Bad Element A/S

Levysgade 14, st., DK-8700 Horsens

Annual Report for 1 January - 31 December 2017

CVR No 31 75 24 69

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30/1 2018

Micheal Bie
Chairman

Contents

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Bad Element A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Horsens, 30 January 2018

Executive Board

Henning Jørgensen	Lise Jørgensen

Supervisory Board

Peter Schulz	Wolfgang Ziegler	Stefan Andreas Walter Happak

Independent Auditor's Report

To the Shareholder of Bad Element A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Bad Element A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

ment, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Trekantområdet, 30 January 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild	Henrik Forthoft Lind
State Authorised Public Accountant	State Authorised Public Accountant
mne33262	mne34169

Company Information

The Company	Bad Element A/S Levysgade 14, st. DK-8700 Horsens Telephone: + 45 6599 9897 CVR No: 31 75 24 69 Financial period: 1 January - 31 December Municipality of reg. office: Horsens Kommune
Supervisory Board	Peter Schulz Wolfgang Ziegler Stefan Andreas Walter Happak
Executive Board	Henning Jørgensen Lise Jørgensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle
Lawyers	Ladegaard, Rasmussen & Partnere Løvenørnsgade 17 8700 Horsens
Bankers	Nykredit Bank A/S Domkirkepladsen 1 8100 Århus C

Financial Highlights

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

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	57.946	48.552	24.162	15.358	19.386
Operating profit/loss	39.944	35.927	15.820	8.441	13.183
Net profit/loss for the year	35.127	33.704	17.360	6.818	11.131
Balance sheet					
Balance sheet total	141.514	106.307	111.085	48.811	42.128
Equity	63.122	46.634	34.397	21.476	23.673
Number of employees	38	22	13	11	9
Ratios					
Return on assets	28,2%	33,8%	14,2%	17,3%	31,3%
Solvency ratio	44,6%	43,9%	31,0%	44,0%	56,2%
Return on equity	64,0%	83,2%	62,1%	30,2%	61,7%

For definitions, see under accounting policies.

In connection with correction of the comparative figures, the financial highlights 2013-2015 have not been restated.

Management's Review

Key activities

Key activities consist of trading and advisory in connection to selling bathroom pods and related acitivites.

Development in the year

The income statement of the Company for 2017 shows a profit of TDKK 35,127, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 63,122.

Special risks

The company's special risks relates to competing companies on the market.

The company is not exposed to changes in currency rates and level of interest rates because of its operations, investments and financing. It is management's policy not to speculate in financial movements.

The company has substantial trading in Euro and mainly Polish Zloty that exposes to currency risks. The company hedges currency risks through forward exchange contracts covering the coming years.

Credit risks primarily relates to the customers' ability to pay. Advance payments from customers and payment plans are made to mitigate the risk.

Foreign operations

The company has subsidiaries in Poland, Bad Element Poland Z.o.o, and in Czech Republic, Bad Element CZ s.r.o.

External environment

The company´s management is aware of environmental effects from production and it is a continuous focus to reduce environmental effects from production.

Intellectual capital resources

It is important to management of the company to maintain focus on delivering high quality products; hence, production resources involve automated processes and a well-educated work force to maintain a high level of competencies.

Expectations

Expectations for 2018 is an increase in revenues of 5-8 % because of growth in the company´s primary markets. Expectation on profit is in line with the realized profit for 2017.

Management's Review

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2017	2016
		TDKK	TDKK
Gross profit/loss		**57.946**	**48.552**
Staff expenses	1	-17.480	-12.088
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-522	-537
Profit/loss before financial income and expenses		**39.944**	**35.927**
Income from investments in subsidiaries		4.350	6.377
Financial income	2	860	342
Financial expenses	3	-1.334	-1.180
Profit/loss before tax		**43.820**	**41.466**
Tax on profit/loss for the year	4	-8.693	-7.762
Net profit/loss for the year		**35.127**	**33.704**

