ERIKS' share in the fair value of the net assets of these companies at the date of acquisition, increased by the external costs directly related to the acquisition.

Goodwill paid upon the acquisition of foreign group companies and subsidiaries is translated at the exchange rates at the date of acquisition.

Goodwill is capitalised at cost and amortised on a straight-line basis over the estimated economic useful life and is tested for impairment whenever there is an indication for impairment.

In case of a divestment, the relating goodwill previously deducted from equity is recognised on the balance sheet out of equity for the allocated or the proportionate share related to the disposal and taken into account in the determination of the gain or loss on disposal (taking into account a period of at least 5 years).

#### *Development costs*

Development costs are capitalised in so far as incurred in respect of potentially profitable projects. The development of an intangible fixed asset is considered commercially profitable if the following conditions are met:

- the completion of the asset is technically feasible,
- the Company has the intention of completing the asset and then of using or selling it (including the availability of adequate technical, financial and other resources to achieve this),
- the Company has the ability to use or sell the asset,
- it is probable that the asset will generate future economic benefits, and
- the costs during the development phase can be determined reliably.

Development costs are measured at construction cost, less accumulated amortisation and impairment losses. The capitalized costs are amortized over the estimated useful life after completion of the development phase (asset ready for usage). The costs of research and other development costs are charged to the result in the period in which they are incurred.

Software that is acquired by the Company has a definite useful life and is carried at cost less accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-developed software includes the following:

- the cost of direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- capitalised borrowing costs.

A legal reserve is formed for the capitalised development/software costs that have not yet been amortised.

Amortisation is recognised by the straight-line method over the following estimated economic lives:

- development costs, including software: 3 - 10 years

#### **Tangible fixed assets**

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Tangible fixed assets are carried at cost of acquisition less accumulated depreciation and impairment losses. Interest paid to third parties during construction is included in the cost of acquisition. Costs directly attributable to the extension of the estimated economic lifetime are being capitalised in the year of occurrence.

Maintenance expenditures are only capitalised when the maintenance leads to extension of the useful life of the asset and/or future performance units regarding the asset. For recognition of maintenance expenditures the Company use the component approach.



Depreciation is recognised by the straight-line method over the estimated economic lives, taking into account any estimated residual value of the individual assets:

– buildings	10 - 40 years
– machinery	5 - 10 years
– office and warehouse equipment	3 - 10 years
– other	3 - 10 years

Land and assets under construction are not depreciated.

## Financial fixed assets

### *Participating interests with significant influence*

Participating interests where significant influence can be exercised over the business and financial policies are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account. The net asset value is calculated on the basis of the Company's accounting policies.

If the Company transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Unrealised profits on transactions with participating interests that are accounted for at net asset value are eliminated to the extent of the Company's share in the participating interest.

The Company realises the eliminated result as a result of a sale to third parties, depreciation or impairment of the transferred assets recognised by the participating interest. Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

## Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying value of assets and liabilities for financial reporting purposes and their tax basis. Deferred income tax is recorded at nominal value, and calculated using tax rates at the balance sheet date or tax rates applicable in future years, to the extent (substantially) enacted by law.

Deferred tax assets, including the tax loss carry forward position, are recognised when it is probable that they can be offset against future taxable income. Deferred tax assets and deferred tax liabilities are offset in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities, insofar as they relate to the same financial year and deferred tax assets relate to income taxes levied by the same tax authority on the same taxable Company, or the same fiscal unity.

For taxable temporary differences related to group companies a deferred tax liability is recognised, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised.

## **Inventories**

Inventories are measured at the lower of cost or net realizable value. The cost price being the average purchase price and additional expenditure, such as import duties, transport and other costs directly attributable to the acquisition of inventory. Trade discounts, rebates and indemnities (to be) received in connection with purchasing are deducted from the costs of purchase. Net realizable value is based on the most reliable estimate of the amount the inventories are expected to generate, less costs still to make.

Inventories are adjusted to estimated net realisable value by deducting an allowance for obsolescent and slow-moving goods. To determine the provision for inventories, ERIKS uses a dynamic approach based on previous years experiences and on a percentage linked to inventory turnover. Part of the inventory is obsolescent or slow moving due to the specific nature of the inventory. On the balance sheet date the inventories are tested for possible impairments.

Work in progress and customer specific products are carried at cost consisting of the costs of direct labor, materials and an allocation of a reasonable portion of indirect costs.

## **Financial instruments**

Financial instruments as included in these financial statements include trade and other receivables, cash and cash equivalents, non-current liabilities, derivative financial instruments, trade payables and other amounts payable.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerable part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based on the individual components of financial instruments as a financial asset, financial liability or equity instrument.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. For financial instruments subsequently measured at fair value through profit and loss, directly attributable transaction costs are recognised in the profit and loss account at the initial recognition. After initial recognition, financial instruments are valued in the manner described below.

### *Trade and other receivables*

Trade and other receivables are, after their initial recognition, carried at amortised cost on the basis of the effective interest method after deduction of an allowance for doubtful accounts.

### *Cash and cash equivalents*

Cash and cash equivalents consist of bank balances and cash on hand, deposits and commercial paper which have a maturity of less than 60 days. Cash and cash equivalents are carried at nominal value. Bank overdrafts are shown in current liabilities.

### *Non-current liabilities*

Non-current liabilities are, after their initial recognition, carried at amortised cost on the basis of the effective interest rate method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account. The non-current liabilities are net of the amounts to be redeemed within one year. Redemption of non-current liabilities that are due next year, are presented under current liabilities. The costs for

obtaining loans are capitalised under other financial fixed assets and are amortised over the duration of the related loan.

#### *Current liabilities*

Current liabilities are stated, after their initial recognition, at amortised cost on the basis of the effective interest method.

#### *Derivatives*

Derivatives to hedge monetary assets and liabilities in foreign currencies, except those that are part of a net investment of a foreign operation. If forward exchange contracts are concluded to hedge monetary assets and liabilities in foreign currencies, derivatives are recognized at fair value through profit and loss, except if net investment hedge accounting is applied. This is done to ensure that the gains or losses arising from the translation of the monetary items recognised in the profit and loss account are offset by the changes in the value of forward exchange contracts arising from the difference between their forward and spot rates as at reporting date.

Derivatives to hedge monetary assets and liabilities in foreign currencies, that are part of a net investment of a foreign operation (net investment hedge accounting). Gains and losses relating to derivatives entered in to cover the foreign currency position in a net investment of a foreign operation, are included in shareholders' equity (in the translation reserve) to the extent that the hedge is effective. The ineffective part is recognised in the profit and loss account.

#### *Determination of fair value*

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

- the fair value of listed financial instruments is determined on the basis of the exit price.
- the fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.
- the fair value of derivatives involving the exchange of collateral is determined by discounting the cash flows to present value, applying the (Eonia) swap curve. This is used because the credit and liquidity risk is mitigated by the collateral exchange.
- The fair value of derivatives that do not involve exchange of collateral is determined by discounting the cash flows to present value, applying the relevant swap curve plus credit and liquidity surcharges.

#### *Offsetting financial instruments*

A financial asset and a financial liability are offset when the entity has a legal enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously. If there is a transfer of a financial assets that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

## **Equity**

#### *Shareholders' equity*

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

#### *Share premium*

Amounts contributed by the shareholder(s) of the Company in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire or acquire shares of the Company.

Costs and capital taxes associated with the issue of shares that are not capitalized are deducted from share premium, after taking into account tax effects. If the share premium is insufficient for such deductions, the amounts are deducted from retained earnings.

## **Provisions**

A provision is recognised if the following applies:

- the Company has a legal or constructive obligation, arising from a past event;
- the amount can be estimated reliably; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

Provisions are stated at the nominal value of the expenditures that are expected to be required to settle the liabilities and losses, except for the pension provisions which are discounted based on the expected outflow of funds.

If the time value of money is material and the period over which the cash outflows are discounted is more than one year, provisions are measured at the present value of the best estimate of the cash outflows that are expected to be required to settle the liabilities and losses. The provisions are measured at nominal value if the time value of money is not material or if the period over which the cash outflows are discounted is no longer than one year.

### *Employee benefits*

#### *Dutch pension plans*

The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund or insurance company over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or insurance company or settlement with contributions payable in the future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund or insurance company and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund or insurance company, the pension agreement with the employees and other (explicit or implicit) commitments to employees. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

For any surplus at the pension fund as at balance sheet date, a receivable is recognised if the Company has the power to withdraw this surplus, if it is likely that the surplus will flow to the Company and if the receivable can be reliably determined.

#### *Foreign pension plans*

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (company, fund and members) are recognised and measured in accordance with Dutch pension plans.

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in the Netherlands.

## Leases

### *Financial leases*

If the Company acts as a lessee in a finance lease, at the inception of the lease the leased asset (and the related obligation) is accounted for in the balance sheet at fair value of the leased property or, if lower, the present value of the minimum lease payments. Both values are determined at the time of entering into the lease agreement. The interest rate used in calculating the present value is the interest rate implicit in the lease. If it is not practically possible to determine this interest rate, then the marginal interest rate is used. The initial direct costs are included in the initial measurement of the leased property.

The accounting principles for the subsequent measurement of the leased property are described under the heading "Tangible fixed assets". If there is no reasonable certainty that

a finance or operating lease. form. At inception of an arrangement, the Company assesses whether the lease classifies as in classifying leases, the economic reality of the transaction is decisive rather than its legal form. At inception of an arrangement, the Company assesses whether the lease classifies as risks and rewards of ownership of the leased property are carried entirely or almost entirely by the lessee are classified as financial lease. All other leases are classified as operating leases. The Company may enter into financial and operating leases. A lease contract under which the

asset value. Refer to the accounting policies under the heading "Financial fixed assets".

### *Provision for participating interests*

The provision for restructuring costs includes the costs that are directly associated with the restructuring, which are not associated with the ongoing activities of the Company.

A reorganization or restructuring provision is recognised when at the balance sheet date the entity has a detailed formal plan, and ultimately at the date of preparation of the financial statements a valid expectation of implementation of the plan has been raised in those that will be impacted by the reorganization. A valid expectation exists when the implementation of the reorganization has been started, or when the main elements of the plan have been announced to those for whom the reorganization will have consequences.

