

**Airco Diet A/S**  
Snarelosevej 23 CD  
7000 Fredericia, Denmark  
Central Business Registration No  
31052319

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 24.02.2017

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

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Name: Asbjørn Schwert

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## Entity details

### Entity

Airco Diet A/S  
Snarelosevej 23 CD  
7000 Fredericia, Denmark

Central Business Registration No: 31052319

Registered in: Fredericia

Financial year: 01.01.2016 - 31.12.2016

Phone: +4576201530

Fax: +4576201531

Website: [www.aircodiet.com](http://www.aircodiet.com)

### Board of Directors

Jens Thøger Hansen, Chairman

Keld Møller Pedersen Laigaard

Peter Kriklywi

### Executive Board

Asbjørn Schwert, Chief Executive Officer

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Airco Diet 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 and cash flows 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.

Fredericia, den 24.02.2017

### Executive Board

Asbjørn Schwert  
Chief Executive Officer

### Board of Directors

Jens Thøger Hansen  
Chairman

Keld Møller Pedersen Laigaard

Peter Kriklywi

# Independent auditor's report

## To the shareholders of Airco Diet A/S

### Opinion

We have audited the financial statements of Airco Diet A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 and cash flows 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.

### 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.

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:

## Independent auditor's report

- 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.

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

## Independent auditor's report

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.

Kolding, 24.02.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Jesper Brønd-Jensen

State Authorised Public Accountant

## Management commentary

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Gross profit	62.525	38.139	16.338	56.813	33.185
Operating profit/loss	48.381	21.937	2.125	46.529	24.563
Net financials	(280)	(178)	15	109	771
Profit/loss for the year	38.035	16.160	1.849	35.095	19.000
Total assets	112.114	108.379	59.909	133.735	123.311
Investments in property, plant and equipment	150	0	225	752	412
Equity	25.778	43.743	27.583	55.734	40.639
<b>Ratios</b>					
Return on equity (%)	109,4	45,3	4,4	72,8	54,1
Equity ratio (%)	23,0	40,4	46,0	41,7	33,0

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

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



## Management commentary

### Primary activities

The main activity of the Company is sale, design, manufacturing and installation of Dry Ice Expanded Tobacco (DIET) and Impex (Isopentane Expanded Tobacco) plants customized for the Tobacco Industry worldwide.

Business focus areas of the Company are:

- Standardized plants located in customized buildings.
- Upgrades and utility optimization of existing plants.
- Engineering services.
- Spare Parts and technical service.

The operation of the Company is managed from the Head Quarter.

### Development in activities and finances

The profit for the year before tax amounted to DKK 48,101 m (DKK 21,759 m).

### Uncertainty relating to recognition and measurement

Profit for the year is not affected by unusual circumstances.

### Outlook

The Industry continues to indicate investments; the Company will maintain a strong position.

### Events after the balance sheet date

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'000</u>	<u>2015 DKK'000</u>
<b>Gross profit</b>	1	<b>62.525</b>	<b>38.139</b>
Distribution costs		(4.441)	(4.795)
Administrative costs	2	<u>(9.703)</u>	<u>(11.407)</u>
<b>Operating profit/loss</b>		<b>48.381</b>	<b>21.937</b>
Other financial income	3	1	134
Other financial expenses		<u>(281)</u>	<u>(312)</u>
<b>Profit/loss before tax</b>		<b>48.101</b>	<b>21.759</b>
Tax on profit/loss for the year	4	<u>(10.066)</u>	<u>(5.599)</u>
<b>Profit/loss for the year</b>	5	<b><u>38.035</u></b>	<b><u>16.160</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Goodwill		3.367	6.722
<b>Intangible assets</b>	6	<b>3.367</b>	<b>6.722</b>
Other fixtures and fittings, tools and equipment		175	48
Leasehold improvements		423	691
<b>Property, plant and equipment</b>	7	<b>598</b>	<b>739</b>
Deposits		198	181
<b>Fixed asset investments</b>	8	<b>198</b>	<b>181</b>
<b>Fixed assets</b>		<b>4.163</b>	<b>7.642</b>
Manufactured goods and goods for resale		763	587
Prepayments for goods		9.281	9.073
<b>Inventories</b>		<b>10.044</b>	<b>9.660</b>
Trade receivables		9.555	25.317
Contract work in progress	9	68.820	47.476
Other receivables		556	3.177
Prepayments	10	1.064	764
<b>Receivables</b>		<b>79.995</b>	<b>76.734</b>
<b>Cash</b>		<b>17.912</b>	<b>14.343</b>
<b>Current assets</b>		<b>107.951</b>	<b>100.737</b>
<b>Assets</b>		<b>112.114</b>	<b>108.379</b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital		1.000	1.000
Retained earnings		24.778	26.743
Proposed dividend		<u>0</u>	<u>16.000</u>
<b>Equity</b>		<b><u>25.778</u></b>	<b><u>43.743</u></b>
Deferred tax	11	10.773	4.680
Other provisions	12	<u>322</u>	<u>665</u>
<b>Provisions</b>		<b><u>11.095</u></b>	<b><u>5.345</u></b>
Bank loans		1	11
Contract work in progress	9	678	3.586
Trade payables		72.324	50.572
Payables to group enterprises		0	1.249
Income tax payable		318	611
Other payables		<u>1.920</u>	<u>3.262</u>
<b>Current liabilities other than provisions</b>		<b><u>75.241</u></b>	<b><u>59.291</u></b>
<b>Liabilities other than provisions</b>		<b><u>75.241</u></b>	<b><u>59.291</u></b>
<b>Equity and liabilities</b>		<b><u>112.114</u></b>	<b><u>108.379</u></b>
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