Balance Sheet 31 December

Assets

	Note	2017	2016
		TDKK	TDKK
Land and buildings		562	582
Other fixtures and fittings, tools and equipment		1.710	2.181
Property, plant and equipment	5	**2.272**	**2.763**
Investments in subsidiaries	6	20.317	16.187
Deposits		242	177
Fixed asset investments		**20.559**	**16.364**
Fixed assets		**22.831**	**19.127**
Raw materials and consumables		16.044	12.601
Prepayments for goods		1.640	0
Inventories		**17.684**	**12.601**
Trade receivables		72.428	35.831
Contract work in progress	7	11.905	8.482
Receivables from group enterprises		10.661	12.008
Other receivables	12	1.838	1
Corporation tax		2.516	0
Prepayments	8	213	771
Receivables		**99.561**	**57.093**
Securities		**0**	**2.121**
Cash at bank and in hand		**1.438**	**15.365**
Currents assets		**118.683**	**87.180**
Assets		**141.514**	**106.307**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		TDKK	TDKK
Share capital		500	125
Reserve for net revaluation under the equity method		18.460	14.331
Retained earnings		35.162	32.178
Proposed dividend for the year		9.000	0
Equity		**63.122**	**46.634**
Provision for deferred tax	10	7.494	4.823
Other provisions	11	2.919	2.210
Provisions		**10.413**	**7.033**
Credit institutions		6.559	19
Trade payables		18.357	14.488
Contract work in progress, liabilities	7	21.251	27.704
Payables to group enterprises		10.049	0
Corporation tax		0	4.825
Other payables	12	11.763	5.604
Short-term debt		**67.979**	**52.640**
Debt		**67.979**	**52.640**
Liabilities and equity		**141.514**	**106.307**
Distribution of profit	9		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
2017					
Equity at 1 January	125	14.331	32.177	0	46.633
Exchange adjustments	0	-221	0	0	-221
Bonus shares	375	0	-375	0	0
Extraordinary dividend paid	0	0	-20.000	0	-20.000
Fair value adjustment of hedging instruments, end of year	0	0	2.030	0	2.030
Tax on adjustment of hedging instruments for the year	0	0	-447	0	-447
Net profit/loss for the year	0	4.350	21.777	9.000	35.127
Equity at 31 December	**500**	**18.460**	**35.162**	**9.000**	**63.122**
2016					
Equity 1. januar	125	8.377	11.895	14.000	34.397
Net effect of correction of material misstatements	0	0	3.291	0	3.291
Adjusted equity at 1 January	125	8.377	15.186	14.000	37.688
Exchange adjustments	0	-423	0	0	-423
Ordinary dividend paid	0	0	0	-14.000	-14.000
Extraordinary dividend paid	0	0	-10.000	0	-10.000
Fair value adjustment of hedging instruments, end of year	0	0	-429	0	-429
Tax on adjustment of hedging instruments for the year	0	0	94	0	94
Net profit/loss for the year	0	6.377	27.327	0	33.704
Equity at 31 December	**125**	**14.331**	**32.178**	**0**	**46.634**

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
1	**Staff expenses**		
	Wages and salaries	14.245	9.755
	Pensions	2.143	1.607
	Other social security expenses	371	173
	Other staff expenses	721	553
		17.480	**12.088**
	Including remuneration to the Executive Board of:		
	Executive Board	2.728	2.834
		2.728	**2.834**
	Average number of employees	**38**	**22**

		2017	2016
2	**Financial income**		
	Interest received from group enterprises	320	215
	Other financial income	62	127
	Exchange adjustments	478	0
		860	**342**

		2017	2016
3	**Financial expenses**		
	Interest paid to group enterprises	28	32
	Other financial expenses	1.283	930
	Exchange adjustments, expenses	23	218
		1.334	**1.180**

Notes to the Financial Statements

	2017	2016
	TDKK	TDKK

4 Tax on profit/loss for the year

	2017 TDKK	2016 TDKK
Current tax for the year	6.470	5.876
Deferred tax for the year	2.670	1.792
	9.140	**7.668**
which breaks down as follows:		
Tax on profit/loss for the year	8.693	7.762
Tax on changes in equity	447	-94
	9.140	**7.668**

