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Hidrostal A/S

Petersmindevej 25
5000 Odense C
Central Business Registration
No 17472577

Annual report 2018

The Annual General Meeting adopted the annual report on 14.06.2019

Chairman of the General Meeting

Name: Gerd Preissler

Contents

	Page
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Consolidated income statement for 2018	8
Consolidated balance sheet at 31.12.2018	9
Consolidated statement of changes in equity for 2018	11
Consolidated cash flow statement for 2018	12
Notes to consolidated financial statements	13
Parent income statement for 2018	17
Parent balance sheet at 31.12.2018	18
Parent statement of changes in equity for 2018	20
Notes to parent financial statements	21
Accounting policies	25

Entity details

Entity
Hidrostal A/S
Petersmindevej 25
5000 Odense C

Central Business Registration No: 17472577
Registered in: Odense
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Gerd Preissler, Chairman
Jeppe Holm
Svend Aage Larsen

Executive Board
Jeppe Holm, Chief Executive Officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hidrostal A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Odense, 14.06.2019

Executive Board

Jeppe Holm
Chief Executive Officer

Board of Directors

Gerd Preissler Chairman	Jeppe Holm	Svend Aage Larsen

Independent auditor's report

To the shareholders of Hidrostal A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Hidrostal A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group’s and the Entity’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 consolidated financial statements and the parent 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 Group's and the Entity’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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Odense, 14.06.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Heino Hyllested Tholsgaard
State Authorised Public Accountant
Identification number (MNE) mne34511

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000
Financial highlights			
Key figures			
Gross profit	24.425	24.900	25.270
Operating profit/loss	3.738	5.354	9.378
Net financials	(145)	(305)	(159)
Profit/loss for the year	2.654	3.740	7.078
Total assets	53.554	51.604	56.098
Investments in property, plant and equipment	315	6.192	480
Equity	24.412	24.402	23.747
Ratios			
Return on equity (%)	10,9	15,5	29,8
Equity ratio (%)	45,6	47,3	42,3

Hidrostal A/S prepared its first consolidated financial statements in 2017. In pursuance of section 128(3) and the Danish Financial Statements Act, comparatives for 2014-2015 are not included.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Group's principal activities are sale, manufacturing and service of well, pumps and pump and well fittings.

Development in activities and finances

The development over the years has been very positive, and the result is very satisfactory.

Profit/loss for the year in relation to expected developments

The positive development is due to a growth in the Scandinavian project sales and general exports.

Outlook

The company expect to realize a result in 2019 on the same level as in 2018.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of the annual report.

Consolidated income statement for 2018

	Notes	2018 DKK	2017 DKK'000
Gross profit		**24.424.523**	**24.900**
Staff costs	2	(19.329.883)	(18.345)
Depreciation, amortisation and impairment losses	3	(1.356.383)	(1.201)
Operating profit/loss		**3.738.257**	**5.354**
Other financial income		115.841	77
Other financial expenses		(261.264)	(382)
Profit/loss before tax		**3.592.834**	**5.049**
Tax on profit/loss for the year	4	(939.123)	(1.309)
Profit/loss for the year	5	**2.653.711**	**3.740**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Goodwill		1.301.470	1.822
Intangible assets	6	**1.301.470**	**1.822**
Land and buildings		5.525.310	5.629
Other fixtures and fittings, tools and equipment		1.136.406	1.542
Leasehold improvements		109.194	120
Property, plant and equipment	7	**6.770.910**	**7.291**
Deposits		205.452	205
Fixed asset investments	8	**205.452**	**205**
Fixed assets		**8.277.832**	**9.318**
Manufactured goods and goods for resale		14.463.051	10.398
Inventories		**14.463.051**	**10.398**
Trade receivables		22.761.919	26.102
Contract work in progress	9	2.429.092	3.832
Deferred tax	10	903.246	981
Other receivables		112.800	222
Income tax receivable		552.976	0
Prepayments	11	160.245	257
Receivables		**26.920.278**	**31.394**
Cash		**3.892.395**	**494**
Current assets		**45.275.724**	**42.286**
Assets		**53.553.556**	**51.604**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Contributed capital		1.000.000	1.000
Retained earnings		23.412.120	23.402
Equity		**24.412.120**	**24.402**
Other provisions	13	4.900.000	4.700
Provisions		**4.900.000**	**4.700**
Bank loans		7.653	2.555
Contract work in progress	9	1.416.721	1.792
Trade payables		2.918.001	3.694
Payables to group enterprises		15.726.200	8.900
Income tax payable		0	100
Other payables		4.172.861	5.461
Current liabilities other than provisions		**24.241.436**	**22.502**
Liabilities other than provisions		**24.241.436**	**22.502**
Equity and liabilities		**53.553.556**	**51.604**

