
Autronica
Fire and Security A/S
Industriholmen 17-19, DK-2650 Hvidovre

Annual Report for 2019

CVR No 15 20 25 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
19/5 2020

Michael Keldsen
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Autronica Fire and Security A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hvidovre, 19 May 2020

Executive Board

Edgar Skjervold
CEO

Board of Directors

Michael Keldsen
Chairman

Thomas Rønnebek

Edgar Skjervold

Lars-Erik Tietze
Staff Representative

Henrik Strunge
Staff Representative

Independent Auditor's Report

To the Shareholder of Autronica Fire and Security A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Autronica Fire and Security A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

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

Management's responsibilities for the Financial Statements

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

Independent Auditor's Report

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 19 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Leif Ulbæk Jensen
State Authorized Public Accountant
mne23327

Thomas Lauritsen
State Authorized Public Accountant
mne34342

Company Information

The Company

Autronica Fire and Security A/S
Industriholmen 17-19
DK-2650 Hvidovre

Telephone: + 45 36 86 96 00
E-mail: info.autronicafire@carrier.com
Website: www.autronicafire.dk

CVR No: 15 20 25 13
Financial period: 1 January - 31 December
Municipality of reg. office: Hvidovre

Board of Directors

Michael Keldsen, Chairman
Thomas Rønnebek
Edgar Skjervold
Lars-Erik Tietze
Henrik Strunge

Executive Board

Edgar Skjervold

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Gorrissen Federspiel
Axeltorv 2
DK - 1609 København V

Bankers

Nordea Commercial Banking Sjælland
Vesterbrogade 8
DK-0900 København C

Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Gross profit/loss	17,055	21,671	29,463	34,912	34,220
Profit/loss before financial income and expenses	-2,680	1,713	2,333	9,507	6,146
Net financials	142	-132	23	-50	51
Net profit/loss for the year	-2,004	1,217	1,844	7,359	4,677
Balance sheet					
Balance sheet total	32,103	33,366	59,130	65,173	59,512
Equity	9,104	11,108	38,891	44,447	37,088
Investment in property, plant and equipment	0	0	0	0	13
Number of employees	55	54	56	58	62
Ratios					
Return on assets	-8.3%	5.1%	3.9%	14.6%	10.3%
Solvency ratio	28.4%	33.3%	65.8%	68.2%	62.3%
Return on equity	-19.8%	4.9%	4.4%	18.1%	13.1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

Autronica Fire and Security A/S is a trading and engineering company undertaking sales, installation, service and administration within the areas of Fire Detection, Voice Alarm, Facade Protection and Fire Suppression Systems.

Development in the year

The income statement of the Company for 2019 shows a loss of DKK 2,003,675, and at 31 December 2019 the balance sheet of the Company shows equity of DKK 9,104,475.

The result for the year was worse than expected due to lower activity on new sales and thus decrease in revenue. Management has taken action to ensure that the results for 2020 are improved.

Capital resources

The Board of Directors considers the capital base of the Company to be fully sufficient.

Targets and expectations for the year ahead

The management expects a result for 2020 to be improved as a result of the actions taken, and based on the initiatives we expect an operating profit of approximately DKK 2 million. The expectation is prior to impact of COVID-19, if any, see also subsequent events disclosures in note 1.

External environment

Autronica Fire and Security A/S operate as a Company that in every respect is aware of and pays attention to the environment. The Company naturally complies with all acts and provisions that apply to the external as well the working environment.

Intellectual capital resources

Our philosophy is simple: Autronica Fire and Security A/S does not compromise its quality objective. Autronica Fire and Security A/S represent innovation, quality and service; not only in respect of the Company's products, but also in respect of project processing. Autronica Fire and Security A/S works together with the customers as partners and endeavors to deliver the best and cheapest solution, which corresponds to the customer's needs. This philosophy places heavy demands on the intellectual capital resources in respect to employees, business processes and distributors.