### *Provision for reorganization*

A provision is recognised for expected costs of periodic major maintenance to buildings, plant, equipment based on the estimated amount of major maintenance and the intervening period between the major maintenance activities. Furthermore, the provision includes expected costs after the termination of the lease term, to bring back a leased building into its original state it was at the start of the lease term. The expenditure for major maintenance is charged against the maintenance provision insofar as this provision has been established for the relevant costs. If the major maintenance costs exceed the carrying amount of the provision recognised for the relevant asset, the (additional) costs are recognised in the profit and loss account.

### *Provision for maintenance real estate and bringing leased buildings into original state*

The warranty provision relates to the estimated replacement cost for products delivered and services performed, for both legal obligations (products delivered or services performed do not meet the agreed quality standards) and constructive obligations (by way of service / leniency, in so far generally known and conventional). The estimated costs are based on historical warranty data and the average of all possible outcomes multiplied by the probability that the outcome will occur.

### *Provision for warranties*

Deferred tax liabilities are recorded mainly for temporary differences regarding tangible fixed assets and inventory valuation. Deferred tax assets and deferred tax liabilities are offset in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities, insofar as they relate to the same financial year and deferred tax assets relate to income taxes levied by the same tax authority on the same taxable Company, or the same fiscal unity.

### *Deferred tax liabilities*

the Company will obtain ownership of a leased property at the end of the lease term, the property is depreciated over the shorter of the lease term and the useful life of the property.

The minimum lease payments are split into interest expense and redemption of the lease liability. The interest charges during the lease term are allocated to each period in such a way that this results in a constant periodic interest rate over the remaining net liability with regard to the financial lease. Conditional lease payments are recognised as an expense in the period that the conditions of payment are met.

#### *Operating leases*

If the Company acts as lessee in an operating lease, the leased property is not capitalised. Lease payments regarding operating leases are recognised to the profit and loss account on a straight-line basis over the lease term.

#### **Government grants**

Governments grants are credited to the profit and loss account in the year in which the subsidized expenditure is recognised, the loss of income occurs or the operating deficit occurs. Amounts received in advance (both current as non-current) are presented under deferred income.

#### **Revenue recognition**

Revenue is usually recognized at the level of separate contracts. If it is necessary to reflect economic reality, revenue is recognized at the level of a group of contracts, for example where the company has entered into several separate contracts, which have been negotiated as a total, separating the individual contracts in terms of pricing and profit margin that are closely related and are performed simultaneously or immediately after each other.

Amounts that the company receives for its own account (as principal) are recognized as revenue. Amounts that the company receives for third parties (as an agent) are not recognized as revenue. Revenues only include the gross increases in economic potential that the company has received or has receivable for its own account.

The company recognizes revenue for the amount to which the company expects to be entitled in exchange for transferring promised goods or services, which is the transaction price. This amount excludes amounts received on behalf of third parties. The transaction price may consist of a fixed fee, a variable fee or a combination thereof. When determining the transaction price, the company does not take credit risk into account. Any write-downs as a result of the credit risk are charged to the income statement. In determining the transaction price, the company assumes that the goods or services will be provided in accordance with the relevant agreement and that this agreement will not be cancelled, extended or otherwise modified. When determining the transaction price, the company takes into account, among other things, the effects of:

- variable fees, due to discounts, returns, refunds, price concessions, performance bonuses, penalties or other similar elements that may vary in size. The company estimates the amount of variable compensation as part of the total compensation and applies the prudence principle in doing so;
- major financing components, where the company adjusts the transaction price for the effects of the time value of money. In doing so, the company applies an interest rate that is determined at the generally applicable interest rate for a comparable financing instrument of an issuer with a comparable credit rating or an interest rate that, when discounting the transaction price, results in the current spot selling price of the goods and services; and
- payments to buyers of goods and services, which are accounted for as a reduction in the transaction price and therefore as a reduction in revenue, unless the payment to the buyer is made in exchange for a distinct good or service.

No revenue is recognized for all amounts received – or receivable – to which the company does not expect to be entitled. The company treats these received – or receivable – amounts in these cases as a repayment obligation.

The company recognizes revenue per separate performance obligation. A performance obligation is a commitment in a contract to supply:

- a distinct good or service or a combination of goods or services which are collectively distinguishable from other commitments in the contract; or
- a range of distinct services that are largely the same.

A promised good or promised service can be distinguished if the following criteria are met:

- the buyer can use the benefits of the goods or services independently, whether or not jointly with resources that the buyer has or can obtain; and
- the commitment to provide the goods or services is distinct from the other commitments contained in the contract.

If two or more commitments in a contract by the company to provide goods or services are indistinguishable separately, the commitments are combined into a combination of goods or services that are collectively distinct from other commitments in the agreement.

In the event of multiple performance obligations in a contract, the total transaction price is allocated to the performance obligations in proportion to the value of the performance obligations. The company bases this value on the stand-alone selling price per performance obligation. If the standalone sales price is not known, the company uses estimates.

#### *Sale of goods*

Revenue from the sale of goods is accounted for in net turnover at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, the amount of the revenue can be determined reliably, recovery of consideration is probable, the associated costs can be estimated reliably, and there is no continuing involvement with the goods. The transfer of risks and rewards varies according to the conditions of the relevant sales contract.

#### *Rendering of services*

Revenue from services rendered is accounted for in net turnover at the fair value of the consideration received or receivable, net of allowances and rebates. Revenues from services rendered are recognised in the income statement when the amount of the revenue can be determined reliably, collection of the related compensation to be received is probable, the extent to which the services have been performed on the balance sheet date can be determined reliably, and the costs already incurred and (possibly) yet to be incurred to complete the service can be determined reliably. If the result from a specific service contract cannot be determined reliably, then revenues are recognised up to the amount of the service costs that are covered by the revenues. Revenues from services rendered are recognised in the income statement in proportion to the stage of completion of the transaction as at the reporting date. The stage of completion is assessed by reference to assessments of the work performed up to that moment as a percentage of the total services to be performed up to that moment in proportion to the total estimated costs of the services to be performed.

#### *Product and service combination*

Revenue from product and service combinations is accounted for in net turnover at the fair value of the consideration received or receivable net of returns, allowances and rebates. Revenues from product and service combinations are recognised in the income statement in proportion to the stage of completion of the transaction as at the reporting date. The stage of completion is assessed by reference to assessments of the work performed up to that moment as a percentage of the total services to be performed up to that moment in proportion to the total estimated costs of the services to be performed.

#### *Other*

Other revenue is accounted for in net turnover at the fair value of the consideration received or receivable and are recognised in the income statement in proportion to the stage of completion of the transaction as at the reporting date.

#### **Costs of goods sold**

Cost of goods sold includes the cost of all raw materials, supplies and trade goods related to the goods sold, including transportation, services rendered and import duties, and third party rental of equipment as well as the costs of warehousing, production and distribution. Third party costs are recorded based on the weighted average cost method.

#### **Costs**

Costs are allocated to the same period in which the related net sales are recognised and risk and rewards have been transferred. Costs that are not related directly to net sales are recognised in the period they relate to. Costs relating to cost of goods sold, selling expenses and general and administrative expenses are allocated to these accounts based on the nature of these expenses.

#### *Short-term employee benefits*

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet.

For benefits with accumulating rights, the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

If a benefit is paid in case of nonaccumulating rights, the projected costs are recognised in the period in which such benefit is payable. The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the profit and loss account

#### **Interest income and expenses**

Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

#### **Income taxes**

Tax on income includes:

- current and deferred corporate income tax payable and deductible for the reporting period;
- tax withheld at the source for dividends received, payable and recoverable for the reporting period.

Tax on income is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences. For taxable temporary differences, a provision for deferred tax liabilities is recognised. For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.



For taxable temporary differences related to group companies a deferred tax liability is recognised, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For deductible temporary differences regarding group companies a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities are offset in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities, insofar as they relate to the same financial year and deferred tax assets relate to income taxes levied by the same tax authority on the same taxable Company, or the same fiscal unity. The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

**Subsequent events**

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

**Cash flow statement**

Regarding the cash flow statement, ERIKS N.V. applies the exemption as referred to in RJ 360.104. We therefore refer to the consolidated cash flow statement of our parent company SHV Holdings N.V.

## Notes to the consolidated financial statements

In thousands of euros, unless indicated otherwise

### 1. Disposal of Group Company

#### *Divestment of North American activities*

In February 2022, ERIKS entered into an agreement to sell its North American activities to LKCM Headwater Investments. The North American businesses have been operating under the names ERIKS North America, Rawson-Industrial Controls, ERIKS Seals and Plastics and CNC Flow Control and the sale and purchase transaction has been closed as per 31 March 2022 with the transfer of the shares of the North American businesses and settlement of the open positions.

The Group companies have been sold for a total consideration of \$ 194 million. Related to this sale, the Company paid a total amount of € 6.3 million for professional fees. A loss on the disposal of participating interests of EUR 9.4 million was realised in 2022 for an amount of EUR 8.0 million, net of taxes.

A summarized profit and loss account for the year is as follows:

	2022	2021
Net sales	143,311	439,724
Total costs	(136,978)	(444,413)
Results before income taxes	6,333	(4,689)

As per 31 December 2021, the North American operations represented € 220.9 million of assets and € 195.5 million of liabilities. As per 31 March 2022, the North American operations represented € 257.8 million of assets and € 238.0 million of liabilities.

### 2. Mergers and acquisitions

The Group acquired 100% of the shares and voting rights in GEMOTEG GmbH & Co.KG "GEMOTEG" on 21 November 2022. As a result, control has been obtained over GEMOTEG. GEMOTEG is a supplier of drive systems for industry and trade. The acquisition of GEMOTEG has been recorded applying the 'purchase accounting' method

Per 21 November 2022, GEMOTEG and its group companies have been included in the consolidated financial statements of the Group.