Events after the balance sheet date	1
Unrecognised rental and lease commitments	15
Contingent liabilities	16
Mortgages and securities	17
Group relations	18
Subsidiaries	19

Consolidated statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	20.402.481	21.402.481
Other equity postings	0	355.928	355.928
Profit/loss for the year	0	2.653.711	2.653.711
Equity end of year	**1.000.000**	**23.412.120**	**24.412.120**

Consolidated cash flow statement for 2018

	Notes	2018 DKK	2017 DKK'000
Operating profit/loss		3.738.257	5.354
Amortisation, depreciation and impairment losses		1.356.383	1.201
Other provisions		200.000	600
Working capital changes	14	5.269.489	(3.686)
Cash flow from ordinary operating activities		**10.564.129**	**3.469**
Financial income received		115.841	77
Financial income paid		(261.264)	(382)
Income taxes refunded/(paid)		(1.513.745)	(2.903)
Cash flows from operating activities		**8.904.961**	**261**
Acquisition etc of property, plant and equipment		(315.454)	(6.192)
Cash flows from investing activities		**(315.454)**	**(6.192)**
Dividend paid		(2.644.072)	(3.085)
Cash flows from financing activities		**(2.644.072)**	**(3.085)**
Increase/decrease in cash and cash equivalents		**5.945.435**	**(9.016)**
Cash and cash equivalents beginning of year		(2.060.693)	6.955
Cash and cash equivalents end of year		**3.884.742**	**(2.061)**
Cash and cash equivalents at year-end are composed of:			
Cash		3.892.395	494
Short-term debt to banks		(7.653)	(2.555)
Cash and cash equivalents end of year		**3.884.742**	**(2.061)**

Notes to consolidated financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of the annual report.

	2018 DKK	2017 DKK'000
2. Staff costs		
Wages and salaries	16.851.157	16.140
Pension costs	2.165.739	1.943
Other social security costs	312.987	262
	19.329.883	**18.345**
Average number of employees	**38**	**36**

According to The Danish Financial Statements Act § 98b, remuneration to the Board of Directors have not been disclosed.

	2018 DKK	2017 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	520.588	521
Depreciation of property, plant and equipment	831.128	658
Profit/loss from sale of intangible assets and property, plant and equipment	4.667	22
	1.356.383	**1.201**

	2018 DKK	2017 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	861.024	1.416
Change in deferred tax for the year	78.099	(107)
	939.123	**1.309**

	2018 DKK	2017 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	2.653.711	3.740
	2.653.711	**3.740**

Notes to consolidated financial statements

	Goodwill DKK
6. Intangible assets	
Cost beginning of year	2.602.940
Cost end of year	**2.602.940**
Amortisation and impairment losses beginning of year	(780.882)
Amortisation for the year	(520.588)
Amortisation and impairment losses end of year	**(1.301.470)**
Carrying amount end of year	**1.301.470**

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
7. Property, plant and equipment			
Cost beginning of year	5.674.837	5.355.455	218.117
Additions	0	315.454	0
Disposals	0	(57.527)	0
Cost end of year	**5.674.837**	**5.613.382**	**218.117**
Depreciation and impairment losses beginning of the year	(46.022)	(3.813.119)	(98.017)
Depreciation for the year	(103.505)	(716.717)	(10.906)
Reversal regarding disposals	0	52.860	0
Depreciation and impairment losses end of the year	**(149.527)**	**(4.476.976)**	**(108.923)**
Carrying amount end of year	**5.525.310**	**1.136.406**	**109.194**

	Deposits DKK
8. Fixed asset investments	
Cost beginning of year	205.452
Cost end of year	**205.452**
Carrying amount end of year	**205.452**

Notes to consolidated financial statements

9. Contract work in progress

	2018 DKK	2017 DKK'000
Sales value of work in progress	4.268.255	3.832
Payments on account received	(3.255.884)	(1.792)
	1.012.371	**2.040**
Recognition of work in progress in the balance sheet:		
Contract work in progress under assets	2.429.092	3.832
Contract work in progress under liabilities	(1.416.721)	(1.792)
	1.012.371	**2.040**

	2018 DKK
10. Deferred tax	
Changes during the year	
Beginning of year	981.345
Recognised in the income statement	(78.099)
End of year	**903.246**

11. Prepayments

Consists of prepayments on costs concerning subsequent financial year.