Autronica Fire and Security A/S' quality system (ACE) and the ISO 9001:2015 certification must document the Company's business processes and ensure that these work in the most optimal way - and continuously are improved.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Management's Review

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date. However, we refer to note 1, which further describes the COVID-19 situation and change in group structure.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Gross profit/loss		17,054,964	21,670,857
Distribution expenses		-11,085,475	-11,010,469
Administrative expenses	2	<u>-8,649,273</u>	<u>-8,947,875</u>
Operating profit/loss		-2,679,784	1,712,513
Profit/loss before financial income and expenses		-2,679,784	1,712,513
Financial income	3	160,862	-54,260
Financial expenses	4	<u>-19,050</u>	<u>-78,140</u>
Profit/loss before tax		-2,537,972	1,580,113
Tax on profit/loss for the year	5	<u>534,297</u>	<u>-362,954</u>
Net profit/loss for the year		<u>-2,003,675</u>	<u>1,217,159</u>

Balance Sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Acquired software		50,419	0
Intangible assets	6	50,419	0
Land and buildings		1,055,345	1,094,054
Plant and machinery		0	14,647
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		10,280	20,559
Property, plant and equipment	7	1,065,625	1,129,260
Deposits		529,781	510,881
Fixed asset investments	8	529,781	510,881
Fixed assets		1,645,825	1,640,141
Inventories		7,243,673	6,954,671
Trade receivables		15,873,947	19,153,134
Contract work in progress	9	3,467,763	1,467,435
Receivables from group enterprises		1,014,431	2,704,808
Other receivables		1,000	6,000
Deferred tax asset	10	860,743	813,492
Corporation tax		254,203	184,983
Prepayments	11	437,709	441,530
Receivables		21,909,796	24,771,382
Cash at bank and in hand		1,303,560	0
Currents assets		30,457,029	31,726,053
Assets		32,102,854	33,366,194

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		8,308,000	8,308,000
Retained earnings		796,475	2,800,150
Equity		9,104,475	11,108,150
Provision for guarantee	13	424,000	572,000
Provisions		424,000	572,000
Other payables		1,177,269	0
Long-term debt	14	1,177,269	0
Credit institutions		0	1,317,120
Trade payables		1,433,283	1,588,643
Contract work in progress, liabilities	9	2,078,363	2,806,336
Payables to group enterprises		6,563,448	2,748,224
Other payables	14	10,555,190	12,341,664
Deferred income	15	766,826	884,057
Short-term debt		21,397,110	21,686,044
Debt		22,574,379	21,686,044
Liabilities and equity		32,102,854	33,366,194
Subsequent events	1		
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Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained</u> <u>earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 January	8,308,000	2,800,150	11,108,150
Net profit/loss for the year	<u>0</u>	<u>-2,003,675</u>	<u>-2,003,675</u>
Equity at 31 December	<u>8,308,000</u>	<u>796,475</u>	<u>9,104,475</u>

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 where the Danish government decided to "close down Denmark" will have negative impact on the Danish economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

The company's expectations for the future may be adversely affected by the Covid-19 outbreak and the actions taken by the Danish government to mitigate the effects of the outbreak. However, it is still too early to say how big the potential negative consequences will be for the company's future result, as the company is not directly affected by any lockdown, as the Company's business to a great extent is based on subscription maintenance and service agreements. However, new sales may be negatively impacted in the 2nd half of 2020.

On April 3, 2020, United Technologies Corporation ("UTC") separated into three independent, publicly traded companies; UTC, Otis Worldwide Corporation and Carrier Global Corporation (the "Separation"). As a result of the Separation, the ultimate parent of the Company changed from UTC to Carrier Global Corporation.

	<u>2019</u> DKK	<u>2018</u> DKK
2 Staff		
Wages and Salaries	33,579,709	32,005,473
Pensions	2,512,186	2,439,572
Other social security expenses	<u>799,829</u>	<u>764,888</u>
	<u>36,891,724</u>	<u>35,209,933</u>
Average number of employees	<u>55</u>	<u>54</u>

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

3 Financial income

Interest received from group enterprises	221	1,260
Exchange adjustments	<u>160,641</u>	<u>-55,520</u>
	<u>160,862</u>	<u>-54,260</u>

Notes to the Financial Statements

	2019 <u>DKK</u>	2018 <u>DKK</u>
4 Financial expenses		
Other financial expenses	19,050	22,620
Exchange adjustments	<u>0</u>	<u>55,520</u>
	<u>19,050</u>	<u>78,140</u>
5 Tax on profit/loss for the year		
Current tax for the year	-509,341	209,595
Deferred tax for the year	-47,251	140,318
Adjustment of tax concerning previous years	<u>22,295</u>	<u>13,041</u>
	<u>-534,297</u>	<u>362,954</u>
6 Intangible assets		
		<u>Acquired software DKK</u>
Cost at 1 January		0
Additions for the year		<u>50,419</u>
Cost at 31 December		<u>50,419</u>
Impairment losses and amortisation at 1 January		<u>0</u>
Impairment losses and amortisation at 31 December		<u>0</u>
Carrying amount at 31 December		<u>50,419</u>