### 3. Intangible fixed assets

	Goodwill	Brand	Customer contracts	Other Intangible asset	Software	Total
<b>Balance, 1 January 2022</b>						
Purchase price	-	-	-	-	82,151	82,151
Accumulated amortization and impairment	-	-	-	-	(62,518)	(62,518)
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,633</b>	<b>19,633</b>
<b>Changes in carrying amount:</b>						
Exchange rate differences	-	-	-	-	(20)	(20)
From acquisition	1,754	542	724	169	9	3,198
Investments	-	-	-	-	508	508
Disposals	-	-	-	-	(114)	(114)
Disposal of Group Companies	-	-	-	-	(116)	(116)
Amortization	-	(5)	(8)	(7)	(7,734)	(7,754)
Other changes	-	-	-	-	-	-
<b>Net movements</b>	<b>1,754</b>	<b>537</b>	<b>716</b>	<b>162</b>	<b>(7,467)</b>	<b>(4,298)</b>
<b>Balance, 31 December 2022</b>						
Purchase price	1,754	542	724	169	70,187	73,376
Accumulated amortization and impairment	-	(5)	(8)	(7)	(58,021)	(58,041)
<b>Carrying amount</b>	<b>1,754</b>	<b>537</b>	<b>716</b>	<b>162</b>	<b>12,166</b>	<b>15,335</b>

The new intangible asset categories originate from the GEMOTEG business combination.

#### 4. Tangible fixed assets

	Land and Buildings	Machinery	Office and warehouse equipment	Other	Assets under construction	Total
<b>Balance, 1 January 2022:</b>						
Purchase price	124,396	104,806	84,672	41,279	1,544	356,697
Accumulated depreciation and impairment	(49,647)	(77,254)	(61,438)	(35,189)	-	(223,528)
<b>Carrying amount</b>	<b>74,749</b>	<b>27,552</b>	<b>23,234</b>	<b>6,090</b>	<b>1,544</b>	<b>133,169</b>
<b>Changes in carrying amount:</b>						
Exchange rate differences	33	(466)	(30)	36	-	(427)
From acquisition	-	8	42	69	-	119
Investments	1,114	3,560	2,041	1,818	(253)	8,280
Divestment	(2,804)	(613)	(487)	(100)	(31)	(4,035)
Disposals of Group Companies	(4,978)	(2,379)	(2,147)	(1,296)	-	(10,800)
Depreciation	(3,281)	(4,693)	(3,299)	(2,286)	-	(13,559)
Other changes	254	(240)	250	(141)	(123)	(0)
<b>Net movements</b>	<b>(9,662)</b>	<b>(4,823)</b>	<b>(3,630)</b>	<b>(1,900)</b>	<b>(407)</b>	<b>(20,422)</b>
<b>Balance, 31 December 2022:</b>						
Purchase price	103,308	76,871	67,018	29,302	1,137	277,636
Accumulated depreciation and impairment	(38,221)	(54,142)	(47,414)	(25,112)	-	(164,889)
<b>Carrying amount</b>	<b>65,087</b>	<b>22,729</b>	<b>19,604</b>	<b>4,190</b>	<b>1,137</b>	<b>112,747</b>

The Company has no financial leases on buildings. The Company leases the assets but is not the legal owner thereof.

Of the total disposals an amount of € 4.0 million is charged to the P&L (2021: € 1.4 million).

At 31 December 2022, business premises of € 24.8 million (2021: € 24.8 million) have been used as mortgage collateral.

#### 5. Financial fixed assets

	2022	2021
Deferred tax assets	17,162	53,579
	<b>17,162</b>	<b>53,579</b>

Deferred tax assets are recorded for temporary differences in provisions (inventories, defined benefit pensions and other provisions), goodwill as a result of deductible goodwill in foreign countries and carry forward interest and carry forward losses. It is expected that € 1.3 million (2021: EUR 11.4 million) of the deferred tax assets will be offset within one year. The decline is the result of the divestment of the North American activities.

**Movements in deferred tax assets were as follows:**

	<b>2022</b>	<b>2021</b>
Balance, 1 January	53,579	48,476
Foreign currency translation	1,971	4,395
(Released)/Charged to income statement	(176)	1,068
Reclassification	3,224	127
From divestments/disposals	(41,242)	-
Other changes	(194)	(487)
Balance, 31 December	<b>17,162</b>	<b>53,579</b>

At year-end 2022, the total amount of accumulated tax losses in various jurisdictions is approximately € 158.2 million, of which € 126.1 million is not recognised. To the extent it is probable that these tax losses can be used in the near future, the related tax benefits recognised as deferred tax assets amount to € 8.0 million (2021: € 18.6 million) of which € 1.9 million is expected to be realised within one year.

## 6. Inventories

**Specification as follows:**

	<b>2022</b>	<b>2021</b>
Trade inventory	228,925	302,923
Raw materials	8,257	11,051
Work in progress	7,317	8,004
Inventories in transit	9,985	9,534
Customer-specific inventories	6,327	5,992
	<b>260,811</b>	<b>337,504</b>
Less: provision for obsolete and slow-moving inventories	(34,129)	(57,847)
	<b>226,682</b>	<b>279,657</b>

**Specification of the provision for inventories:**

	<b>2022</b>	<b>2021</b>
Balance, 1 January	(57,847)	(50,871)
Addition, charged to the profit and loss account	(10,659)	(14,681)
Utilized, charged against the provision	7,460	6,771
Released to the profit and loss account	1,595	3,660
Change in Consolidation	26,903	-
Other	(345)	-
Foreign currency translation	(1,236)	(2,725)
Balance, 31 December	<b>(34,129)</b>	<b>(57,847)</b>

The provision of € 34.1 million (2021: € 57.8 million) relates to inventory with a book value of € 55.6 million (2021: € 98.3 million). Of the movement in the inventory provision of € 23.7 million (2021: € 7.0 million) a net amount of € 9.1 million is charged (2021: € 11.0 million) is charged to the P&L.

At 31 December 2022, no inventory has been used as mortgage collateral (2021: nil).

## 7. Trade and other receivables

### Specification as follows:

	2022	2021
Trade receivables	226,274	271,447
Less: allowance for doubtful debtors	(3,394)	(6,033)
	<b>222,880</b>	<b>265,414</b>
Other receivables	32,675	20,254
Derivative financial instruments – related party	302	-
Other taxes and social security contributions	2,079	1,900
Income tax receivable	3,695	9,071
	<b>261,631</b>	<b>296,639</b>

All receivables fall due in less than one year.

The derivative financial instruments in 2022 comprise of foreign exchange rate contracts used to hedge the approximately € 58.6 million (2021: € 211.7 million) debt position or expected cashflow transactions in foreign currencies as at 31 December 2021 (reference is made to note 13).

An amount of EUR 6.8 million included in the income tax receivable is due from related parties.

### Specification of the allowance for doubtful debtors:

	2022	2021
Balance, 1 January	(6,033)	(7,883)
Addition, charged to the profit and loss account	(810)	(1,525)
Utilized, charged against the provision	661	3,115
Released to the profit and loss account	827	604
Change in consolidation	2,073	-
Other movements	-	(96)
Foreign currency translation	(112)	(248)
Balance, 31 December	<b>(3,394)</b>	<b>(6,033)</b>

## 8. Cash and cash equivalents

### Specification as follows:

	2022	2021
Banks	18,234	34,663
	<b>18,234</b>	<b>34,663</b>

There are no restrictions on the use of cash and cash equivalents.

## 9. Shareholder's equity

The composition of the shareholder's equity is presented in note 32.  
Movements in shareholder's equity were as follows:

### Specification for equity:

	2022	2021
Balance, 1 January	281,540	270,591
Net result for the year	11,408	5,054
Foreign currency translation	153	5,895
Balance, 31 December	<b>293,101</b>	<b>281,540</b>

## 10. Provisions

Movements in provisions were as follows:

	Employee Benefits	Deferred tax liabilities	Restructuring provision	Other	Total
<b>Balance, 1 January 2021</b>	<b>62,511</b>	<b>1,899</b>	<b>945</b>	<b>6,936</b>	<b>72,291</b>
Additions, charged to profit and loss account	2,912	-	2,128	2,497	7,537
Utilizations, charged against the provision	(4,481)	-	(571)	(810)	(5,862)
Released to the profit and loss account	(22,812)	709	(327)	(1,353)	(23,783)
Other changes	-	(487)	-	(566)	(1,053)
Reclassifications	-	127	-	-	127
Foreign currency translation	3,523	271	49	240	4,083
Adding of interest and change in discount rate	-	-	-	-	-
<b>Balance, 31 December 2021 / 1 January 2022</b>	<b>41,653</b>	<b>2,519</b>	<b>2,224</b>	<b>6,944</b>	<b>53,340</b>
Additions, charged to profit and loss account	1,980	-	7,553	3,401	12,934
Utilizations, charged against the provision	(4,938)	-	(17)	(1,404)	(6,359)
Released to the profit and loss account	(6,412)	(745)	(2,173)	(2,030)	(11,360)
Other changes	-	(144)	-	(49)	(193)
Change in consolidation	(1,238)	(1,997)	-	(113)	(3,348)
Reclassifications	-	3,224	-	-	3,224
Foreign currency translation	(1,503)	168	11	(143)	(1,467)
Adding of interest and change in discount rate	-	-	-	-	-
<b>Balance, 31 December 2022</b>	<b>29,542</b>	<b>3,025</b>	<b>7,598</b>	<b>6,606</b>	<b>46,771</b>

#### *Employee benefits*

Employee benefits include, amongst others, an ERIKS UK pension trust closed to new entrants. The plan can be categorized as a multi-employer plan and provides pension post retirement benefits accrued for each year of service with the Company. The Companies pension payments increases at different rates according to the historical arrangements in place when members joined the plan. Active members are also provided with life assurance and permanent health insurance cover, the costs of which are paid by the Company. The actuarial investments and other risks are borne by the Company.

A best estimate of the pension liability of the UK pension scheme is made on the balance sheet date using the actuarial 'projected unit credit' method. As per reporting date a provision is included for an amount of GBP 19.3 million (€ 21.9 million). Assumptions used for this actuarial calculation per reporting date include a discount rate of 4.8% (2021: 2.0%) based on a single equivalent rate of all AA bonds excluding universities. The same was applicable for 2021.