## Statement of changes in equity for 2016

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed extraordinary dividend DKK'000</b>	<b>Proposed dividend DKK'000</b>
Equity beginning of year	1.000	26.743	0	16.000
Ordinary dividend paid	0	0	0	(16.000)
Extraordinary dividend paid	0	0	(40.000)	0
Profit/loss for the year	0	(1.965)	40.000	0
<b>Equity end of year</b>	<b>1.000</b>	<b>24.778</b>	<b>0</b>	<b>0</b>
				<b>Total DKK'000</b>
Equity beginning of year				43.743
Ordinary dividend paid				(16.000)
Extraordinary dividend paid				(40.000)
Profit/loss for the year				38.035
<b>Equity end of year</b>				<b>25.778</b>

## Cash flow statement 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Operating profit/loss		48.381	21.937
Amortisation, depreciation and impairment losses		3.646	3.634
Working capital changes	13	<u>12.248</u>	<u>(31.359)</u>
<b>Cash flow from ordinary operating activities</b>		<b>64.275</b>	<b>(5.788)</b>
Financial income received		1	134
Financial income paid		(281)	(312)
Income taxes refunded/(paid)		<u>(4.266)</u>	<u>(3.066)</u>
<b>Cash flows from operating activities</b>		<b>59.729</b>	<b>(9.032)</b>
Acquisition etc of property, plant and equipment		<u>(150)</u>	<u>0</u>
<b>Cash flows from investing activities</b>		<b>(150)</b>	<b>0</b>
Dividend paid		<u>(56.000)</u>	<u>0</u>
<b>Cash flows from financing activities</b>		<b>(56.000)</b>	<b>0</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>3.579</b>	<b>(9.032)</b>
Cash and cash equivalents beginning of year		<u>14.332</u>	<u>23.364</u>
<b>Cash and cash equivalents end of year</b>		<b>17.911</b>	<b>14.332</b>
Cash and cash equivalents at year-end are composed of:			
Cash		17.912	14.343
Short-term debt to banks		<u>(1)</u>	<u>(11)</u>
<b>Cash and cash equivalents end of year</b>		<b>17.911</b>	<b>14.332</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	9.252	7.792
Pension costs	619	539
Other social security costs	61	63
	<b>9.932</b>	<b>8.394</b>
Average number of employees	<b>12</b>	<b>11</b>

With reference to Section 98b(3) of the Danish Financial Statements Act, the Company has omitted to disclose remuneration for the Board of Directors and the Executive Board.