	Number	Nominal value DKK	Share of contributed capital %
12. Treasury shares			
Holding of treasury shares:			
Holding of treasury shares	118.643	118.643	11,0
	118.643	**118.643**	**11,0**

13. Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments.

Notes to consolidated financial statements

	2018 DKK	2017 DKK'000
14. Change in working capital		
Increase/decrease in inventories	(4.064.712)	(1.823)
Increase/decrease in receivables	4.574.866	(1.365)
Increase/decrease in trade payables etc	4.759.335	(498)
	5.269.489	**(3.686)**

	2018 DKK	2017 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**1.451.960**	**1.679**

16. Contingent liabilities

Tryg Garanti has lodged security towards various customers, for DKK 8,564,659.

17. Mortgages and securities

Debt to parent company of DKK 13,369,159 is secured by way of mortgage on properties for DKK 7,000,000. The carrying amount of mortgaged properties is DKK 5,525,310.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Hidrostal Holding AG, Gigering 27, 8213 Neunkirch, Switzerland

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Hidrostal Holding AG, Gigering 27, 8213 Neunkirch, Switzerland

Foreign consolidated financial statements can be requested by enquiry to the management of the Parent.

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK	Profit/loss DKK
19. Subsidiaries					
Veje Engineering ApS	Lejre	ApS	100,0	3.500.597	(392.697)

Parent income statement for 2018

	Notes	2018 DKK	2017 DKK'000
Gross profit		**20.581.750**	**19.227**
Staff costs	1	(15.257.046)	(14.150)
Depreciation, amortisation and impairment losses	2	(629.530)	(541)
Operating profit/loss		**4.695.174**	**4.536**
Income from investments in group enterprises		(870.966)	458
Other financial income	3	90.791	63
Other financial expenses	4	(225.101)	(286)
Profit/loss before tax		**3.689.898**	**4.771**
Tax on profit/loss for the year	5	(1.036.187)	(1.031)
Profit/loss for the year	6	**2.653.711**	**3.740**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Land and buildings		5.525.310	5.629
Other fixtures and fittings, tools and equipment		666.135	967
Property, plant and equipment	7	**6.191.445**	**6.596**
Investments in group enterprises		4.844.386	5.716
Fixed asset investments	8	**4.844.386**	**5.716**
Fixed assets		**11.035.831**	**12.312**
Manufactured goods and goods for resale		14.418.439	10.373
Inventories		**14.418.439**	**10.373**
Trade receivables		19.985.042	21.146
Contract work in progress	9	2.317.456	1.660
Receivables from group enterprises		0	1.795
Deferred tax	10	936.182	1.006
Other receivables		89.800	187
Income tax receivable		447.976	146
Prepayments	11	37.360	137
Receivables		**23.813.816**	**26.077**
Cash		**3.340.670**	**413**
Current assets		**41.572.925**	**36.863**
Assets		**52.608.756**	**49.175**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Contributed capital	12, 13	1.000.000	1.000
Reserve for net revaluation according to the equity method		683.886	1.555
Retained earnings		17.873.034	18.848
Proposed dividend		4.855.200	3.000
Equity		**24.412.120**	**24.403**
Other provisions	14	4.900.000	4.700
Provisions		**4.900.000**	**4.700**
Bank loans		7.653	2.555
Contract work in progress	9	1.258.278	1.792
Trade payables		2.732.503	2.496
Payables to group enterprises		16.694.518	8.901
Other payables		2.603.684	4.328
Current liabilities other than provisions		**23.296.636**	**20.072**
Liabilities other than provisions		**23.296.636**	**20.072**
Equity and liabilities		**52.608.756**	**49.175**
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Mortgages and securities	17		
Related parties with controlling interest	18		

Parent statement of changes in equity for 2018

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	1.000.000	1.554.852	18.847.629	3.000.000
Ordinary dividend paid	0	0	0	(2.644.072)
Other equity postings	0	0	355.928	(355.928)
Profit/loss for the year	0	(870.966)	(1.330.523)	4.855.200
Equity end of year	**1.000.000**	**683.886**	**17.873.034**	**4.855.200**

	Total DKK
Equity beginning of year	24.402.481
Ordinary dividend paid	(2.644.072)
Other equity postings	0
Profit/loss for the year	2.653.711
Equity end of year	**24.412.120**

Notes to parent financial statements

	2018 DKK	2017 DKK'000
1. Staff costs		
Wages and salaries	13.175.681	12.302
Pension costs	1.852.003	1.675
Other social security costs	229.362	173
	15.257.046	**14.150**
Average number of employees	**28**	**27**

According to The Danish Financial Statements Act § 98b, remuneration to the Board of Directors have not been disclosed.