There is a deficit recovery plan in place contributing GBP 2.8 million per annum to the pension scheme, increasing in line with inflation each year, over the period to December 2028. The 2022 scheduled deficit recovery payment of GBP 4.7 million (2021: GBP 3.1 million) is considered the short term part of the employee benefits provision.

In 2022, a total of € 4.6 million (2021: € 20.0 million release) with respect to the ERIKS UK pension plan was released to the profit and loss account during 2022, consisting of regular contribution payments, deficit recovery plan less the movement of the provisions.

#### *Deferred tax liabilities*

After settlement against deferred tax assets, it is expected that less than € 0.1 million of the deferred tax liabilities will be utilized within one year (2021: less than € 0.2 million). In total € 0.7 million of the deferred taxes has been charged to the income statement (2021: € 0.7 million).

#### *Provision for restructuring*

The provision for restructuring pertains mainly to a restructuring plan for ERIKS Belgium.

Approximately € 2.9 million (year-end 2021: approximately € 2.2 million) of the restructuring provision is due within one year. In 2022 € 13.5 million (2021: € 9.9 million) has been recognised in the profit and loss account under general and administrative expenses.

#### *Other provision*

The other provision consist of different smaller individual provisions, of which the most significant provision is a provision for dilapidations in several countries of € 4.3 million (2021: € 3.7 million).

### **11. Non-current liabilities**

	2022	2021
Credit facility from SHV	47,402	-
Mortgage loans	23,000	24,857
Other	427	910
	<b>70,829</b>	<b>25,767</b>

ERIKS has an intercompany credit facility with SHV companies, with a duration of 3 year. At 31 December 2022 € 47.4 million (2021: € 154.8 million) has been drawn under these facilities. After the divestment of the Northern American activities a large part of the credit facility was repaid. In addition, the group has credit facilities with multiple banks for a total amount of € 76.5 million of which € 0.4 million has been drawn under these facilities and € 14.4 million is



restricted for utilization due to guarantees provided to third parties. Of these facilities an amount of nil is included under non-current liabilities.

Movements in non-current liabilities were as follows:

	Credit facility from SHV	Loans from SHV	Mortgage Loans	Other	Total
Carrying amount as at 1 January 2021 (non-current portion):	-	93,565	29,381	1,402	124,348
Reclassification from current liabilities (current portion 2021)	-	-	4,524	408	4,932
Additions	70,407	-	-	-	70,407
Repayment	(9,500)	-	(4,524)	(492)	(14,516)
Reclassification to current liabilities (current portion 2022)	(53,163)	(101,617)	(4,524)	(408)	(159,713)
Reclassification from other receivables	(7,744)	-	-	-	(7,744)
Other movements	-	-	-	-	-
Difference in foreign currency translation	-	8,053	-	-	8,053

Carrying amount as at 31 December 2021 (non-current portion):	-	-	24,857	910	25,767
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	Credit facility from SHV	Loans from SHV	Mortgage Loans	Other	Total
Carrying amount as at 1 January 2022 (non-current portion):	-	-	24,857	910	25,767
Reclassification from current liabilities (current portion 2022)	53,163	-	4,524	408	58,095
Additions	-	-	-	200	200
Repayment	(5,761)	-	(4,524)	(483)	(10,768)
Reclassification to current liabilities (current portion 2023)	-	-	(1,857)	(608)	(2,465)
Reclassification from other receivables	-	-	-	-	-
Other movements	-	-	-	-	-
Difference in foreign currency translation	-	-	-	-	-
Carrying amount as at 31 December 2022 (non-current portion):	47,402	-	23,000	427	70,829

ERIKS NV has a credit facility with SHV Nederland B.V. in 2022 for € 100 million (2021: € 125 million). During 2022 a total of € 47 million has been drawn. The credit facility matures as per 1 June 2025.

The loan to SHV Nederland BV of USD 115 million in 2021, has been repaid in 2022 following the divestment of the North American activity.

<i>Loans from SHV</i>	<b>2022</b>	<b>2021</b>	weighted average interest rate 2022
SHV Nederland BV	-	101,617	n/a
	-	<b>101,617</b>	

#### *Mortgage loans*

In 2004, a 20-year mortgage loan of € 20 million was entered into with Rabobank to fund the real estate in Alkmaar and Roermond. The interest rate is EURIBOR +85bp. In the years thereafter several repayments have been made, of which the last redemption was in 2016, resulting in a mortgage of € 10 million.

In December 2016, a mortgage loan consisting of two parts was entered into with Commerzbank for a total amount of € 42 million:

- € 16 million with a redemption of € 2.7 million per year and an interest rate of 1.80% per annum, fully repaid as per 31 December 2022.
- € 26 million with a redemption of € 1.9 million per year and an interest rate of 2.75% per annum.

The assets of ERIKS Germany have been used as mortgage collateral for a maximum amount of € 26 million.

#### *Covenants*

Several loans of the Company are subject to one or more of the following financial covenants based on group reported figures:

- Net debt/Equity < 1.5
- Solvency > 25%

ERIKS is in compliance with the financial covenants for these loans.

#### *Redemption schedule of non-current liabilities*

	Repayment obligation years		
	<b>2023</b>	<b>2024-2027</b>	<b>after 2027</b>
Credit facility from SHV	-	47,402	-
<i>Mortgage loans</i>			
20-year redemption-free	-	10,000	-
14-year	1,857	7,428	5,572
Other	608	427	-
<b>Total</b>	<b>2,465</b>	<b>65,257</b>	<b>5,572</b>

The portion of non-current liabilities that will be redeemed in 2023 (€ 2.5 million) is included in current liabilities.

## 12. Current liabilities

### Specification as follows:

	2022	2021
Trade payables	149,211	187,199
Accrued liabilities	31,985	33,575
Employee related accruals	25,305	35,039
Pension premiums payable	1,548	1,640
VAT payable	19,054	19,229
Income tax payable	878	5,973
Related party payable	-	154,781
Other taxes payable	10,457	12,788
Derivative financial instruments – related party	-	501
Bank overdraft	187	1,037
Current portion of non-current liabilities	2,465	4,932
	<b>241,090</b>	<b>456,694</b>

All current liabilities fall due in less than one year.

Accrued liabilities include amounts for advance payments from customers, accruals for invoices to be received, customer rebates payables and sundry creditors.

In 2021, the related party payable consists of the short term classified loan to SHV Nederland BV of € 101.6 million (\$ 115 million) and the short term classified credit facility with SHV Nederland BV amounting to a utilization of € 53.2 million. The loan was repaid following the divestment of the North American activity.

The credit facility was renewed in 2022 and reduced to € 100.0 million with a maturity date of 1 June 2025.

## 13. Financial instruments

During the normal course of business, the Company uses various financial instruments that expose the Company to interest, currency, and liquidity risks. To control these risks, the Company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Company.

The Company makes use of derivatives, including currency swaps and forward exchange contracts to mitigate these risks. Derivative financial instruments are only used by the Company to mitigate the Company's exposure to financial risks, the Company does not trade in financial derivatives for speculative purposes.

### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect ERIKS' results or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The fair value of most of the financial instruments recognised on the balance sheet, including receivables, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount, unless otherwise disclosed within these financial statements. As such the fair value of the financial instruments recognised on the balance sheet which materially differs from their respective carrying values are separately disclosed in the notes to the balance sheet.

#### *Credit risk*

ERIKS is prudently financed with relatively limited amounts of debt. Most of the related interest rate exposures are fixed, matching the long-term investment strategy of ERIKS. Credit risk arises principally from the Company loans and receivables presented under financial fixed assets, trade and other receivables, cash and cash equivalents and the positive fair value of derivatives. Credit risk encompasses both the direct risk of default and the risk that the creditworthiness of the counterparty will deteriorate, and the concentration of risks. The maximum credit risk is equal to the carrying amount of each financial instrument as reflected on the balance sheet.

ERIKS' exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

With the majority of the customers ERIKS has been transacting for several years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers which are graded as 'high risk' are placed on a restricted customer list and monitored.

Credit policies have been established under which new customers are analysed for creditworthiness before the payment and delivery terms and conditions are offered. This review includes external ratings, when available, and in some cases bank references. Purchase limits are established for customers, which represent the maximum open amount without requiring approval; these limits are reviewed regularly. As ERIKS has no significant concentration of transactions with a single customer and geographically, there is no concentration of credit risk.

#### *Liquidity risk*

Liquidity risk is the risk that ERIKS will encounter difficulty in meeting the obligations associated with its financial and contingent liabilities that are settled by delivering cash or another financial asset. ERIKS' approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

ERIKS' cash position and treasury function is monitored by using successive liquidity budgets. Management ensures that the cash position is sufficient to meet the ERIKS' financial obligations towards creditors, to stay within the limits of its loan covenants and to distribute dividends to its shareholders. The counterparty risk of banks in use is actively monitored by ERIKS and bank balances are streamlined and consolidated into a manageable number. The general principle that ERIKS adheres to is that cash pools are used whenever possible.

The undiscounted contractual financial obligations as of 31 December 2022:

#### **Specification as follows:**

	<b>&lt; 1 year</b>	<b>1 -5 years</b>	<b>&gt; 5 years</b>
Provisions	10,199	7,546	26,001
Deferred tax liabilities	39	1,962	1,024
Non-Current liabilities	-	66,057	4,772
Current liabilities	241,090	-	-
<b>Total</b>	<b>251,328</b>	<b>75,565</b>	<b>31,797</b>
Financial fixed assets	1,272	8,854	7,036
Inventory	226,682	-	-
Trade and other receivables	261,631	-	-

Cash and cash equivalents	18,234	-	-
<b>Total</b>	<b>507,819</b>	<b>8,854</b>	<b>7,036</b>
<b>Net amount as of 31 December 2022</b>	<b>(256,491)</b>	<b>66,711</b>	<b>24,761</b>

#### *Currency risk*

ERIKS is exposed to currency risk on sales, purchases and debt that are denominated in a currency other than the respective functional currencies of the operating entities. The purpose of foreign currency hedging activities is to protect ERIKS from the risk that the net cash flows are adversely affected by changes in exchange rates. ERIKS' policy is to hedge transactional foreign exchange rate exposures. Short-term exposures are actively managed and may be hedged using derivatives such as forward contracts, currency swaps. As a general rule, ERIKS entities hedge their receivables or payables which are not denominated in their functional currency. Each derivative used for exposure management must be directly linked to an existing underlying open economic position. Derivatives are also only used to manage the economic hedging of open positions and not for trading or other speculative purposes. Long-term foreign currency risks result from investments in countries with a different currency than the euro and are therefore dependent on the economic and political stability of these countries. This long-term net investment exposure is partly mitigated by the use of local currency denominated debt financing.