5 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	645	3.729
Additions for the year	0	903
Disposals for the year	0	-1.120
Cost at 31 December	645	3.512
Impairment losses and depreciation at 1 January	63	1.548
Depreciation for the year	20	501
Impairment and depreciation of sold assets for the year	0	-247
Impairment losses and depreciation at 31 December	83	1.802
Carrying amount at 31 December	**562**	**1.710**

Notes to the Financial Statements

	2017	2016
	TDKK	TDKK

6 Investments in subsidiaries

	2017 TDKK	2016 TDKK
Cost at 1 January	1.857	1.801
Additions for the year	0	55
Cost at 31 December	1.857	1.856
Value adjustments at 1 January	14.331	8.377
Exchange adjustment	-221	-423
Net profit/loss for the year	4.350	6.530
Revaluations for the year, net	0	-153
Value adjustments at 31 December	18.460	14.331
Carrying amount at 31 December	**20.317**	**16.187**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Bad Element Polska	Poland	380	100%	20.317	4.405
Bad Element CZ	Czech Replublic	57	100%	-264	-309

7 Contract work in progress

	2017 TDKK	2016 TDKK
Selling price of work in progress	131.504	110.672
Payments received on account	-140.850	-129.894
	-9.346	**-19.222**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	11.905	8.482
Prepayments received recognised in debt	-21.251	-27.704
	-9.346	**-19.222**

Notes to the Financial Statements

8 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

9 Distribution of profit

	2017	2016
	TDKK	TDKK
Extraordinary dividend paid	20.000	10.000
Proposed dividend for the year	9.000	0
Reserve for net revaluation under the equity method	4.350	6.377
Retained earnings	1.777	17.327
	35.127	**33.704**

10 Provision for deferred tax

Property, plant and equipment	61	77
Contract work in progress	7.386	4.576
Prepayments	47	170
	7.494	**4.823**

11 Other provisions

The Company provides warranty of 5 years on finished and delivered bathroom pods. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

Other provisions	2.919	2.210
	2.919	**2.210**

12 Derivative financial instruments

The company has swap-arrangement, which at year amounts to TDKK 1.756 (2016: -275).

Notes to the Financial Statements

	2017	2016
	TDKK	TDKK

13 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings carrying amount	562	582

Contingent liabilities

The company have signed a rental contract of rooms on the company adress, Levysgade 14 st., 8700 Horsens. The rental contract contains following conditions:
The lease have a notice on 6 months. The rent represents in total TDKK 420 per year.

Following assets provide security for banks:
Company charge of nominally TDKK 5.000 provide security in company assets with a carrying value of TDKK 91.822.

The danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Baldo Aquisition ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

14 Related parties

	Basis
Controlling interest	
Baldo Acquisition A/S	Parent

Consolidated Financial Statements

The company is included in the consolidated financial statements of the parent company.

Name	Place of registered office
Baldo Acquisition ApS	Horsens

The Group Annual Report of Baldo Acquisition ApS may be obtained at the following address:

Levygade 14, st.
DK-8700 Horsens

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Bad Element A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK.

Correction of material misstatements

In connection with preparing financial statements for 2017, management realized that measurement of contract work in progress was not true and fair in earlier annual reports. This is corrected in the annual report of 2017. The correction lead to changes in the following items in the comparative figures: Inventory (reduced TDKK 23.909), contract work in progress (increased TDKK 7.000), Contract work in progress, liabilities (reduced TDKK 21.128), deferred tax liability (increased TDKK 928) and equity (increased TDKK 3.291).

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Baldo Acquisition ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Baldo Acquisition ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as

Notes to the Financial Statements

15 Accounting Policies (continued)

described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

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

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

Hedge accounting

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

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

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards

Notes to the Financial Statements

15 Accounting Policies (continued)

the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

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

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

15 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	30 years
Other buildings	10 years
Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

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

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

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

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Current asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Notes to the Financial Statements

15 Accounting Policies (continued)

Equity

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$

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