

## **Kvadrat Soft Cells A/S**

Lundbergsvej 10

8400 Ebeltoft

Central Business Registration No

28989520

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 31.05.2017

### **Chairman of the General Meeting**

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Name: Søren Stenderup Jensen

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## Entity details

### Entity

Kvadrat Soft Cells A/S  
Lundbergsvej 10  
8400 Ebeltøft

Central Business Registration No: 28989520  
Registered in: Syddjurs  
Financial year: 01.01.2016 - 31.12.2016

### Board of Directors

Søren Stenderup Jensen, Chairman  
Jacob Lahn Sloth  
Anders Byriel  
Mads Bo Nygård  
Kim Graven Nielsen  
John Charles Thorpe

### Executive Board

Arne Molberg, CEO

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
City Tower, Værkmestergade 2  
8000 Aarhus 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 Kvadrat Soft Cells A/S for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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.

Ebeltoft, 31.05.2017

### Executive Board

Arne Molberg  
CEO

### Board of Directors

Søren Stenderup Jensen  
Chairman

Jacob Lahn Sloth

Anders Byriel

Mads Bo Nygård

Kim Graven Nielsen

John Charles Thorpe

# Independent auditor's report

## To the shareholders of Kvadrat Soft Cells A/S

### Opinion

We have audited the financial statements of Kvadrat Soft Cells A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

### Emphasis of matter regarding circumstances in the financial statements

Without modifying our opinion, we draw attention to note 1, which states that a uncertainty has been observed relating to recognition and measurement of the Company's contract work in progress and relating inventories.

### 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.

In preparing the financial statements, Management is responsible for assessing 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 financial statements unless Management either intends to liquidate the Entity 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.

## Independent auditor's report

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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## Independent auditor's report

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 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.

Aarhus, 31.05.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Michael Bach

State Authorised Public Accountant

Flemming Ravnsbæk

State Authorised Public Accountant

## Management commentary

### Primary activities

The Company's objective consist in development, production, marketing and sale of building components.

### Development in activities and finances

Profit for the year amounts to DKK 8,500k, which is considered satisfactory. A profit at the same level is expected for the coming year.

### Uncertainty relating to recognition and measurement

The Company's construction contracts are recognised in the financial statements according to the percentage of completion method based on the stage of completion of the projects and the total contract values.

One of the Company's construction contracts has not made any real progress in 2016 due to financial challenges in the construction project to which the Company is a subcontractor. The construction contract is presented in the financial statements as 'Contract work in progress' and is recognised in the financial statements at DKK 7,646k. Moreover, an amount of DKK 3,545k is included in the Company's inventories that is directly attributable to use in the project concerned.

There is an ongoing negotiation dialogue with the contractor in charge about updating the delivery and project plans. This and the value of the construction contract with related inventories are naturally subject to uncertainty. It is, however, still Management's assessment that the project will be completed in accordance with the contract. The valuation of the assets has thus been maintained in the financial statements.

### Events after the balance sheet date

At the beginning of 2017, the Company acquired an enterprise which is engaged in acoustic product solutions for walls and ceilings.

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



## Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
<b>Gross profit</b>		<b>19.868.541</b>	<b>15.268.822</b>
Staff costs	2	(8.646.434)	(7.214.734)
Depreciation, amortisation and impairment losses	3	<u>(1.351.373)</u>	<u>(1.328.286)</u>
<b>Operating profit/loss</b>		<b>9.870.734</b>	<b>6.725.802</b>
Income from investments in group enterprises		722.172	720.539
Other financial income		706.244	4.450
Other financial expenses		<u>(526.083)</u>	<u>(402.293)</u>
<b>Profit/loss before tax</b>		<b>10.773.067</b>	<b>7.048.498</b>
Tax on profit/loss for the year	4	<u>(2.273.396)</u>	<u>(1.376.543)</u>
<b>Profit/loss for the year</b>		<b>8.499.671</b>	<b>5.671.955</b>
<b>Proposed distribution of profit/loss</b>			
Ordinary dividend for the financial year		15.000.000	0
Extraordinary dividend distributed in the financial year		0	3.000.000
Transferred to reserve for net revaluation according to the equity method		3.410.120	0
Retained earnings		<u>(9.910.449)</u>	<u>2.671.955</u>
		<b>8.499.671</b>	<b>5.671.955</b>