On balance sheet date 2022 ERIKS has the following net exposure in EUR per currency:

	EUR	GBP	CAD	USD	CHF	Other
Cash and Cash Equivalents	6,630	5,248	64	1,536	2,952	1,804
Trade Receivables	132,468	77,392	-	1,671	7,136	4,213
Other Receivables and related party receivables	29,474	7,215	-	130	935	695
Inventory	185,061	23,481	-	-	14,073	4,067
Trade Payables and related party payables	(96,189)	(44,082)	(110)	(5,187)	(2,183)	(1,460)
Accruals and tax payables	(67,662)	(15,990)	-	(10)	(5,758)	(1,916)
Bank overdrafts	(229)	3	-	-	-	421
Credit facility (long-term and short-term)	(47,402)	-	-	-	-	-
Non-Current Liabilities	(23,427)	-	-	-	-	-
Net Statement of exposure	118,724	53,267	(46)	(1,860)	17,155	7,824
Forward exchange contracts	-	-	-	-	-	-
<b>Net exposure in EUR on balance sheet date</b>	<b>118,724</b>	<b>53,267</b>	<b>(46)</b>	<b>(1,860)</b>	<b>17,155</b>	<b>7,824</b>

For an overview of the significant exchange rates applied, references is made to note 24.

The forward exchange contracts are excluding those relating to expected future sales or purchases. At any point in time, ERIKS hedges a limited amount of its estimated foreign currency exposure in respect of forecasted sales and purchases over the following three months.

For the 2022 financial year, results before tax, would have been € 0.7 million lower (2021: € 0.9 million lower) if all corresponding functional currency would have strengthened by 5% in comparison to the euro with all other variables held constant.

#### *Foreign currency translation risk*

ERIKS is exposed to foreign currency translation risks of investments in foreign operations, including long-term loans to foreign subsidiaries, net income and retained earnings of these foreign operations. The translation exposure resulting out of net investments in long-term loans denominated in a foreign currency is fully hedged, except for a number of long-term loans in certain currencies as the cost of hedging outweighs the hedged risk. The translation exposure resulting out of net investments in equity of foreign operations is not hedged. ERIKS measures the translation exposure by the total amount of the capital invested, per foreign currency, reduced by the amount of net investment hedges in the same foreign currency.

ERIKS has used foreign currency exchange swaps and cross-currency interest rate swaps to further reduce the exposure to translation risks stemming from net investments in long-term loans denominated in a foreign currency.

#### *Interest rate risk*

ERIKS is partly financed with interest-bearing debt. ERIKS has agreed fixed interest rates for the loans with SHV and with the external banks, with the exception for the Rabobank loan. Any short-term debt is at floating interest rates, resulting in a cash flow interest rate risk.

	2022	2021
<b>Fixed Rate Instruments</b>		
Financial Assets	-	-
Financial Liabilities	(15,465)	(121,407)
	<u>(15,465)</u>	<u>(121,407)</u>
<b>Variable Rate Instruments</b>		
Financial Assets	18,234	24,057
Financial Liabilities	(58,016)	(11,947)
	<u>(39,782)</u>	<u>12,110</u>

A drop of 100 basis points in interest rate at 31 December 2022 would have no material impact on ERIKS result before income tax (2021: no material impact). A rise of 100 basis points in interest rate at 31 December 2022 would have decreased ERIKS result before income tax by a maximum of € 397 thousand (2021: maximum of € 121 thousand), with all other variables remaining constant.

#### *(Cross) currency interest rate swaps*

ERIKS uses (intercompany) cross currency swaps and currency swaps to manage exchange rate risks on its (intercompany) long term loans. The swaps involve swapping principal amounts in EUR and foreign currencies at a fixed exchange rate and swapping interest payable at fixed EUR and foreign currency interest rates.

The following (cross) currency interest rate swaps were in effect at 31 December 2022 for which net investment hedge accounting is applied:

Fixed to fixed	Hedged notional amounts in local currency	Market value (in € million)	Resulting average interest %
GBP to EUR	(7,000)	(0.1)	1.125

#### *Other derivative financial instruments for which cost price hedge accounting is applied*

ERIKS does not have any derivative financial instruments at balance sheet date for which cost price hedge accounting is applied.

#### *Other derivative financial instruments for which no hedge accounting is applied*

ERIKS uses currency swaps and forward contracts to hedge exchange rate risks. Currency swaps all mature within one year and have a total positive market value of

€0.3 million. The hedged notional position amounts to € 58.6 million.

#### 14. Capital commitments

As at 31 December 2022 no commitments had been taken on for purchases of tangible fixed assets (31 December 2021: nil) and no commitments has been taken on for purchases on intangible fixed assets (31 December 2021: nil).

#### 15. Long-term commitments

Throughout ERIKS a variety of assets are leased, mainly related to Land and Buildings in respect of both financial as well as operational lease contracts. In relation to long-term lease commitments, ERIKS has both lease commitments in relation to financial leases as well as operational leases.

The (undiscounted) commitment amounts in respect to the nature of operational leases can be specified as follows:

##### *Operational leases*

	< 1 year	1-5 years	> 5 year	Total
Land and buildings	13,347	42,790	28,276	84,413
Machinery and installations	192	425	2	619
Transport equipment	5,080	6,245	22	11,347
IT equipment	117	751	-	868
Other	-	-	-	-
	<b>18,736</b>	<b>50,211</b>	<b>28,300</b>	<b>97,247</b>

The most important lease objects are entered for the activities of ERIKS and relate to the lease of Land and Buildings. The split between lease components and non-lease components for operational and financial lease commitments is as follows:

##### *Operational leases*

	Total lease component related commitment	Total non-lease component related commitment	Total lease commitments for operational leases
Land and buildings	84,413	-	84,413
Machinery and installations	619	-	619
Transport equipment	11,347	-	11,347
IT equipment	868	-	868
Other	-	-	-
	<b>97,247</b>	<b>-</b>	<b>97,247</b>

In some of the agreed upon lease contracts a purchase option is included, which gives ERIKS the possibility to purchase the asset throughout the lease contract or after the contract has ended. The purchase options within financial and operational lease contracts per period-end are as follows:

	Number of contracts with purchase options – operational leases	Total amounts involved – operational leases
Land and buildings	-	-
Machinery and installations	1	14
Transport equipment	-	-
IT equipment	-	-
Other	-	-
	<b>1</b>	<b>14</b>

Lease incentives have been agreed on as part of various lease contracts. At 31 December 2022 the amount of lease incentives not yet amortized (and included in other payables) for operational lease contracts is as follows:

	Number of contracts with lease incentive	Total amount of lease incentives
Land and buildings	9	3,282
Machinery and installations	-	-
Transport equipment	-	-
IT equipment	-	-
Other	-	-
	<b>9</b>	<b>3,282</b>

No restrictions for or a security by ERIKS are included in lease contracts as a security to the respective lessor.

Some lease contracts in respect of leased assets contain extension options exercisable by ERIKS. Where practicable, ERIKS seeks to include extension options in new leases to provide operational flexibility. Present extension options can be specified as follows:

	Number of contracts with renewal options	Average number of years before renewal	Average number of years of renewal	Average yearly payment before renewal	Average yearly payment after renewal
Land and buildings	23	4	4	3,042	723
Machinery and installations	1	5	-	11	-
Transport equipment	-	-	-	-	-
IT equipment	-	-	-	-	-



Other	-	-	-	-	-
	<b>24</b>	<b>9</b>	<b>4</b>	<b>3,053</b>	<b>723</b>

In some of the agreed upon lease contracts termination options have been agreed on, which gives ERIKS the right to early terminate the lease contract (with a potential break fee). The termination options present can be specified as follows:

	<b>Number of contracts with a termination option</b>	<b>Average number of years before termination option</b>	<b>Average amount of break fee</b>
Land and buildings	3	-	253
Machinery and installations	1	5	11
Transport equipment	1	5	154
IT equipment	3	3	21
Other	-	-	-
	<b>8</b>	<b>13</b>	<b>439</b>

There are no lease contracts that contain a charge back clause.

There are no significant subleases.

## 16. Contingent liabilities

The Company and certain of its group companies are or may become involved as a party in legal proceedings including regulatory and other governmental proceedings as well as disputes with (tax) authorities in several jurisdictions.

Provisions are recognized if an outflow of economic benefits for settlements is probable and the amount is reliably estimable. When no reliable estimate can be made of the financial consequences, if any, or if the risk of a future cash outflow is less than probable, no provisions have been recognised in the balance sheet for the potential financial consequences resulting from these proceedings.

### *Guarantees*

ERIKS has contingent liabilities with respect to guarantees given for a total amount of € 39.5 million as at 31 December 2022 and € 63.9 million as at 31 December 2021, respectively. Insofar as claims are probable from guarantees given, provisions or liabilities have been recognized.

### *Fiscal unity*

Together with its Dutch subsidiaries, the Company forms a fiscal unity for value-added tax purposes. ERIKS is part of the fiscal unity of SHV Holdings N.V. Each of the Dutch companies is liable for the tax payable by all companies belonging to the fiscal unity. Dutch current income tax receivables and payables are settled with the head of the fiscal unity.

