

# Hydraulicco A/S

Rådhusgade 87, 8300 Odder  
CVR no. 11 81 03 30

## Annual report for 2020

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 26.04.21

Michael Gregers Mortensen  
Dirigent



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**The company**

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Hydraulicco A/S  
Rådhusgade 87  
8300 Odder  
Tel.: 87 80 20 00  
Fax: 87 80 20 01  
Registered office: Odder  
CVR no.: 11 81 03 30  
Financial year: 01.01 - 31.12

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**Executive Board**

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Bjarne Ravn Sørensen

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**Board of Directors**

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Michael Gregers Mortensen  
Lars Bugge  
Jens Spaabæk Salling  
Lise Spaabæk Salling Stokkebro

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**Auditors**

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Beierholm  
Statsautoriseret Revisionspartnerselskab

## Statement of the Board of Directors and Executive Board on the annual report

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We have on this day presented the annual report for the financial year 01.01.20 - 31.12.20 for Hydraulic A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.20 and of the results of the the company's activities for the financial year 01.01.20 - 31.12.20.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Odder, April 26, 2021

### Executive Board

Bjarne Ravn Sørensen

### Board Of Directors

Michael Gregers Mortensen  
Chairman

Lars Bugge

Jens Spaabæk Salling

Lise Spaabæk Salling Stokkebro

**To the Shareholder of Hydraulic A/S****Opinion**

We have audited the financial statements of Hydraulic A/S for the financial year 01.01.20 - 31.12.20, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.20 and of the results of the company's operations for the financial year 01.01.20 - 31.12.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

**Basis for conclusion**

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

**Management's responsibility for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

**Statement regarding the management's review**

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

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

Aarhus, April 26, 2021

**Beierholm**

Statsautoriseret Revisionspartnerselskab  
CVR no. 32 89 54 68

Jesper Resdal Thomsen  
State Authorized Public Accountant  
MNE-no. mne34536

### **Primary activities**

The company's activities comprise of development, manufacturing and sale of high-tech hydraulic presses and productionlines for the metalworking industry. Especially forging plants for turbine blades, rail tracks for highspeed trains and plant for manufacturing of washbasins, bathtubs and plate heat exchangers.

### **Development in activities and financial affairs**

The income statement for the period 01.01.20 - 31.12.20 shows a profit/loss of DKK 3,112,520 against DKK 3,118,795 for the period 01.01.19 - 31.12.19. The balance sheet shows equity of DKK 11,379,207.

The management considers the net profit for the year to be satisfactory.

### **Outlook**

The company expects a positive growth and a result in 2021 on level with the result in 2020. The result for 2021 is expected to be affected in a lesser extent by the global pandemic COVID-19.

### **Subsequent events**

No important events have occurred after the end of the financial year.



## Income statement

Note		2020 DKK	2019 DKK
	<b>Gross profit</b>	<b>20,155,197</b>	<b>18,131,892</b>
1	Staff costs	-15,391,909	-13,853,707
	<b>Profit before depreciation, amortisation, write-downs and impairment losses</b>	<b>4,763,288</b>	<b>4,278,185</b>
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-472,620	-332,945
	<b>Profit before net financials</b>	<b>4,290,668</b>	<b>3,945,240</b>
2	Financial income	83,029	135,523
3	Financial expenses	-358,809	-76,814
	<b>Profit before tax</b>	<b>4,014,888</b>	<b>4,003,949</b>
4	Tax on profit for the year	-902,368	-885,154
	<b>Profit for the year</b>	<b>3,112,520</b>	<b>3,118,795</b>
<b>Proposed appropriation account</b>			
	Other statutory reserves	0	309,808
	Proposed dividend for the financial year	2,000,000	0
	Retained earnings	1,112,520	2,808,987
	<b>Total</b>	<b>3,112,520</b>	<b>3,118,795</b>