## Balance sheet at 31.12.2016

	<b>Notes</b>	<b>2016 DKK</b>	<b>2015 DKK</b>
Completed development projects		1.410.737	985.400
Acquired intangible assets		1.077.946	1.923.919
<b>Intangible assets</b>	<b>5</b>	<b>2.488.683</b>	<b>2.909.319</b>
Leasehold improvements		2.377.204	0
<b>Property, plant and equipment</b>	<b>6</b>	<b>2.377.204</b>	<b>0</b>
Investments in group enterprises		4.115.940	3.548.548
Deposits		302.650	31.750
<b>Fixed asset investments</b>	<b>7</b>	<b>4.418.590</b>	<b>3.580.298</b>
<b>Fixed assets</b>		<b>9.284.477</b>	<b>6.489.617</b>
Raw materials and consumables		5.023.080	3.462.215
<b>Inventories</b>		<b>5.023.080</b>	<b>3.462.215</b>
Trade receivables		10.283.297	21.750.748
Contract work in progress	<b>8</b>	8.050.621	11.095.063
Receivables from group enterprises		2.619.330	3.577.827
Other receivables		3.545.178	2.200.795
Prepayments	<b>9</b>	850.308	28.000
<b>Receivables</b>		<b>25.348.734</b>	<b>38.652.433</b>
<b>Cash</b>	<b>10</b>	<b>44.754.977</b>	<b>0</b>
<b>Current assets</b>		<b>75.126.791</b>	<b>42.114.648</b>
<b>Assets</b>		<b>84.411.268</b>	<b>48.604.265</b>

## Balance sheet at 31.12.2016

	<b>Notes</b>	<b>2016 DKK</b>	<b>2015 DKK</b>
Contributed capital		1.250.000	1.250.000
Reserve for net revaluation according to the equity method		51.510	0
Reserve for development expenditure		725.975	0
Retained earnings		1.266.195	8.698.790
Proposed dividend		15.000.000	0
<b>Equity</b>		<b>18.293.680</b>	<b>9.948.790</b>
Deferred tax	11	3.729.014	2.253.024
<b>Provisions</b>		<b>3.729.014</b>	<b>2.253.024</b>
Bank loans		51.862.428	28.604.076
Trade payables		2.676.121	2.616.302
Payables to group enterprises		2.160.446	1.959.104
Other payables		5.689.579	3.222.969
<b>Current liabilities other than provisions</b>		<b>62.388.574</b>	<b>36.402.451</b>
<b>Liabilities other than provisions</b>		<b>62.388.574</b>	<b>36.402.451</b>
<b>Equity and liabilities</b>		<b>84.411.268</b>	<b>48.604.265</b>
Uncertainty relating to recognition and measurement	1		
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
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## Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	1.250.000	0	0	8.698.790
Exchange rate adjustments	0	(154.781)	0	0
Other equity postings	0	(3.203.829)	0	3.203.829
Transfer to reserves	0	0	725.975	(725.975)
Profit/loss for the year	0	3.410.120	0	(9.910.449)
<b>Equity end of year</b>	<b>1.250.000</b>	<b>51.510</b>	<b>725.975</b>	<b>1.266.195</b>

	Proposed dividend DKK	Total DKK
Equity beginning of year	0	9.948.790
Exchange rate adjustments	0	(154.781)
Other equity postings	0	0
Transfer to reserves	0	0
Profit/loss for the year	15.000.000	8.499.671
<b>Equity end of year</b>	<b>15.000.000</b>	<b>18.293.680</b>

## Notes

### 1. Uncertainty relating to recognition and measurement

The Company's construction contracts are recognised in the financial statements according to the percentage of completion method based on the stage of completion of the projects and the total contract values.

One of the Company's construction contracts has not made any real progress in 2016 due to financial challenges in the construction project to which the Company is a subcontractor. The construction contract is presented in the financial statements as 'Contract work in progress' and is recognised in the financial statements at DKK 7,646k. Moreover, an amount of DKK 3,545k is included in the Company's inventories that is directly attributable to use in the project concerned.

There is an ongoing negotiation dialogue with the contractor in charge about updating the delivery and project plans. This and the value of the construction contract with related inventories are naturally subject to uncertainty. It is, however, still Management's assessment that the project will be completed in accordance with the contract. The valuation of the assets has thus been maintained in the financial statements.