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK	DKK
Cost at 1 January	2,079,236	146,468	122,580	1,671,706
Cost at 31 December	2,079,236	146,468	122,580	1,671,706
Impairment losses and depreciation at 1 January	985,182	131,821	122,580	1,651,147
Depreciation for the year	38,709	14,647	0	10,279
Impairment losses and depreciation at 31 December	1,023,891	146,468	122,580	1,661,426
Carrying amount at 31 December	1,055,345	0	0	10,280
Depreciated over	50 years	3-5 years	5 years	10 years

8 Fixed asset investments

	Deposits DKK
Cost at 1 January	529,781
Cost at 31 December	529,781
Carrying amount at 31 December	529,781

9 Contract work in progress

	2019 DKK	2018 DKK
Selling price of work in progress	33,150,355	24,068,208
Payments received on account	-29,682,592	-22,600,773
	3,467,763	1,467,435
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	3,467,763	1,467,435
Prepayments received recognised in debt	-2,078,363	-2,806,336
	1,389,400	-1,338,901

Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
	DKK	DKK
10 Deferred tax asset		
Deferred tax asset at 1 January	813,492	953,810
Amounts recognised in the income statement for the year	<u>47,251</u>	<u>-140,318</u>
Deferred tax asset at 31 December	<u>860,743</u>	<u>813,492</u>

The Company has recognised the tax assets, which are due to temporary differences, as the Company historically has gained a surplus and expect to do this in the years to come. Based on that the Company expect to utilize the tax asset.

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

12 Distribution of profit

Retained earnings	<u>-2,003,675</u>	<u>1,217,159</u>
	<u>-2,003,675</u>	<u>1,217,159</u>

13 Provision for guarantee

Provision for guarantee	<u>424,000</u>	<u>572,000</u>
	<u>424,000</u>	<u>572,000</u>

Provision comprises expected warranty claims. The calculation is based on actual costs of repairs under warranty.

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2019</u> DKK	<u>2018</u> DKK
Other payables		
Between 1 and 5 years	1,177,269	0
Long-term part	1,177,269	0
Other short-term payables	10,555,190	12,341,664
	<u>11,732,459</u>	<u>12,341,664</u>

15 Deferred income

Deferred income contains of pre-invoiced sales.

16 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1,186,818	1,814,779
Between 1 and 5 years	1,777,034	1,725,520
	<u>2,963,852</u>	<u>3,540,299</u>

Prior to the balance sheet date an agreement was reached with the landlord regarding changes to the contract, which entails a period of irrevocability of 5.5 years, corresponding to DKK 6,460,988. The contract was signed as of 14th of january 2020.

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The company's bankers have as at 31 December 2019 issued bank guarantees totalling DKK 2.470.326 to suppliers and customers (DKK 2.339.410 as at 31 December 2018).

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group, with Otis A/S as administration company. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income.

17 Related parties

Basis

Controlling interest

UTC FS Denmark Holding A/S, Hvidovre

Controlling shareholder

Other related parties

Board of Directors and other Companies in which the Board of Directors have significant interests.

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Transactions with closely related parties are made at market conditions, except from remuneration to the Executive Board and the Board of Directors.

Notes to the Financial Statements

17 Related parties (continued)

Consolidated Financial Statements

The Company is included in the Group Annual Report of:

<u>Name</u>	<u>Place of registered office</u>
United Technologies Corporation	USA

The Group Annual Report of United Technologies Corporation may be obtained at the following address:

United Technologies Corporation
United Technologies Building
Hartford, CT 06101
USA

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Autronica Fire and Security A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of United Technologies Corporation, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

18 Accounting Policies (continued)

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation. Finally, provisions for losses on contract work are recognised.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales, other operating income.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

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

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

The Company is jointly taxed with its parents company, UTC FS Denmark Holding A/S as well as the other subsidiaries and other Danish group companies. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

18 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	50 years
Equipment	5 years
Plant and machinery	5 years
IT	3 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Fixed asset investments

Fixed asset investments consist of rental deposits which are recognised and measured at amortised cost. Depreciation are not depreciated.

Inventories

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

Notes to the Financial Statements

18 Accounting Policies (continued)

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

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

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

18 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$