
Autronica
Fire and Security A/S

Industriholmen 17-19, DK-2650 Hvidovre

Annual Report for 2021

CVR No 15 20 25 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/6 2022

Daniel Mark Thompson
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 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 22 June 2022

Executive Board

Geir Trønnes
CEO

Board of Directors

Daniel Mark Thompson
Chairman

Geir Trønnes

Michael Daniel Kovsky

Henrik Nielsen Strunge
Staff Representative

Lars-Erik Tietze
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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 2021, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Independent Auditor's Report

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

Hellerup, 22 June 2022

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.autronica.dk@carrier.com
Website: www.autronicafire.com

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

Board of Directors

Daniel Mark Thompson, Chairman
Geir Trønnes
Michael Daniel Kovsky
Henrik Nielsen Strunge
Lars-Erik Tietze

Executive Board

Geir Trønnes

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

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 2021 shows a loss of DKK 1,929,703, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 9,530,950.

Also in 2021, the COVID-19 pandemic has negatively affected the Danish and global economies, disrupted global supply chains and financial markets, and resulted in significant travel restrictions, including mandated facility closures and shelter-in-place orders.

The Company's services have generally been considered essential in nature and business has been continued throughout the pandemic. Autronica Fire and Security A/S, is taking all prudent measures to protect the health and safety of our employees and has implemented work from home requirements, where possible, social distancing where working from home is not feasible including in our warehouse facilities, deep cleaning protocols at all of our facilities and travel restrictions, among other measures.

The extent of the pandemic's impact on the Company will also depend upon our employees' ability to work safely in our facilities, our customers' ability to continue to operate or to receive our products, our suppliers' ability to continue to supply us with products, and the level of activity and demand for the ultimate products and services of our customers or their customers.

In any case, the situation and its impact on the Company are constantly kept under close review by the local management and appropriate measures are being implemented to protect the Company.

Taken the global Covid-19 pandemics into consideration, Autronica Fire and Security A/S experienced a satisfying development of the Company's activities in 2021.

Capital resources

Currently, we believe that there is no doubt about the Company's ability to continue as a going concern, for a reasonable period of time up to at least 31 December 2022 and the Board of Directors considers the capital base of the Company to be fully sufficient.

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.

Management's Review

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 safest 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 (Carrier Excellence) 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.

Unusual events

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2021 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.

Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Gross profit/loss		15,661,507	20,569,358
Distribution expenses		-11,487,877	-11,450,274
Administrative expenses	2	<u>-6,403,129</u>	<u>-6,012,636</u>
Operating profit/loss		-2,229,499	3,106,448
Other operating expenses		<u>-230,605</u>	<u>0</u>
Profit/loss before financial income and expenses		-2,460,104	3,106,448
Financial income	3	0	221,220
Financial expenses	4	<u>-283,906</u>	<u>-23,988</u>
Profit/loss before tax		-2,744,010	3,303,680
Tax on profit/loss for the year	5	<u>814,307</u>	<u>-947,502</u>
Net profit/loss for the year		<u>-1,929,703</u>	<u>2,356,178</u>

Distribution of profit

Proposed distribution of profit

Retained earnings		<u>-1,929,703</u>	<u>2,356,178</u>
		<u>-1,929,703</u>	<u>2,356,178</u>

Balance Sheet 31 December

Assets

	Note	2021 DKK	2020 DKK
Acquired software		0	230,605
Intangible assets	6	0	230,605
Land and buildings		0	1,016,636
Plant and machinery		0	0
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		0	0
Property, plant and equipment	7	0	1,016,636
Deposits		739,863	758,763
Fixed asset investments	8	739,863	758,763
Fixed assets		739,863	2,006,004
Inventories		9,655,535	8,255,712
Trade receivables		16,746,437	12,567,352
Contract work in progress	9	5,891,476	3,290,756
Receivables from group enterprises		477,036	2,503,136
Other receivables		3,500	3,500
Deferred tax asset	10	1,110,437	620,503
Prepayments	11	298,857	324,632
Receivables		24,527,743	19,309,879
Cash at bank and in hand		121,900	181,762
Currents assets		34,305,178	27,747,353
Assets		35,045,041	29,753,357

Balance Sheet 31 December

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital		8,308,000	8,308,000
Retained earnings		1,222,950	3,152,653
Equity		9,530,950	11,460,653
Provision for guarantee	13	318,158	549,000
Provisions		318,158	549,000
Trade payables		1,439,528	1,066,065
Contract work in progress, liabilities	9	1,189,633	1,777,244
Payables to group enterprises		12,845,414	2,191,346
Corporation tax		0	899,576
Other payables		9,046,497	11,053,727
Deferred income	14	674,861	755,746
Short-term debt		25,195,933	17,743,704
Debt		25,195,933	17,743,704
Liabilities and equity		35,045,041	29,753,357
Subsequent events	1		
Distribution of profit	12		
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Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained</u>	<u>Total</u>
	<u>DKK</u>	<u>earnings</u>	<u>DKK</u>
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity at 1 January	8,308,000	3,152,653	11,460,653
Net profit/loss for the year	0	-1,929,703	-1,929,703
Equity at 31 December	8,308,000	1,222,950	9,530,950

