
Howden Axial Fans ApS

Industrivej 23, DK-4700 Næstved

Annual Report for 1 January - 31 December 2015

CVR No 15 52 42 43

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
1 /6 2016

Kenneth Ladefoged
Petersen
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Howden Axial Fans ApS for the financial year 1 January - 31 December 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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.

Næstved, 1 June 2016

Executive Board

Carl Fredrik Albertson

Board of Directors

Allan Jan Formann Kristensen
Chairman

Donna Malone

Elias Zabaneh

Kenneth Ladefoged Petersen

Bjarne Børge Starzec

Independent Auditor's Report on the Financial Statements

To the Shareholder of Howden Axial Fans ApS

Report on the Financial Statements

We have audited the Financial Statements of Howden Axial Fans ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Frederiksberg, 1 June 2016

Ernst & Young

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Brian Stubtoft

statsautoriseret revisor

Company Information

The Company

Howden Axial Fans ApS
Industrivej 23
DK-4700 Næstved

Telephone: + 45 Telefon
Facsimile: + 45 Telefax
E-mail: power@howden.dk
Website: www.howden.com

CVR No: 15 52 42 43
Financial period: 1 January - 31 December
Municipality of reg. office: Næstved

Board of Directors

Allan Jan Formann Kristensen, Chairman
Donna Malone
Elias Zabaneh
Kenneth Ladefoged Petersen
Bjarne Børge Starzec

Executive Board

Carl Fredrik Albertson

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
P O Box 250
DK-2000 Frederiksberg

Bankers

Danske bank

Financial Highlights

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

	2015 DKKk	2014 DKKk	2013 DKKk	2012 DKKk	2011 DKKk
Key figures					
Profit/loss					
Revenue	620.808	432.903	677.367	552.745	359.779
Profit/loss before financial income and expenses	86.132	65.352	83.774	72.920	78.836
Net financials	9.089	6.365	9.028	3.194	2.522
Net profit/loss for the year	76.832	53.967	66.184	97.705	61.068
Balance sheet					
Balance sheet total	611.874	500.646	470.256	481.163	262.384
Equity	381.659	303.844	272.294	197.040	85.708
Investment in property, plant and equipment	530	124	68	182	134
Number of employees	121	133	147	135	119
Ratios					
Gross margin	26,9%	33,7%	25,5%	28,4%	31,4%
Profit margin	13,9%	15,1%	12,4%	13,2%	21,9%
Return on assets	15,5%	13,5%	17,6%	19,6%	31,7%
Solvency ratio	62,4%	60,7%	57,9%	41,0%	32,7%
Return on equity	22,4%	18,7%	28,2%	69,1%	74,6%

Management's Review

Main activity

Howden Axial Fans ApS, which is owned 100% by Howden Holdings ApS, markets, sells, design and supplies large axial fans of type VARIAX primarily to the global power plant market and to a lesser degree to the global mining market.

Howden Axial Fans ApS refers to an overall group management in Howden Ltd. Glasgow, Scotland, which is part of the American group Colfax Group. (www.colfaxcorp.com)

The products include new axial fans, conversion of axial fans, service of these and related replacement parts.

The year that was and the follow-up to last year's expected development

At the end of 2013, Fläkt Woods Global Infrastructure & Industry was acquired by Howden Group and during 2014/2015, Howden Axial Fans ApS established a closer cooperation with the former Fläkt Woods Swedish entity, Howden Axial Fans AB. The process to form a larger and stronger global axial fan business continued with adding Howden Axial Fans GmbH in Germany to the Group. Howden Axial Fans ApS is now one of three legal entities in the axial fan business group within Howden.

In 2015 there was again focus on Howdens long-term strategic objectives, and we got launched some exciting new internal projects to ensure that the organization and the business model continues to be expanded and strengthened.

The strategic projects deal with CBS / LEAN, product development, project cost optimization, new market initiatives and the continued expansion of the business area, Aftermarket (spares, retrofits and service). Aftermarket achieved good results in 2015, both in terms of new orders, sales and especially earnings.