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	3.355	3.346
Depreciation on property, plant and equipment	291	288
	<b>3.646</b>	<b>3.634</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>3. Other financial income</b>		
Financial income arising from group enterprises	0	129
Interest income	1	5
	<b>1</b>	<b>134</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>4. Tax on profit/loss for the year</b>		
Tax on current year taxable income	4.490	3.815
Change in deferred tax for the year	6.093	1.996
Adjustment concerning previous years	(517)	0
Effect of changed tax rates	0	(212)
	<b>10.066</b>	<b>5.599</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>5. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	0	16.000
Extraordinary dividend distributed in the financial year	40.000	0
Retained earnings	(1.965)	160
	<b>38.035</b>	<b>16.160</b>
		<b>Goodwill</b>
		<b>DKK'000</b>
<b>6. Intangible assets</b>		
Cost beginning of year		19.285
<b>Cost end of year</b>		<b>19.285</b>
Amortisation and impairment losses beginning of year		(12.563)
Amortisation for the year		(3.355)
<b>Amortisation and impairment losses end of year</b>		<b>(15.918)</b>
<b>Carrying amount end of year</b>		<b>3.367</b>
	<b>Other</b>	<b>Leasehold</b>
	<b>fixtures and</b>	<b>improve-</b>
	<b>fittings,</b>	<b>ments</b>
	<b>tools and</b>	<b>DKK'000</b>
	<b>equipment</b>	<b>DKK'000</b>
	<b>DKK'000</b>	
<b>7. Property, plant and equipment</b>		
Cost beginning of year	102	1.334
Additions	150	0
<b>Cost end of year</b>	<b>252</b>	<b>1.334</b>
Depreciation and impairment losses beginning of the year	(54)	(643)
Depreciation for the year	(23)	(268)
<b>Depreciation and impairment losses end of the year</b>	<b>(77)</b>	<b>(911)</b>
<b>Carrying amount end of year</b>	<b>175</b>	<b>423</b>



## Notes

	<b>Deposits DKK'000</b>
<b>8. Fixed asset investments</b>	
Cost beginning of year	181
Additions	17
<b>Cost end of year</b>	<b>198</b>
<b>Carrying amount end of year</b>	<b>198</b>

	<b>2016 DKK'000</b>	<b>2015 DKK'000</b>
<b>9. Contract work in progress</b>		
Contract work in progress	206.789	54.926
Progress billings regarding contract work in progress	(138.647)	(11.036)
Transferred to liabilities other than provisions	678	3.586
	<b>68.820</b>	<b>47.476</b>

### 10. Prepayments

Prepayments primarily comprises of prepaid rent and commissions.

	<b>2016 DKK'000</b>	<b>2015 DKK'000</b>
<b>11. Deferred tax</b>		
Intangible assets	741	1.479
Property, plant and equipment	30	35
Receivables	10.012	3.322
Provisions	(10)	(156)
	<b>10.773</b>	<b>4.680</b>

### Changes during the year

Beginning of year	4.680
Recognised in the income statement	6.093
<b>End of year</b>	<b>10.773</b>

### 12. Other provisions

Other provisions comprises non-recourse guarantee commitments.

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>13. Change in working capital</b>		
Increase/decrease in inventories	(384)	(4.279)
Increase/decrease in receivables	(3.278)	(57.103)
Increase/decrease in trade payables etc	15.910	30.023
	<b>12.248</b>	<b>(31.359)</b>

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>14. Unrecognised rental and lease commitments</b>		
Hereof liabilities under rental or lease agreements until maturity in total	<b>442</b>	<b>606</b>

### 15. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which the former parent company Union Engineering Holding a/s serves as the administration company until 31.12.2016. At this point the new parent company AD Holding II A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
A guarantee has been issued in the amount of EUR'000 1.540 (2015; EUR'0000)	<b>11.478</b>	<b>0</b>

### 16. Related parties with controlling interest

The following parties have a controlling interest:

AD Holding II A/S, Store Kongensgade 118, 1.th. 1264 København K, Denmark.

### 17. Transactions with related parties

All transactions with related parties have been carried out 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.

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.

### 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

According to Section 32(1) of the Danish Financial Statements Act of the Company has aggregated various items in the income statement, stated as gross profit and loss.

Gross profit or loss comprises revenue and production costs.

#### 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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

## Accounting policies

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).

### Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

### Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc.

### Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

### Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, 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 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 its ultimate owner 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

#### Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

The period of amortisation for the amortised goodwill is 10 years.

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

#### Property, plant and equipment

Leasehold improvements as well as 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	3-6 years
Leasehold improvements	15 years

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.

Items of property, plant and equipment 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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

## Accounting policies

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 write-downs 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.

### Prepayments

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

### Cash

Cash comprises cash in hand and 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.

## Accounting policies

### 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.

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.

### Income tax receivable or payable

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

### 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, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.