<b>ASSETS</b>		31.12.20	31.12.19
		DKK	DKK
Note			
	Completed development projects	728,941	859,288
	Acquired rights	0	26,255
	Development projects in progress	0	122,988
<b>5</b>	<b>Total intangible assets</b>	<b>728,941</b>	<b>1,008,531</b>
	Leasehold improvements	202,244	280,878
	Other fixtures and fittings, tools and equipment	402,696	274,325
<b>6</b>	<b>Total property, plant and equipment</b>	<b>604,940</b>	<b>555,203</b>
	Other investments	30,000	30,000
	Deposits	1,123,892	1,234,592
	<b>Total investments</b>	<b>1,153,892</b>	<b>1,264,592</b>
	<b>Total non-current assets</b>	<b>2,487,773</b>	<b>2,828,326</b>
	Raw materials and consumables	364,218	292,801
	Manufactured goods and goods for resale	56,753	56,753
	<b>Total inventories</b>	<b>420,971</b>	<b>349,554</b>
<b>7</b>	Work in progress for third parties	3,290,048	5,298,582
	Trade receivables	25,066,769	14,295,533
	Receivables from group enterprises	1,048,007	1,475,575
	Other receivables	80,878	521,720
	Prepayments	100,987	174,808
	<b>Total receivables</b>	<b>29,586,689</b>	<b>21,766,218</b>
	<b>Cash</b>	<b>6,148,039</b>	<b>10,752,437</b>
	<b>Total current assets</b>	<b>36,155,699</b>	<b>32,868,209</b>
	<b>Total assets</b>	<b>38,643,472</b>	<b>35,696,535</b>

<b>EQUITY AND LIABILITIES</b>		31.12.20	31.12.19
		DKK	DKK
Note			
	Share capital	1,000,000	1,000,000
	Reserve for development costs	568,575	766,176
	Cash flow hedging reserve	0	-46,128
	Retained earnings	7,810,632	6,500,511
	Proposed dividend for the financial year	2,000,000	0
	<b>Total equity</b>	<b>11,379,207</b>	<b>8,220,559</b>
	Provisions for deferred tax	3,768,857	2,249,083
8	Other provisions	3,811,967	2,404,703
	<b>Total provisions</b>	<b>7,580,824</b>	<b>4,653,786</b>
	Other payables	724,243	308,534
	<b>Total long-term payables</b>	<b>724,243</b>	<b>308,534</b>
	Payables to other credit institutions	7,061,960	0
7	Prepayments received from work in progress for third parties	1,474,054	14,679,287
	Trade payables	4,054,958	4,673,107
	Payables to group enterprises	4,620,427	2,040,793
	Other payables	1,747,799	1,120,469
	<b>Total short-term payables</b>	<b>18,959,198</b>	<b>22,513,656</b>
	<b>Total payables</b>	<b>19,683,441</b>	<b>22,822,190</b>
	<b>Total equity and liabilities</b>	<b>38,643,472</b>	<b>35,696,535</b>

9 Contingent liabilities

10 Charges and security

## Statement of changes in equity

Figures in DKK	Share capital	Reserve for development costs	Cash flow hedging reserve	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.20 - 31.12.20						
Balance as at 01.01.20	1,000,000	766,176	-46,128	6,500,511	0	8,220,559
Dissolution of fair value reserve on realization	0	0	46,128	0	0	46,128
Total depreciation, amortisation, impairment losses and write-downs during the year	0	-197,601	0	197,601	0	0
Net profit/loss for the year	0	0	0	1,112,520	2,000,000	3,112,520
Balance as at 31.12.20	1,000,000	568,575	0	7,810,632	2,000,000	11,379,207

	2020	2019
	DKK	DKK
<b>1. Staff costs</b>		
Wages and salaries	13,136,569	12,055,072
Pensions	928,647	852,607
Other social security costs	91,255	90,181
Other staff costs	1,235,438	855,847
<b>Total</b>	<b>15,391,909</b>	<b>13,853,707</b>
Average number of employees during the year	27	26

**2. Financial income**

Interest, group enterprises	0	39,462
Other financial income	83,029	96,061
<b>Total</b>	<b>83,029</b>	<b>135,523</b>

**3. Financial expenses**

Interest, group enterprises	57,535	32,341
Other financial expenses total	301,274	44,473
<b>Total</b>	<b>358,809</b>	<b>76,814</b>

	2020 DKK	2019 DKK
<b>4. Tax on profit for the year</b>		
Adjustment of deferred tax for the year	902,368	885,154
Total	902,368	885,154

**5. Intangible assets**

Figures in DKK	Completed development projects	Acquired rights
Cost as at 01.01.20	966,069	455,018
Transfers during the year to/from other items	122,988	0
Cost as at 31.12.20	1,089,057	455,018
Amortisation and impairment losses as at 01.01.20	-106,781	-428,763
Amortisation during the year	-253,335	-26,255
Amortisation and impairment losses as at 31.12.20	-360,116	-455,018
Carrying amount as at 31.12.20	728,941	0

Completed development projects comprise of a control system for hydraulic presses and a document management system update.