All these proactive measures were instrumental in strengthening Howdens competitiveness and profitability in 2015 - and in the years ahead. However, in spite of winning a large part of the new projects in the global power plant market, the total order volume for new projects was lower than expected. This has put additional focus on development and our strategy for the future.

The American market, on the contrary as expected by end of 2014, continued to be very slow during 2015, mainly driven by an active aftermarket and retrofit solutions primarily due to the upgrading of the flue gas cleaning of existing power plants. Likewise, we ensured again some large Aftermarket orders in the US market.

The South East Asia market is the most active single market for Howden Axial Fans and we are focused on continued positioning with our key customers as the leading supplier of axial fans. We expect and hope also in 2016 that the market will develop positively in may again be some years of lower activity.

Throughout 2015, we have developed our organization with the appointment of several new key employees as well as reorganization in connection with the integration, so that we are well prepared for 2016-2018. We have continued to buy machined parts in Howdens factory in Weihai / China - which also

Management's Review

provides a great flexibility and improved competitive position.

In general the power market is still characterized by limited growth and uncertain global environment legislation, however our win / loss rate has still been positive 2015. The volatile USD continues to have an impact on the one hand our competition partly earnings in particular the US market, but so far we have been able to adapt and dietary basis as sales prices and thus maintain earnings. The new cutting edge technology (M5 / P150), which we introduced in 2007, continued again in 2015 and combined with the acquired technologies during end of 2014, enabled us to be competitive on the part of the honored projects and gives us earnings benefits compared to the previously established technology, we expect it will continue in 2016.

Howden Axial Fans ApS consists of the following departments / activities:

- New Equipment Sales
- Marketing & Business Development
- Quality Assurance
- Engineering
- Aftermarket
- Operations
- Finance, Admin, HR & IT

Special risks, operational risks and financial risks

The US dollar variation against the Danish krone and the euro remains the largest non-industry dependent parameter of competition. During 2015 the dollar has been very volatile and that has impacted as well the competitiveness as the profit levels, but mainly positive.

Expectations for the coming year 2016

In 2016 we will continue our focus on selecting profitable and strategic customers and not least invest further in continued expansion of the Aftermarket segment. Furthermore, we aim to capture market share in other areas of the Far East/South East Asia (incl India) than only China and Russia.

The company's developed M5 / P150, which is beneficial to all of our market segments, both new sales and aftermarket, is expected to be a very strong card in China, India and the Far East in the future, but we also expect to be able to utilize the technology in the effort to capture market share in the US and Europe. We also expect that this technology will give us a technological lead on another 1-2 years and need to be exploited to the maximum, and we also in 2016 will launch new product related initiatives which would give us an advantage in 2017-2020.

Management's Review

Development (including research) of our products and business systems

The company makes continuous development and technological maintenance of its products. During 2012-2015 we have completed a development of more than 8,000 engineering hours and made major hardware investments that have improved our competitiveness in particular the Chinese market, where we have managed to reduce our direct cost to the Chinese fans by approx 25%-30%. This process continued during 2015 and the gained intellectual property will be further invested in the fans.

To further strengthen the business area, Aftermarket, we have in 2015 initiated various small development projects for Aftermarket, including development of sales concepts, development of product, branding and invested in our sales network to the EU in particular after the market, and all this will help to increase our competitiveness in this particular core area. This initiative was completed beginning of 2015 and it has been further developed and fine-tuned within the remainder of 2016.

Furthermore, we have in 2015 continued implementation of CBS / LEAN in Howden Axial Fans, and improved use of our business system Microsoft Dynamics AX even more.

External environment

In 2015, we focused on the external environment, especially in connection with our action plans in connection with ISO 14001. In this regard, we are very focused on environmental initiatives in our household including reducing local consumption of electricity, heating, water, paper etc.