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Staff costs</b>		
Wages and salaries	7.964.254	6.642.202
Pension costs	611.075	504.584
Other social security costs	71.105	67.948
	<b>8.646.434</b>	<b>7.214.734</b>
 Average number of employees	 <b>11</b>	 <b>10</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	1.351.373	1.328.286
	<b>1.351.373</b>	<b>1.328.286</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>4. Tax on profit/loss for the year</b>		
Tax on current year taxable income	708.149	(753.024)
Change in deferred tax for the year	1.475.990	2.135.024
Adjustment concerning previous years	89.257	(5.457)
	<b>2.273.396</b>	<b>1.376.543</b>

## Notes

	Completed develop- ment projects DKK	Acquired intangible assets DKK
<b>5. Intangible assets</b>		
Cost beginning of year	5.245.493	5.817.312
Additions	930.737	0
<b>Cost end of year</b>	<b>6.176.230</b>	<b>5.817.312</b>
Amortisation and impairment losses beginning of year	(4.260.093)	(3.893.393)
Amortisation for the year	(505.400)	(845.973)
<b>Amortisation and impairment losses end of year</b>	<b>(4.765.493)</b>	<b>(4.739.366)</b>
<b>Carrying amount end of year</b>	<b>1.410.737</b>	<b>1.077.946</b>
Development projects consist of capitalised costs relating to development of new products as well as improvement of already existing products.		
		<b>Leasehold improve- ments DKK</b>
<b>6. Property, plant and equipment</b>		
Additions		2.377.204
<b>Cost end of year</b>		<b>2.377.204</b>
<b>Carrying amount end of year</b>		<b>2.377.204</b>

## Notes

	<b>Investments in group enterprises DKK</b>	<b>Deposits DKK</b>
<b>7. Fixed asset investments</b>		
Cost beginning of year	860.600	31.750
Additions	0	270.900
<b>Cost end of year</b>	<b>860.600</b>	<b>302.650</b>
Revaluations beginning of year	2.687.948	0
Exchange rate adjustments	(154.780)	0
Share of profit/loss for the year	722.172	0
<b>Revaluations end of year</b>	<b>3.255.340</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>4.115.940</b>	<b>302.650</b>

	<b>Registered in</b>	<b>Equity inte- rest %</b>	<b>Equity DKK</b>	<b>Profit/loss DKK</b>
Investments in group enterprises comprise:				
Kvadrat Soft Cells Sp. z.o.o.	Poland	100,0	4.115.940	722.172

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>8. Contract work in progress</b>		
Contract work in progress	45.936.865	40.665.275
Progress billings regarding contract work in progress	(37.886.244)	(29.570.212)
	<b>8.050.621</b>	<b>11.095.063</b>

## 9. Prepayments

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

## 10. Cash

Cash recognised in the financial statements consists of funds deposited in a client account.

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>11. Deferred tax</b>		
Intangible assets	206.652	147.644
Property, plant and equipment	139.181	84.996
Receivables	3.383.181	3.360.367
Tax losses carried forward	0	(1.339.983)
	<b>3.729.014</b>	<b>2.253.024</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>12. Unrecognised rental and lease commitments</b>		
Hereof liabilities under rental or lease agreements until maturity in total	<b>1.996.377</b>	<b>803.580</b>

### 13. Contingent liabilities

The Company participates in a Danish joint taxation arrangement with Kvadrat Holding A/S serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable from the financial year 2013 for income taxes etc for the jointly taxed entities, with such liability being limited to the ownership interest by which the Entity is a member of the Group, and from 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

### 14. Mortgages and securities

On behalf of the Company, the Company's bank has provided performance guarantees to a third party totalling DKK 582k.

### 15. Related parties with controlling interest

Related parties with controlling interest:

Kvadrat A/S, Lundbergsvej 10, 8400 Ebeltøft, Central Business Registration No 45 99 85 17

The Company does not disclose transactions with related parties in accordance with S 98c(7) of the Danish Financial Statements Act.

### 16. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Kvadrat Holding A/S, Lundbergsvej 10, 8400 Ebeltøft, Central Business Registration No 15 12 00 02



## Notes

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Kvadrat A/S, Lundbergsvej 10, 8400 Ebeltoft, Central Business Registration No 45 99 85 17

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these 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.

### 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).

#### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

## Accounting policies

### Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

### 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. This item also includes writedowns of receivables recognised in current assets.

### 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 intra-group profits or losses.

### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities 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 the parent company and 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).

## Accounting policies

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 3-5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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:

Other fixtures and fittings, tools and equipment	Leasing period
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For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

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.

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.

## Accounting policies

### Prepayments

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

### Cash

Cash comprises cash in bank deposits.

### Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### 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 carryforwards, 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.

### Other financial liabilities

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