**6. Property, plant and equipment**

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.20	501,061	4,218,606
Additions during the year	0	260,767
Disposals during the year	0	-84,000
Cost as at 31.12.20	501,061	4,395,373
Depreciation and impairment losses as at 01.01.20	-220,183	-3,944,281
Depreciation during the year	-78,634	-114,396
Reversal of depreciation of and impairment losses on disposed assets	0	66,000
Depreciation and impairment losses as at 31.12.20	-298,817	-3,992,677
Carrying amount as at 31.12.20	202,244	402,696

31.12.20	31.12.19
DKK	DKK

**7. Work in progress for third parties**

Work in progress for third parties	79,573,002	62,043,333
On-account invoicing	-77,757,009	-71,424,038
Work in progress for third parties	1,815,993	-9,380,705
Work in progress for third parties is recognized in the balance sheet as:		
Work in progress for third parties	3,290,048	5,298,582
Prepayments received from work in progress for third parties, short-term payables	-1,474,054	-14,679,287
Total	1,815,994	-9,380,705

	31.12.20	31.12.19
	DKK	DKK

## 8. Other provisions

Other provisions are expected to be distributed as follows:

Current liabilities	3,811,967	2,404,703
Total	3,811,967	2,404,703

## 9. Contingent liabilities

### *Lease commitments*

The company has concluded lease agreements with terms to maturity of 3-51 months and a total leasepayments of DKK 2,441k. This includes lease agreements concluded with group enterprises , but the agreements are also specified separately below.

The company has concluded lease agreements with group enterprises with terms to maturity of 12 months and average lease payments of DKK 139k, a total of DKK 1,667k.

### *Guarantee commitments*

The company has provided a performance bond of DKK 48,950k. via credit institutions.

### *Other contingent liabilities*

The company is taxed jointly with the other companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.



## 10. Charges and security

As security for debt to credit institutions of DKK 7,062k, a company charge has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is DKK 28.097k

As security for debt to credit institutions of DKK 7,062k a mortgage has been provided comprising cash equivalent whose carrying amount is DKK 6,126k.

As security for work guarantee via credit institutions DKK 1.303k a mortgage has been provided comprising cash equivalent whose carrying amount is DKK 0.

## 11. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

### Change in accounting policies

The company has implemented amendments to the Danish Financial Statements Act, see act no. 1716 amending the Danish Financial Statements Act of 27 December 2018 (*lov nr. 1716 om ændring af årsregnskabsloven m.v. af 27. december 2018*). This includes new and amended disclosure and presentation requirements and amendments to provisions on recognition, measurement and classification. Amendments to provisions on recognition, measurement and classification are as follows:

#### *Cash flow hedging reserve*

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) must be recognised in equity under the cash flow hedging reserve rather than under retained earnings. The reserve is distributable. The reserve is measured less deferred tax and is dissolved when the hedged transaction occurs, or it is no longer expected to occur. The comparative figures have been restated in accordance with the new accounting policy. The change in accounting policy has no impact on the net profit/loss for the year, balance sheet total or equity.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

**11. Accounting policies** - continued -

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

**DERIVATIVE FINANCIAL INSTRUMENTS**

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

**11. Accounting policies** - continued -

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

**INCOME STATEMENT****Gross profit**

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

**Revenue**

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

**Other operating income**

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

**Costs of raw materials and consumables**

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

**11. Accounting policies** - continued -**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	3-5	0
Acquired rights	13	0
Leasehold improvements	5	0
Other plant, fixtures and fittings, tools and equipment	5-8	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

**11. Accounting policies** - continued -**Tax on profit/loss for the year**

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

**BALANCE SHEET****Intangible assets***Completed development projects and development projects in progress*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

**11. Accounting policies** - continued -

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Gains and losses on the disposal of intangible assets*

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

**Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

**11. Accounting policies** - continued -

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

**Inventories**

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

**Work in progress for third parties**

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.



**11. Accounting policies** - continued -

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

**Other investments**

Equity investments that are not classified as group enterprises, associates or participating interests and which are not traded in an active market are measured in the balance sheet at cost.

**Cash**

Cash includes deposits in bank accounts as well as operating cash.

**Equity**

The proposed dividend for the financial year is recognised as a separate item in equity.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

**11. Accounting policies** - continued -

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

**Provisions**

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**11. Accounting policies** - continued -**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.