Besides this we also focus on our products where we increasingly place demands on our partners and subcontractors can demonstrate environmental improvements and either ISO 14001 or other documented environmental improvement initiatives. This will in the future we also try to incorporate as a parameter when we select new partners.

Finally, we are working in the Aftermarket very focused on reducing the energy consumption of our fans and thus reduce emissions from power plants by offering more optimal technical solutions and increase the efficiency of existing machines to our customers. This is supported by the introduction of new products and the development projects mentioned.

Corporate Social Responsibility (CSR)

Howden Axial Fans ApS has again in 2015 focused on initiatives that can prevent any form of bribery and corruption, and has continued to develop the policy implemented during 2014 in regards to "Bribery and Corruption Policy". Every associate has gone through an ethics, bribery and corruption training including passing a test to be able to work in Howden Axial Fans ApS. This is part of a group wide Colfax requirement and Howden Axial Fans ApS drives it even further. During 2015, we again have performed a review and update of contracts with the agents used worldwide again to prevent any type of corruption.

Howden Axial Fans is aware of and take its wider community responsibility. We are very focused on environmental and working conditions, environmental impact and our general ethical and social responsibility. Howden Axial Fans currently has the three main ISO certificates in the industry, namely ISO 9001, ISO 14001 and ISO 18001. In 2015 we managed again to avoid any severe work related

Management's Review

accidents in staff and this is also the goal for 2016. We will furthermore continue to support a number of local social activities in vicinity of Næstved, including financial support to local organizations that support local charities for special children. We still focus on HEALTHY HOWDEN for all employees, recruitment of students, training of citizens who, for various reasons have been away from the labor market for a longer period, sponsorship of local sports clubs in football, handball and basketball in Næstved. In addition, our Aftermarket focused on reducing energy consumption, and therefore emissions from power plants, by offering more optimal solutions (high-efficiency machines) for our customers. In 2008, we introduced an annual survey of job satisfaction in Howden Denmark, in 2015 we noted that job satisfaction had slightly decreased and the concluded root cause for this is the changes implemented during the establishment of the axial fan business group within the Howden Group covering the entities in Sweden, Germany and Denmark. Howden Axial Fans will intend to come back to the 2016 level by maintaining all the initiated positive measures and develop action plans in the fields below average.

Finally, Howden Axial Fans strives to follow all rules and regulations in the social and environmental fields, and initiate even more volunteer activities for continual improvement of our ethical and social responsibility.

Gender Policy

Howden Axial Fans see it as strength that both genders are well represented at management level and that this brings added value to Howdens business and the development of this. In Howden Axial Fans everyone has an equal opportunity independent of gender, sexual preference, religion or color.

Howden Axial Fans seeks to ensure a balance in the number of men and women at all levels of management, and are striving towards the objective, that neither men or women in 2017 must be represented by less than 25% of the senior management levels, ie the Board, Directors and the local management team.

Today, one of the four Executive Board members is a woman, and among the broader management team - totaling 9 members - two of these are women. In total this equivalent to 23% women, why target figure pt. almost is met.

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

	<u>Note</u>	<u>2015</u> DKKK	<u>2014</u> DKKK
Revenue	1	620.808	432.903
Other operating income		5.706	3.766
Expenses for raw materials and consumables		-367.857	-240.024
Other external expenses		-91.913	-50.600
Gross profit/loss		166.744	146.045
Staff expenses	2	-80.514	-80.518
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-98	-175
Profit/loss before financial income and expenses		86.132	65.352
Income from investments in associates		290	421
Financial income	4	13.031	8.898
Financial expenses	5	-4.232	-2.954
Profit/loss before tax		95.221	71.717
Tax on profit/loss for the year	6	-18.389	-17.750
Net profit/loss for the year		76.832	53.967