Notes to the Financial Statements

1 Subsequent events

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

	<u>2021</u> DKK	<u>2020</u> DKK
2 Staff		
Wages and Salaries	35,386,538	32,590,508
Pensions	2,710,547	2,836,607
Other social security expenses	885,878	730,954
	<u>38,982,963</u>	<u>36,158,069</u>
Average number of employees	<u>55</u>	<u>53</u>
3 Financial income		
Exchange adjustments	<u>0</u>	<u>221,220</u>
	<u>0</u>	<u>221,220</u>
4 Financial expenses		
Interest paid to group enterprises	568	6
Other financial expenses	12,401	23,982
Exchange adjustments	<u>270,937</u>	<u>0</u>
	<u>283,906</u>	<u>23,988</u>
5 Tax on profit/loss for the year		
Current tax for the year	0	693,104
Deferred tax for the year	-489,934	240,240
Adjustment of tax concerning previous years	<u>-324,373</u>	<u>14,158</u>
	<u>-814,307</u>	<u>947,502</u>

Notes to the Financial Statements

6 Intangible assets

	Acquired software DKK
Cost at 1 January	230,605
Disposals for the year	-230,605
Cost at 31 December	<u>0</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>0</u>

7 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	2,079,236	146,468	122,580	1,671,706
Disposals for the year	-2,079,236	0	0	0
Cost at 31 December	<u>0</u>	<u>146,468</u>	<u>122,580</u>	<u>1,671,706</u>
Impairment losses and depreciation at 1 January	1,062,600	146,468	122,580	1,671,706
Depreciation for the year	6,451	0	0	0
Reversal of impairment and depreciation of sold assets	-1,069,051	0	0	0
Impairment losses and depreciation at 31 December	<u>0</u>	<u>146,468</u>	<u>122,580</u>	<u>1,671,706</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Depreciated over	<u>50 years</u>	<u>3-5 years</u>	<u>5 years</u>	<u>10 years</u>

Notes to the Financial Statements

8 Fixed asset investments

	Deposits DKK
Cost at 1 January	758,763
Disposals for the year	<u>-18,900</u>
Cost at 31 December	<u>739,863</u>
Carrying amount at 31 December	<u>739,863</u>

9 Contract work in progress

	2021 DKK	2020 DKK
Selling price of work in progress	40,778,143	32,188,040
Payments received on account	<u>-36,076,300</u>	<u>-30,674,528</u>
	<u>4,701,843</u>	<u>1,513,512</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	5,891,476	3,290,756
Prepayments received recognised in debt	<u>-1,189,633</u>	<u>-1,777,244</u>
	<u>4,701,843</u>	<u>1,513,512</u>

10 Deferred tax asset

Deferred tax asset at 1 January	620,503	860,743
Amounts recognised in the income statement for the year	<u>489,934</u>	<u>-240,240</u>
Deferred tax asset at 31 December	<u>1,110,437</u>	<u>620,503</u>

The Company has recognised the tax assets, which are due to temporary differences, as the Company and/or the joint taxation group historically has realised positive taxable income and expect to do this in the years to come. Based on that the Company expect to utilize the tax asset.

In addition, the Company has an estimated tax asset from loss on disposal of property in an amount of DKK 54.734. As the mentioned tax asset only can be used to offset against gain on property, this tax asset has been write-down to DKK 0 in the Financial Statements.

Notes to the Financial Statements

11 Prepayments

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

	<u>2021</u> DKK	<u>2020</u> DKK
12 Distribution of profit		
Retained earnings	-1,929,703	2,356,178
	<u>-1,929,703</u>	<u>2,356,178</u>

13 Provision for guarantee

Provision for guarantee	<u>318,158</u>	<u>549,000</u>
	<u>318,158</u>	<u>549,000</u>

Provision comprises expected warranty claims. The estimate of warranty are based on actual costs of repairs under warranty from prior year.

14 Deferred income

Deferred income contains of pre-invoiced sales.

	<u>2021</u> DKK	<u>2020</u> DKK
15 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2,885,946	2,634,214
Between 1 and 5 years	<u>5,068,571</u>	<u>6,011,211</u>
	<u>7,954,517</u>	<u>8,645,425</u>

Notes to the Financial Statements

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

Other contingent liabilities

The company's bankers have as at 31 December 2021 issued bank guarantees totalling DKK 2,969,240 to suppliers and customers (2020: DKK 3,232,879).

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group, with Carrier Transicold Scandinavia 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.

16 Related parties

Basis

Controlling interest

Carrier Fire and Security Denmark Holding A/S, Hvidovre	Controlling shareholder
Carrier Global Corporation, USA	Ultimate Parent Company

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. The Executive Board is employed and remunerated by the group company Autronica Fire and Security AS, Norway. The company pays an overhead cost on the products purchased from the group company for this service.

Consolidated Financial Statements

The Company is included in the Group Annual Report of:

Name	Place of registered office
Carrier Global Corporation	USA

Notes to the Financial Statements

16 Related parties (continued)

The Group Annual Report of Carrier Global Corporation may be obtained at the following address:

Carrier Global Corporation
13995 Pasteur Boulevard
Palm Beach Gardens, Florida 33418
USA

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Autronica Fire and Security A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

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.

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

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, Carrier Fire and Security 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).

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Notes to the Financial Statements

17 Accounting Policies (continued)

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of 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.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.