	2018 DKK	2017 DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	624.863	519
Profit/loss from sale of intangible assets and property, plant and equipment	4.667	22
	629.530	**541**

	2018 DKK	2017 DKK'000
3. Other financial income		
Interest income	54.731	0
Exchange rate adjustments	0	25
Other financial income	36.060	38
	90.791	**63**

	2018 DKK	2017 DKK'000
4. Other financial expenses		
Interest expenses	47.356	36
Other financial expenses	177.745	250
	225.101	**286**

	2018 DKK	2017 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	966.024	1.170
Change in deferred tax for the year	70.163	(139)
	1.036.187	**1.031**

Notes to parent financial statements

	2018 DKK	2017 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	4.855.200	3.000
Transferred to reserve for net revaluation according to the equity method	(870.966)	458
Retained earnings	(1.330.523)	282
	2.653.711	**3.740**

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
7. Property, plant and equipment		
Cost beginning of year	5.674.837	2.903.785
Additions	0	225.759
Disposals	0	(57.527)
Cost end of year	**5.674.837**	**3.072.017**
Depreciation and impairment losses beginning of the year	(46.022)	(1.937.384)
Depreciation for the year	(103.505)	(521.358)
Reversal regarding disposals	0	52.860
Depreciation and impairment losses end of the year	**(149.527)**	**(2.405.882)**
Carrying amount end of year	**5.525.310**	**666.135**

Notes to parent financial statements

	Investments in group enterprises DKK
8. Fixed asset investments	
Cost beginning of year	4.160.500
Cost end of year	**4.160.500**
Revaluations beginning of year	1.554.852
Amortisation of goodwill	(520.588)
Share of profit/loss for the year	(350.378)
Revaluations end of year	**683.886**
Carrying amount end of year	**4.844.386**
Carrying amount if asset had not been revalued	**3.500.597**
Goodwill or negative goodwill recognised during the financial year	**1.301.470**

9. Contract work in progress

	2018 DKK	2017 DKK'000
Sales value of work in progress	3.968.062	1.660
Payments on account received	(2.908.884)	(1.792)
	1.059.178	**(132)**
Recognition of work in progress in the balance sheet:		
Contract work in progress under assets	2.317.456	1.660
Contract work in progress under liabilities	(1.258.278)	(1.792)
	1.059.178	**(132)**

	2018 DKK
10. Deferred tax	
Changes during the year	
Beginning of year	1.006.345
Recognised in the income statement	(70.163)
End of year	**936.182**

Notes to parent financial statements

11. Prepayments

Consists of prepayments on costs concerning subsequent financial year.

	Number	Par value DKK	Nominal value DKK
12. Contributed capital			
Ordinary shares	1.000.000	1	1.000.000
	1.000.000		**1.000.000**

	Number	Nominal value DKK	Share of contributed capital %
13. Treasury shares			
Holding of treasury shares:			
Holding of treasury shares	118.643	118.643	11,0
	118.643	**118.643**	**11,0**

14. Other provisions

Other provisions comprise of anticipated costs of non-recourse guarantee commitments.

	2018 DKK	2017 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**89.000**	**89**

16. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

Tryg Garanti has lodged security towards varius customers, for DKK 6,331,595.

17. Mortgages and securities

Debt to parent company of DKK 13,369,159 is secured by way of mortgage on properties for DKK 7,000,000. The carrying amount of mortgaged properties is DKK 5,525,310.

18. Related parties with controlling interest

Related parties with controlling interest in Hidrostal A/S:
The parent company Hidrostal Holding AG, Gigering 27, 8213 Neunkirch, Switzerland

All transactions with related parties are conducted on market terms.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method)

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Accounting policies

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Other fixtures and fittings, tools and equipment	5 years

Estimated useful lives and residual values are reassessed annually.

Accounting policies

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Accounting policies

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Treasury shares
Acquisition and selling prices and dividends for treasury shares are classified directly as equity under retained earnings. Gains and losses on sale are not recognised in the income statement. Capital reduction by cancellation of treasury shares reduces the contributed capital by an amount corresponding to the nominal value.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Accounting policies

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.