## 17. Net sales

### Net sales per region:

	2022	2021
Netherlands	350,453	341,031
UK	312,298	294,329
Germany/Central Europe	184,573	176,995
Belgium/Luxembourg/France	192,712	187,640
Switzerland/Austria	83,651	68,798
Rest of Europe	65,454	60,259
North America	142,812	434,118
Rest of the world	52,797	55,005
	<b>1,384,750</b>	<b>1,618,175</b>

The breakdown of net turnover is as follows per type of revenues:

	2022	2021
Sale of goods	1,284,095	1,516,608
Rendering of services	40,905	46,892
Product and service combination	43,413	41,074
Other	16,337	13,601
	<b>1,384,750</b>	<b>1,618,175</b>

## 18. Net result on sales

### Net result on sales includes the following salaries and wages

	2022	2021
Salaries, wages and bonuses	(288,342)	(323,196)
Social security contributions	(46,164)	(53,398)
Pension premiums	(15,397)	(1,535)
	<b>(349,903)</b>	<b>(378,129)</b>

Government grants are deducted from salaries and wages to which the grants relate.

In 2022, a total of € 4.6 million (2021: € 20.0 million release) with respect to the ERIKS UK pension plan was released to the profit and loss account during 2022 on pension premiums, consisting of regular contribution payments, deficit recovery plan less the movement of the provisions.

In 2022, the remuneration for (former) statutory management includes pensions and social security contributions and amounts to € 1.6 million (2021: € 1.9 million). The remuneration for the supervisory board is nil (2021: nil).

The net result on sales includes depreciation and amortization of, in total, € 21.3 million (2021: € 25.6 million).

**19. Year-end number of employees**

Year-end number of full-time employees per region:

	2022	2021
Netherlands	1,331	1,279
UK	1,430	1,538
Germany/Central Europe	780	743
Belgium/Luxembourg/France	726	782
Switzerland	191	185
Rest of Europe	122	123
North America	-	1,179
Rest of the world	96	98
	<b>4,676</b>	<b>5,927</b>

**20. Fees to statutory independent auditor**

Regarding the statement of audit fees, ERIKS N.V. applies the exemption as referred to in Article 382a Part 3, Book 2 of the Dutch Civil Code.

**21. Other operating result**

The other operating result of € 4.0 million (2021: € 2.1 million) consists of the book profit and losses on a variety of divestments of fixed assets

**22. Total financial results**

	2022	2021
Interest income and similar income	870	264
Interest expense and similar expenses	(2,825)	(7,137)
Other financial results – net	1,411	(339)
	<b>(544)</b>	<b>(7,212)</b>

Other financial results consists mainly of foreign exchange results.

## 23. Income taxes

	2022	2021
Current income tax	(3,960)	7,594
Deferred income tax	(570)	(360)
	<b>(4,530)</b>	<b>7,234</b>

The main difference in 2022 between the weighted average tax rate of -5.5% and the effective tax rate of -65.9% is the tax effect of prior year's adjustments (-202.0%). Other significant factors impacting the effective tax rate are the partial recognition of deferred tax assets for current year tax losses (63.9%) and non-deductibility of expenses for tax purposes (54.9%).

An amount of €13.2 million has been recorded in the P&L as a prior year's tax benefit as a result of a liquidation loss. During the preparation of the 2021 corporate income tax return in 2022, this liquidation loss has been determined at €52.2 million. The resulting fiscal loss over 2021 will for the most part be offset against fiscal profits of 2020 and 2022.

The main difference in 2021 between the weighted average tax rate of -1.7% and the effective tax rate of 58.9% is the partial recognition of deferred tax assets for current year tax losses (68.7%). Other factors impacting the effective tax rate are recording deferred income tax benefits due to tax rate changes (-15.6%) and non-deductibility of expenses for tax purposes (7.6%).

	2022 in %	2021 in %
Income tax using the applicable tax rate in the Netherlands	25.8	25.0
Tax effect of:		
• Other applicable tax rates abroad	(31.3)	(26.7)
• (Non) deductible expenses for tax purposes	54.9	7.6
• Tax losses	63.9	68.7
Adjustments for prior periods	(202.0)	(0.1)
Adjustments for tax rate changes	22.8	(15.6)
Other movements	-	-
<b>Effective tax rate</b>	<b>(65.9)</b>	<b>58.9</b>

## 24. Currency rates

The following rates have been used in computing the principal foreign currency conversions:

			Average 2022	Year-end 2022	Average 2021	Year-end 2021
1	AED	Arab Emirates Dirham	0.25842	0.25556	0.23017	0.24058
1	CAD	Canadian Dollar	0.73012	0.69258	0.67443	0.69404
1	CHF	Swiss Franc	0.99524	1.01552	0.92469	0.96729
10	CNY	Chinese Renminbi	1.41240	1.34970	1.31050	1.38660
1	GBP	Pound Sterling	1.17308	1.13190	1.16302	1.19422
1	MYR	Malaysian Ringgit	0.21603	0.21301	0.20399	0.21207
1	PLN	Polish Zloty	0.21342	0.21345	0.21907	0.21794
1	SGD	Singapore Dollar	0.68899	0.69871	0.62915	0.65428
1	USD	US Dollar	0.94918	0.93844	0.84541	0.88363

## 25. Related party transactions

Transactions with related parties occur when relationship exists between the Company, its participating interests, shareholders and key management personnel. In its normal course of business, the Company buys and sells goods and services from and to various related parties.

## 26. Subsequent events

In March 2023, SHV Holdings (ERIKS' parent company) announced that it is planning to divest the investment in ERIKS N.V. which is currently expected to occur in 2023. We do not foresee that this announcement has an impact on the ability of ERIKS N.V. to continue as a going concern.

## Parent company balance sheet as at 31 December

*Before proposed profit appropriation*

In thousands of euros

	Note	2022	2021
Intangible fixed assets	27	15	5,155
Tangible fixed assets	28	38	56
Financial fixed assets	29	352,697	512,819
<b>Fixed assets</b>		<b>352,750</b>	<b>518,030</b>
Trade and other receivables	30	50,582	44,549
Cash and cash equivalents	31	1,742	48,054
<b>Current assets</b>		<b>52,324</b>	<b>92,603</b>
<b>Total</b>		<b>405,074</b>	<b>610,633</b>
Issued capital		5,505	5,505
Share premium		693,005	693,005
Legal reserves		21,714	27,363
Other reserves		(438,531)	(448,091)
Result after tax of the year		11,408	3,758
<b>Equity</b>	32	<b>293,101</b>	<b>281,540</b>
<b>Provisions</b>	33	-	1,727
<b>Non-current liabilities</b>	34	<b>47,802</b>	<b>800</b>
<b>Current liabilities</b>	35	<b>64,171</b>	<b>326,566</b>
<b>Total</b>		<b>405,074</b>	<b>610,633</b>

## Parent company profit and loss account

In thousands of euros

	<b>2022</b>	<b>2021</b>
Share of the result of participating interests, after taxes	5,409	7,850
Other result, after taxes	5,999	(4,092)
<b>Result</b>	<b>11,408</b>	<b>3,758</b>

## Notes to the parent company financial statements

In thousands of euros, unless stated otherwise

### General

#### *Accounting and valuation*

The same accounting principles are used for the parent company balance sheets and profit and loss account as for the consolidated financial statements. Therefore, reference is made to the notes to the consolidated financial statements.

Subsidiaries are accounted for in the stand alone financial statements according to the equity accounting method on the basis of net asset value. Net asset value is determined by valuing assets, provisions and liabilities and calculating the result in accordance with the accounting principles applied in the consolidated financial statements.

Income from participating interests concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realised.

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Netherlands Civil Code, the separate profit and loss account of the Company exclusively states the share of the result of participating interests after tax and the other results after tax.

### 27. Intangible fixed assets

	Software	Total
<b>Balance, 1 January 2022</b>		
Purchase price	13,973	13,973
Accumulated amortization and impairment	(8,818)	(8,818)
<b>Carrying amount</b>	<b>5,155</b>	<b>5,155</b>
<b>Changes in carrying amount:</b>		
Investments	199	199
Amortization	(2,057)	(2,057)
Other movements	(3,282)	(3,282)
<b>Net movements</b>	<b>(5,140)</b>	<b>(5,140)</b>
<b>Balance, 31 December 2022</b>		
Purchase price	5,511	5,511
Accumulated amortization and impairment	(5,496)	(5,496)
<b>Carrying amount</b>	<b>15</b>	<b>15</b>

In software an amount of nil (2021: nil) is included as software in development and will be amortized once completed.

In December 2022 capitalized expenditures related to software were sold to another subsidiary late against bookvalue. The amortization related to the period was charged to the profit and loss account.

No disposals are charged to the P&L.

## 28. Tangible fixed assets

	Office and warehouse equipment	Other	Total
<b>Balance, 1 January 2022</b>			
Purchase price	113	160	273
Accumulated depreciation and impairment	(57)	(160)	(217)
<b>Carrying amount</b>	<b>56</b>	<b>-</b>	<b>56</b>
<b>Changes in carrying amount:</b>			
Investments			
Depreciation	(18)	-	(18)
<b>Net movements</b>	<b>(18)</b>	<b>-</b>	<b>(18)</b>
<b>Balance, 31 December 2022</b>			
Purchase price	113	160	273
Accumulated depreciation and impairment	(75)	(160)	(235)
<b>Carrying amount</b>	<b>38</b>	<b>-</b>	<b>38</b>

## 29. Financial fixed assets

	2022	2021
Subsidiaries	223,630	204,099
Loans to subsidiaries	128,552	308,578
Deferred tax assets	515	142
	<b>352,697</b>	<b>512,819</b>

### Subsidiaries

Movements in value of subsidiaries were as follows:

	2022	2021
Balance, 1 January	186,088	156,949
Income from subsidiaries	5,409	7,850
Disposal of subsidiaries	(29,809)	-
Capital contributions/repayments	52,431	48,971
Dividends	(1,404)	(33,577)
Foreign currency translation	(3,167)	5,895
<b>Subtotal</b>	<b>209,548</b>	<b>186,088</b>
Negative net equity value deducted from loans to subsidiaries	14,082	16,284
Transfer to provision subsidiaries	-	1,727
<b>Balance, 31 December</b>	<b>223,630</b>	<b>204,099</b>

An overview of our subsidiaries is included on page 58.