Distribution of profit

Proposed distribution of profit

Retained earnings	76.832	53.967
	76.832	53.967

Balance Sheet 31 December

Assets

	Note	2015 DKKk	2014 DKKk
Other fixtures and fittings, tools and equipment		586	154
Property, plant and equipment	7	586	154
Investments in associates	8	4.709	5.420
Other receivables	9	375	375
Fixed asset investments		5.084	5.795
Fixed assets		5.670	5.949
Finished goods and goods for resale		7.165	8.018
Inventories		7.165	8.018
Trade receivables		69.830	46.711
Contract work in progress	10	59.492	55.432
Receivables from group enterprises		462.614	382.409
Other receivables		1.401	58
Deferred tax asset		395	373
Corporation tax		104	0
Prepayments	11	3.542	897
Receivables		597.378	485.880
Cash at bank and in hand		1.661	799
Currents assets		606.204	494.697
Assets		611.874	500.646

Balance Sheet 31 December

Liabilities and equity

	Note	2015 DKKk	2014 DKKk
Share capital		1.500	1.500
Retained earnings		380.159	302.344
Equity	12	381.659	303.844
Other provisions	13	20.460	8.480
Provisions		20.460	8.480
Trade payables		86.246	87.900
Contract work in progress	10	34.760	47.779
Payables to group enterprises		68.221	14.213
Corporation tax		0	7.126
Other payables		20.528	31.304
Short-term debt		209.755	188.322
Debt		209.755	188.322
Liabilities and equity		611.874	500.646
Contingent assets, liabilities and other financial obligations	14		
Fee to auditors appointed at the general meeting	15		
Related parties and ownership	16		

Statement of Changes in Equity

	<u>Share capital</u> DKKk	<u>Retained earnings</u> DKKk	<u>Total</u> DKKk
Equity at 1 January	1.500	302.344	303.844
Net adjustment of hedge instruments	0	1.285	1.285
Tax on adjustment of hedging instruments for the year	0	-302	-302
Net profit/loss for the year	0	76.832	76.832
Equity at 31 December	1.500	380.159	381.659

Notes to the Financial Statements

	<u>2015</u> DKKK	<u>2014</u> DKKK
1 Revenue		
Geographical segments		
Revenue, domestic markets	11.872	16.730
Revenue, export markets	<u>608.936</u>	<u>416.173</u>
	<u>620.808</u>	<u>432.903</u>
2 Staff expenses		
Wages and salaries	74.307	73.767
Pensions	5.402	5.819
Other social security expenses	<u>805</u>	<u>932</u>
	<u>80.514</u>	<u>80.518</u>
Average number of employees	<u>121</u>	<u>133</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	<u>98</u>	<u>175</u>
	<u>98</u>	<u>175</u>
4 Financial income		
Interest received from group enterprises	4.377	4.902
Other financial income	-10	1
Exchange gains	<u>8.664</u>	<u>3.995</u>
	<u>13.031</u>	<u>8.898</u>

Notes to the Financial Statements

	2015 <u>DKKK</u>	2014 <u>DKKK</u>
5 Financial expenses		
Other financial expenses	4.232	2.954
	4.232	2.954
6 Tax on profit/loss for the year		
Current tax for the year	22.777	13.220
Deferred tax for the year	-22	-2.815
Adjustment of tax concerning previous years	-4.064	199
	18.691	10.604
which breaks down as follows:		
Tax on profit/loss for the year	18.389	17.750
Tax on changes in equity	302	-7.146
	18.691	10.604
7 Property, plant and equipment		Other fixtures and fittings, tools and equipment <u>DKKK</u>
Cost at 1 January		9.866
Additions for the year		530
Cost at 31 December		10.396
Impairment losses and depreciation at 1 January		9.712
Depreciation for the year		98
Impairment losses and depreciation at 31 December		9.810
Carrying amount at 31 December		586

Notes to the Financial Statements

	2015 DKKK	2014 DKKK
8 Investments in associates		
Cost at 1 January	11.640	11.640
Cost at 31 December	11.640	11.640
Value adjustments at 1 January	-6.220	-4.541
Net profit/loss for the year	289	421
Dividends received	-1.000	-2.100
Value adjustments at 31 December	-6.931	-6.220
Carrying amount at 31 December	4.709	5.420