#### *Loans to subsidiaries*

Movements in value of loans to subsidiaries were as follows:

	<b>2022</b>	<b>2021</b>
Balance, 1 January	324,862	313,355
Additions / new loans	23,281	24,570
Additional redemption this year	(192,946)	(27,915)
Foreign currency translation	2,537	14,852
<i>Subtotal</i>	<b>157,734</b>	<b>324,862</b>
Reclassification to short term receivables	(15,100)	-
Negative net equity value deducted from loans to subsidiaries	(14,082)	(16,284)
Balance, 31 December	<b>128,552</b>	<b>308,578</b>

The loans to subsidiaries have different terms. The amount of the loans with a term of more than one year was € 40.7 million (2021: € 35.9 million), of which € 1.6 million (2021: nil) has been deducted due to negative net equity.

The interest rates for the loans to subsidiaries varied from 1.9% to 5.4% (2021: 1.3% to 5.2%).

#### *Deferred tax assets*

Movements in deferred tax assets were as follows:

	<b>2022</b>	<b>2021</b>
Balance, 1 January	142	312
Charged to income statement	373	(170)
Balance, 31 December	<b>515</b>	<b>142</b>

Deferred tax assets are recorded for carry-forward tax losses.

### **30. Trade and other receivables**

	<b>2022</b>	<b>2021</b>
Other taxes and social security premiums	651	499
Receivables from subsidiaries	26,093	32,825
Receivables from shareholder	6,780	-
Derivative financial instruments – related party	302	8,893
Prepaid expenditures and other receivables	16,756	2,332
Balance, 31 December	<b>50,582</b>	<b>44,549</b>

All receivables fall due in less than one year.

Regarding financial instruments, reference is made to note 13.

### **31. Cash and cash equivalents**

There are no restrictions on the use of cash and cash equivalents.

## 32. Equity

	Share capital	Share premium reserve	Legal Reserves	Other reserves	Result for the year	Total
<b>Balance, 1 January 2021</b>	<b>5,505</b>	<b>693,005</b>	<b>31,175</b>	<b>(363,570)</b>	<b>(94,228)</b>	<b>271,887</b>
Profit appropriation:						
- Addition to other reserves	-	-	-	(94,228)	94,228	-
Result for the year	-	-	-	-	3,758	3,758
Foreign currency translation	-	-	5,895	-	-	5,895
Other changes	-	-	(9,707)	9,707	-	-
<b>Balance, 31 December 2021/ 1 January 2022</b>	<b>5,505</b>	<b>693,005</b>	<b>27,363</b>	<b>(448,091)</b>	<b>3,758</b>	<b>281,540</b>
Profit appropriation:						
- Addition to other reserves	-	-	-	3,758	(3,758)	-
Result after tax of the year	-	-	-	-	11,408	11,408
Foreign currency translation released to profit and loss	-	-	3,320	-	-	3,320
Foreign currency translation	-	-	(3,167)	-	-	(3,167)
Other changes	-	-	(5,802)	5,802	-	-
<b>Balance, 31 December 2022</b>	<b>5,505</b>	<b>693,005</b>	<b>21,714</b>	<b>(438,531)</b>	<b>11,408</b>	<b>293,101</b>

### *Share capital*

ERIKS has a nominal capital divided into shares of € 0.50 each.

At 31 December 2022 (and 2021) the number of issued ordinary shares was 11,010,337.

All shares are fully paid-up. The Company holds no shares in its own capital.

### *Share premium reserve*

The share premium reserve qualifies as paid-up capital.

### *Legal reserves*

Legal reserves consist of:

	Currency Translation (FCT) reserve	Legal Reserve - Subsidiaries	Legal Reserve Development costs	Total
<b>Balance, 1 January 2021</b>	<b>(13,231)</b>	<b>17,781</b>	<b>26,625</b>	<b>31,175</b>
Changes:				
legal reserve – subsidiaries	-	2,212	-	2,212
Foreign currency translation	5,895	-	-	5,895
Other changes	163	-	-	163
Development cost	-	-	(12,082)	(12,082)
<b>Balance, 31 December 2021 / 1 January 2022</b>	<b>(7,173)</b>	<b>19,993</b>	<b>14,543</b>	<b>27,363</b>
Changes legal reserve – subsidiaries				
Changes				
Foreign currency translation	153			153
Other changes		(601)		(601)
Development cost			(5,201)	(5,201)
<b>Balance, 31 December 2022</b>	<b>(7,020)</b>	<b>19,392</b>	<b>9,342</b>	<b>21,714</b>

*Reconciliation of shareholders' equity and net result per the consolidated financial statements with shareholders' equity and net result per the parent company financial statements*

	<b>2022</b>	<b>2021</b>
Shareholders' equity according to the consolidated balance sheet	293,101	281,540
Unrecognized loss and share in negative equity of subsidiaries	-	-
Shareholders' equity according to the separate balance sheet	<b>293,101</b>	<b>281,540</b>
Net result according to the consolidated profit and loss account	11,408	5,054
Unrecognized loss and share in negative equity of subsidiaries	-	(1,296)
Net result according to the separate profit and loss account	<b>11,408</b>	<b>3,758</b>

*Foreign currency translation reserve*

Exchange gains and losses arising from the translation of the functional currency of foreign operations to the reporting currency of the parent are accounted for in this statutory reserve. In the case of the sale of a participating interest, the associated accumulated exchange differences are taken to other reserves.

*Legal reserve – subsidiaries*

The legal reserve for interests in subsidiaries pertains to interests that are accounted for according to the equity accounting method. The reserve represents the difference between the subsidiaries interests' retained profit and direct changes in equity, as determined on the basis of the parent company's accounting policies, and the share thereof that the parent company may distribute. As to the latter share, this takes into account any profits that may not be distributable by interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The statutory reserve is determined on an individual basis.

*Legal reserve - development cost*

In accordance with applicable legal provisions, a legal reserve for the carrying amount of € 9.3 million (2021: € 14.5 million) has been recognised for capitalised development costs.

*Other reserves*

Other reserves consist of retained income. In 2021 the difference between the consolidated and company equity was reversed as the company formed a provision for the negative equity value of its subsidiaries.

### 33. Provisions

Movements in provisions can be specified as follows:

	<b>2022</b>	<b>2021</b>
Balance, 1 January	1,727	754
Additions	-	1,727
Releases	(1,727)	(754)
Balance, 31 December	-	1,727

In 2021, for subsidiaries with a negative net asset value which were part of the divestment as elaborated in note 2, a provision amounting to EUR 1.7 million was recorded which was equal to the expected expenditures resulting from guarantees.

### 34. Non-current liabilities

	Credit facility from SHV	Loans from SHV	Other	Total
Carrying amount as at 1 January 2021 (non-current portion):	-	93,565	69	93,634
• Reclassification from current liabilities (current portion 2021)	-	-	-	-
• New loans / additions	70,407	-	1,131	71,538
• Repayment	(9,500)	-	(400)	(9,900)
• Reclassification to current liabilities (current portion 2022)	(53,163)	(101,617)	-	(154,780)
• Reclassifications to other receivables	(7,744)	-	-	(7,744)
• Difference in foreign currency translation	-	8,052	-	8,052
Carrying amount as at 31 December 2021 (non-current portion):	-	-	800	800

	Credit facility from SHV	Loans from SHV	Other	Total
Carrying amount as at 1 January 2022 (non-current portion):	-	-	800	800
• Reclassification from current liabilities (current portion 2022)	53,163	-	-	154,780
• New loans / additions	-	-	-	-
• Repayment	(5,761)	-	(400)	(107,778)
• Reclassification to current liabilities (current portion 2023)	-	-	-	-
• Reclassifications from other receivables	-	-	-	-
• Difference in foreign currency translation	-	-	-	-
	47,402	-	400	47,802
Carrying amount as at 31 December 2022 (non-current portion):				

ERIKS NV has a credit facility with SHV Nederland B.V. in 2022 for € 100 million (2021: € 125 million). The credit facility matures as per 1 June 2025.

### 35. Current liabilities

	2022	2021
Trade payables	5,185	6,876
Payables to related parties	31,144	223,564
Accrued liabilities	9,440	8,066
Income tax payable – related party	1,782	6,439
Derivative financial instruments – related party	80	9,556
Bank overdrafts	16,540	72,065
	64,171	326,566

All current liabilities fall due in less than one year.

In 2021, the credit facility with SHV Nederland B.V. for € 125 million was scheduled to mature as per 1 June 2022 and was therefore short-term in nature per year-end 2021 and classified as current liability. In February 2022, ERIKS and SHV agreed on a new credit facility of € 100 million starting as of 1 June 2022 with a maturity date of 1 June 2025.

The loan to SHV Nederland BV of USD 115 million was repaid in 2022 following the divestment of the North American activities.

### 36. Average number of employees

During 2022, an average of 74.3 employees (FTE) were employed on a full-time basis (2021: 65.9 FTE). Of these employees, nil FTE were employed outside the Netherlands (2021: nil FTE).

### 37. Salary Expenses

	2022	2021
Salaries, wages and bonuses	12,033	10,566
Social security premiums	983	782
Pension premiums	1,489	1,272
	<b>14,505</b>	<b>12,620</b>

### 38. Contingent liabilities

ERIKS N.V. has provided (bank) guarantees to third parties of € 82 million (2021: € 100.5 million). The annual amount of third party lease obligations is € 0.8 million (2021: € 1.1 million). The remaining term of the leases is less than five years. The total obligation under third party lease agreements is € 3.6 million (2021: € 1.4 million). An amount of € 0.8 million expires within one year and € 2.6 million expires between one and five years. An amount of € 0.2 million expires after five years.

The Company has also other off-balance sheet obligations for a total amount of € 0.6 (2021: € 0.6 million).

The Company and certain of its group companies are or may become involved as a party in legal proceedings including regulatory and other governmental proceedings as well as disputes with (tax) authorities in several jurisdictions.

Provisions are recognized if an outflow of economic benefits for settlements is probable and the amount is reliably estimable. When no reliable estimate can be made of the financial consequences, if any, or if the risk of a future cash outflow is less than probable, no provisions have been recognised in the balance sheet for the potential financial consequences resulting from these proceedings.

#### *Fiscal unity*

Together with its Dutch subsidiaries, the Company forms a fiscal unity for value-added tax purposes. For corporate income tax ERIKS N.V. is part of the fiscal unity of SHV Holdings N.V. Each of the companies is liable for the tax payable by all companies belonging to the fiscal unity.

### 39. Distribution of income

<i>Proposed distribution of result</i>	<b>2022</b>	<b>2021</b>
Dividend (refer to below)	-	-
Addition/Deduction to/from other reserves	11,408	3,758
	<b>11,408</b>	<b>3,758</b>

Utrecht, 11 May 2023

Management Board

S. Breedveld  
CEO

J. Wood  
CFO

Supervisory Board

J.P. Drost

R. Kandelman

F.F.J. de Ryck van der Gracht

E.M. Hoekstra

## Other information

### Statutory requirements

The following stipulations in articles 30 to 32 of the articles of association on the appropriation of profit are applicable:

1. A distribution can only be made to the extent that the Company's equity exceeds the amount of the paid up and called up part of its capital plus the reserves which must be maintained by law.
2. The General meeting may resolve to make interim distributions, provided that it appears from interim accounts to be prepared in accordance with Section 2:105(4) DCC that the requirement referred to in Article 30.1 has been met.
3. Distributions shall be made in proportion to the aggregate nominal value of the shares
4. The General Meeting may resolve that all or part of such distribution, instead of being made in cash, shall be made in the form of shares in the Company's capital or in the form of the Company's assets.
5. A distribution shall be payable on such date and, if it concerns a distribution in cash, in such currency as determined by the General Meeting. If it concerns a distribution in the form of the Company's assets the Management Board shall determine the value attributed to such distribution for purposes of recording the distribution in the Company's accounts with due observance of applicable laws and regulations( including the applicable accounting principles).
6. A claim for payment of a distribution shall lapse after five years have expired after the distribution became payable.
7. For the purpose of calculating the amount or allocation of any distribution, shares held by the Company in its own capital shall not be taken into account. No distribution shall be made to the Company in respect of shares held by it in its own capital.
8. The General Meeting is authorized to resolve to make an distribution from the Company's reserves.
9. The General Meeting may resolve to charge amounts to be paid up on shares against the Company's reserves, irrespective of whether those shares are issued to existing shareholders.
10. The profits shown in the Company's annual accounts in respect of a financial year shall be at the disposal of the General Meeting for distribution on the shares.
11. Without prejudice to Article 30.1, a distribution of profits shall be made after the adoption of the annual accounts that show that such distribution is allowed.

## Independent auditor's report

### Independent auditor's report

To: the General Meeting of ERIKS N.V.

### Report on the audit of the accompanying financial statements

#### *Our opinion*

We have audited the 2022 financial statements of ERIKS N.V., having its statutory seat in Alkmaar.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ERIKS N.V. as at 31 December 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the consolidated and parent company balance sheet as at 31 December 2022;
- 2 the consolidated and parent company profit and loss account for 2022;
- 3 the consolidated statement of comprehensive income for 2022; and
- 4 the notes comprising a summary of the accounting policies and other explanatory information.

#### *Basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of the company in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of fraud and non-compliance with laws and regulations and going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Information in support of our opinion*

##### *Audit response to the risk of fraud and non-compliance with laws and regulations*

In the Annual Report, specifically in the risk management paragraph, the Management Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the company and its business environment and assessed the design and implementation of the company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the ERIKS N.V. Purpose, the company's whistleblowing procedures, internal audit reports and its procedures as laid out in the ethics and compliance policy to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the Management, Supervisory Board and other relevant functions, such as Internal Audit, Legal Counsel, IT and Ethics and Compliance. As part of our audit procedures, we:

- obtained an understanding of how the company uses information technology (IT) and the impact of IT on the financial statements, including the potential for cybersecurity incidents to have a material impact on the financial statements;



- assessed other positions held by the Management Board and Supervisory Board and paid special attention to procedures and governance in view of possible conflicts of interest;
- evaluated investigation reports on indications of possible fraud and non-compliance;
- evaluated correspondence with supervisory authorities and regulators, such as tax authorities and environmental agencies.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the company and identified the following areas as those most likely to have a (indirect) material effect on the financial statements: trade sanctions and export controls, anti-money laundering laws and regulations, data privacy legislation, anti-bribery and corruption laws and regulations and environmental laws.

We, together with our forensics specialists, evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Based on the above and considering the auditing standards, we identified the following presumed fraud risks that are relevant to our audit and responded as follows:

#### **Management override of controls (a presumed risk)**

##### **Risk:**

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

##### **Responses:**

- We evaluated the design and the implementation of internal controls that mitigate fraud risks, such as internal control measures related to journal entries and significant accounting estimates such as the inventory provision and the defined benefit liability.
- We performed data analytical procedures over high-risk journal entries related to post closing entries. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We evaluated key estimates such as the inventory provision and the defined benefit liability and judgments for bias by management, including retrospective reviews of prior year.
- We incorporated elements of unpredictability in our audit, such as revenue sampling in divested entities.

#### **Revenue recognition (a presumed risk)**

##### **Risk:**

- We identified a cut-off fraud risk in relation to the recognition of revenue in the incorrect period. This risk inherently includes the fraud risk that management deliberately overstates revenue, as management may feel pressure to achieve planned results for the current or next year.

##### **Responses:**

- We determined and evaluated the design and implementation of process level controls as implemented by management over revenue recognition.
- We performed substantive audit procedures over the cut-off of revenues at year-end by determining the fulfillment of performance obligations (revenue recognition) by assessing the terms and conditions and vouching revenues recorded to the underlying sales transactions, agreements and supporting documentation such as delivery documents.
- We performed testing over credit notes issued after period end.

We communicated our risk assessment, audit responses and results to the Management Board and the Supervisory Board.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

### ***Audit response to going concern***

The Management Board performed its going concern assessment and has not identified any going concern risks. Therefore, the financial statements are prepared under the going concern assumption. Our main procedures to assess the Management Board's assessment, were:

- we considered whether the Management Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit.
- we inspected the financing agreement in terms of conditions that could lead to going concern risks, including the term of the agreement and any covenants.
- we analysed the company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

### ***Report on the other information included in the annual report***

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code regarding the Report of the Management Board and the other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the Report of the Management Board, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

### ***Description of the responsibilities for the financial statements***

#### ***Responsibilities of the Management Board and the Supervisory Board for the financial statements***

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

#### ***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining 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;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting 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 ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Supervisory Board, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 12 May 2023

KPMG Accountants N.V.

B. Rietveld RA

## Operating Companies

(Active as at 31 December 2022)

This list is part of the consolidated financial statements 2022 of ERIKS N.V.

ERIKS N.V. holds 100% of the shares unless otherwise stated.

### ERIKS Holdings (The Netherlands)

Econosto N.V., Capelle a/d IJssel

Econosto International Holding B.V., Capelle a/d IJssel

ERIKS Holding Switzerland B.V., Alkmaar

### Europe

#### The Netherlands

ERIKS B.V., Alkmaar

Elastomer Research Testing B.V., Deventer

ERIKS onroerend goed B.V., Alkmaar

ERIKS Digital B.V., Amsterdam

#### Belgium

ERIKS N.V, Hoboken (Antwerpen)

ERIKS Tail Spend Solutions Sealings N.V., Asse

LMC N.V., Asse

Mekanische Konstruktie Baudoin N.V., Mol

#### Luxembourg

ERIKS Luxembourg S.A., Soleuvre

#### France

ERIKS France Holding Sarl, Décines Charpieu

ERIKS Flexibles & Raccords SAS Cheminot

ERIKS Plastiques & Composites SAS, Saint-Marcelin

ERIKS SAS, Décines Charpieu

#### Spain

ERIKS Valves Enterprise S.L., Bilbao, Spain

#### Germany

ERIKS Holding Deutschland GmbH, Halle (Westfalen)

AMG Pesch GmbH, Köln

Econosto International Holding (Deutschland) GmbH, Dortmund

ERIKS Deutschland GmbH, Halle (Westfalen)

ERIKS Immobilien & Service GmbH, Halle (Westfalen)

ERIKS Transportation GmbH, Köln

Siekmann Econosto Verwaltungs GmbH, Dortmund

Siekmann Econosto GmbH & Co.KG, Dortmund

Siekmann Econosto Armaturen und Dichtungstechnik

GmbH, Zwenkau

Zamro GmbH, Bielefeld, Germany

GEMOTEG GmbH & Co.KG, Hechingen, Germany

GEMOTEG Verwaltungs-GmbH, Hechingen, Germany

#### Switzerland

Maagtechnik AG, Dübendorf

### United Kingdom

ERIKS UK Holdings Ltd, Oldbury

ERIKS Realisations Ltd, Oldbury

Brymill Ltd Oldbury

ERIKS Industrial Services Ltd., Oldbury

ERIKS WTT Limited, Oldbury

Flexible Hose Supplies (Northampton) Ltd, Oldbury

FPT UK Ltd., Oldbury

FPT Group Ltd, Glasgow

Lilleshall Ltd, Oldbury

Lilleshall Building Products Ltd, Oldbury

Lilleshall International Holdings Ltd, Oldbury

WYKO Group Ltd, Oldbury

WYKO Holdings Ltd, Oldbury

WYKO Investments Limited, Oldbury

WYKO International Ltd, Oldbury

WYKO Overseas Holdings, Oldbury

### Ireland

ERIKS Industrial Services (Ireland) Ltd, Dublin

### Czech Republic

ERIKS Plastiques & Composites S.R.O., Dobruška,

### Slovakia

Leader Gasket of Slovakia, S.R.O., Bytča

### Russia

OOO Siko-Rus LLC, Moscow

### Asia

#### China

ERIKS (Hong Kong) Limited

ERIKS (Shanghai) Fluid Technology Co. Ltd

#### Malaysia

ERIKS Sdn Bhd, Kuala Lumpur

Econosto (Malaysia) SDN BHD Kuala Lumpur

#### Singapore

ERIKS Pte Ltd., Singapore

#### Vietnam

ERIKS Vietnam Co. Ltd., Hanoi