Investments in associates are specified as follows:

Name	Place of registered office	Ejerandel
I/S Suså	Næstved, Denmark	50%

9 Other fixed asset investments

	Other receiv- ables DKKK
Cost at 1 January	375
Cost at 31 December	375
Impairment losses at 31 December	0
Carrying amount at 31 December	375

Notes to the Financial Statements

	<u>2015</u> DKKK	<u>2014</u> DKKK
10 Contract work in progress		
Selling price of production for the period	157.102	206.060
Payments received on account	<u>-132.370</u>	<u>-198.407</u>
	<u>24.732</u>	<u>7.653</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	59.492	55.432
Contract work in progress recognised in liabilities	<u>-34.760</u>	<u>-47.779</u>
	<u>24.732</u>	<u>7.653</u>

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premium, subscriptions and interest.

12 Equity

The share capital consists of 1 share of a nominal value of DKKK 1,500. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	<u>2015</u> DKKK	<u>2014</u> DKKK
13 Other provisions		
Warranty commitments and other commitments in connection with delayed delivery	<u>20.460</u>	<u>8.480</u>
	<u>20.460</u>	<u>8.480</u>
The provisions are expected to mature as follows:		
Within 1 year	<u>20.460</u>	<u>8.480</u>
	<u>20.460</u>	<u>8.480</u>

Notes to the Financial Statements

	<u>2015</u> DKKK	<u>2014</u> DKKK
14 Contingent assets, liabilities and other financial obligations		
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	878	1.622
Between 1 and 5 years	192	0
After 5 years	<u>0</u>	<u>0</u>
	<u>1.070</u>	<u>1.622</u>
Rent obligations, period of non-terminability 4 months	750	750

Contingent liabilities

Guarantee commitments on behalf of group enterprises amount to kDKK 155,058 (2014: kDKK 140,571).

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Howden Holdings ApS, which is the management company of the joint taxation purposes. 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. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

	<u>2015</u> DKKK	<u>2014</u> DKKK
15 Fee to auditors appointed at the general meeting		
Audit fee to Ernst & Young	115	101
Other services	<u>0</u>	<u>45</u>
	<u>115</u>	<u>146</u>

Notes to the Financial Statements

16 Related parties and ownership

	Basis
Controlling interest	
Howden Holdings ApS, Industrivej 23, Næstved, Denmark	Parent Company
Colfax Corporation, 8170 Maple Lawn Blvd., Suite 180, Fulton, MD 20769, USA	Ultimate Parent Company

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company Colfax Corporation.

The Group Annual Report of may be obtained at the following address: www.colfaxcorp.com.

Accounting Policies

Basis of Preparation

The Annual Report of Howden Axial Fans ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in Danish kroner.

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 Colfax Corporation, the Company has not prepared a cash flow statement.

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 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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of

Accounting Policies

expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Revenue

Information on geographical segments based on the Company's internal financial reporting system.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, payment under operation leases, etc.

Staff expenses

Staff expenses comprise wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

Accounting Policies

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

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 property, plant and equipment.

Income from investments in associates

The item "Income from investments in associates" in the income statement includes the proportionate share of the profit for the year.

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 changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with its Danish Group entities. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

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:

Accounting Policies

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	2-6 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment.

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.

Assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in associates

Investments in associates are recognised and measured under the equity method.

The item "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the associates.

Associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

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

Accounting Policies

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.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Contract work in progress

Contract work in progress 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 subsequent financial reporting years.

Equity

Dividend

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

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.

Other provisions include warranty obligations in respect of repair work within the warranty period of typically 1-5 years. Provisions are measured and recognised based on experience with guarantee work. The company makes provisions for warranty obligations on the basis of a risk assessment of the nature of delivery.

Accounting Policies

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

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 liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Accounting Policies

Financial Highlights

Explanation of financial ratios

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