OTIS A/S

Ellekær 9A, DK-2730 Herlev

Annual Report for 1 December 2022 - 30 November 2023

CVR No. 32 34 91 10

The Annual Report was presented and adopted at the Annual General Meeting of the company on 13/6 2024

Muharrem Cinay
Chairman of the general meeting

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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of OTIS A/S for the financial year 1 December 2022 - 30 November 2023.

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 30 November 2023 of the Company and of the results of the Company operations for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Herlev, 11 June 2024

Executive Board

Muharrem Cinay
CEO

Board of Directors

Ales Korotvicka
Chairman

Robert Sadler

Wesley Steels

Rajpal Singh

Otto Steffensen
Staff Representative

Independent Auditor's report

To the shareholder of OTIS A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 November 2023 and of the results of the Company´s operations for the financial year 1 December 2022 - 30 November 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of OTIS A/S for the financial year 1 December 2022 - 30 November 2023, 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’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial 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 misstatement, 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.

Independent Auditor's report

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.

Hellerup, 11 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

Thomas Lauritsen
State Authorised Public Accountant
mne34342

Company information

The Company	OTIS A/S Ellekær 9A 2730 Herlev Telephone: + 45 44 888 999 Website: http://www.otis.dk/ CVR No: 32 34 91 10 Financial period: 1 December 2022 - 30 November 2023 Incorporated: 27 February 1962 Financial year: 62th financial year Municipality of reg. office: Herlev
Board of Directors	Ales Korotvicka, chairman Robert Sadler Wesley Steels Rajpal Singh Otto Steffensen, staff representative
Executive Board	Muharrem Cinay
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Lawyers	Plesner Amerika Plads 37 2100 København Ø
Bankers	Nordea Bank Danmark Vesterbrogade 8 900 København C

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	432,449	375,720	338,509	349,638	373,496
Gross profit	52,701	17,367	58,496	43,227	55,603
Operating profit/loss	-27,229	-51,170	14,175	2,053	19,657
Profit/loss of financial income and expenses	4,947	7,605	4,496	-12,332	-19,701
Net profit/loss for the year	-4,641	-33,422	15,709	-11,094	-4,277
Balance sheet					
Balance sheet total	255,439	250,965	209,447	183,937	115,099
Investment in property, plant and equipment	209	0	899	3,042	-1,222
Equity	-3,198	8,944	42,461	25,613	30,312
Number of employees	227	217	216	218	207
Ratios					
Gross margin	12.2%	4.6%	17.3%	12.4%	14.9%
Profit margin	-2.6%	-14.0%	4.2%	0.6%	5.3%
Return on assets	-4.4%	-21.0%	6.8%	1.1%	17.1%
Solvency ratio	-1.3%	3.6%	20.3%	13.9%	26.3%
Return on equity	-161.5%	-130.0%	46.2%	-39.7%	-13.2%

The definition of ratio's applies is described under Accounting Policies.

Management's review

Key activities

Otis A/S is a 100% owned subsidiary of Alder Holdings SAS in France which is a part of Otis Worldwide Corporation.

Otis A/S represents the Otis Group in Denmark, on the Faroe Islands and occasionally Greenland – and in Norway via the subsidiary Otis AS.

Otis A/S sells, installs and performs service on elevators and escalators.

Capital resources

Otis A/S has received a letter of support from its ultimate parent company OTIS Worldwide Corporation securing the ability to continue as a going concern. Refer to note 1 for further description.

Development in the year

Otis A/S' result before tax is a loss of DKK -6,303,219 against a loss previous year of DKK -45,034,592. The operating loss is -11,250,653 DKK against a loss previous year of DKK -51,169,805.

The result is below the plan compared to the expectation for the year, where the profit before tax was expected to be between DKK 10-15 million.

2022/2023 has continued with challenges, mainly in New Equipment sales and the execution of the major project Metro Copenhagen which had a negative impact for the year of DKK -6.0 million and a total loss on the contract of DKK -25.8 million including loss recognized in previous years. The project is complex, but the project team was strengthened with the right resources to get the work back on track. There was also a slowdown in the New Equipment orders market that became apparent in late 2022/early 2023 but the outlook for 2024 looks promising. Inflation in material costs and salaries have also affected the overall result. On the other hand, Modernization orders were up by approx. 25% to offset partially the slowdown in New Equipment.

There has been a high turnover of key positions in both the leadership and the finance team, which has been addressed with replacements being recruited and the team getting up to speed.

The result from the subsidiary in Norway is a profit of NOK 19,789,591 (DKK 13,031,917) compared to a profit in 2021/22 of NOK 16,188,495 (DKK 11,959,912). The increase in profit from the investment in the subsidiary is in line with the expectation.

The equity has at the end of the financial year 2022/23 decreased to DKK -3.2 million. The Board of Directors will discuss and take the necessary actions to restore the equity on the acceptable level.

Targets and expectations for the year ahead

In 2022/23 there was a slowdown in the New Equipment orders market but there are good prospects for 2024. Revenue is expected to be in the range of DKK 300 - 340 million. The Norwegian subsidiary is expected to sustain its good results and to continue to grow (0-40% growths expected). Consolidated there is an expectation of stability in the 2023/24 result before tax for Otis A/S between DKK 10 - 15 million. The completion and handover of the Metro project in Copenhagen is anticipated towards the mid of 2024 and we do not expect any significant positive/negative impact to the Income Statement at this stage.

Uncertainties relating to recognition and measurement

Otis A/S has some degree of uncertainty in relation to the recognition and measurement of ongoing contracts. The loss provision booked last year for the Metro project was reduced to DKK 3 million as the cost incurred and losses already recognized in P&L. Please refer to note 16 for further information.

Otis A/S is also taking part in ongoing cases where the claims raised against the Company could potentially be reduced or waived. Please refer to note 19 for further information.

Special risks - operating risks and financial risks

Risks in rates of exchange connected to investments in subsidiary, which means the development in rates of exchange between Danish and Norwegian Kroner, will not be covered, since it is the opinion of the company, that a current rate insurance of such long-term investments will not be optimal from a total risk and cost point of view.

Foreign exchange risks

The main part of Otis A/S' business in foreign currency is affected in Euro, which is by the company not judged to be a major foreign exchange risk and is therefore not covered by foreign exchange transactions.

External environment

Otis A/S observes all prevailing rules for waste sorting and disposal. All liquids damaging the environment are kept according to regulations.

Metal, wires, and oil, which are a big part of the company's waste, are systematically recirculated.

Due to the character of the work, all employees on jobsites and stock must observe several internal safety directions to avoid accidents.

Observation of these directions is systematically audited by Otis A/S as well as within the OTIS group.

Safety is included in bonus schemes for the Executive Board and employees with management responsibility.

Safety is measured and reported through several KPI's.

Intellectual capital resources

Otis A/S works continuously to update the com-potencies of the individual mechanic with new products and techniques.

Statement of corporate social responsibility

For a description of our business model, please refer to section 'Key activities' in this Management's Review.

Otis A/S is committed to be a leader in Environment, Health, Safety and Quality by protecting the health and safety of its employees, our customers, contractors and the natural environment while continuously focusing on improvement and customer satisfaction. We will not be satisfied until our workplaces are safe from hazards, our employees are injury free, our products and services are safe and our commitment and record in protecting the environment is unmatched.

Specifically, Otis A/S is committed to:

- Comply with all local legal requirements as well as policies, standards and practices of the corporation
- Eliminate all employee injuries by making the workplace free from hazards and unsafe actions and promoting the health and wellness of our employees
- Drive pollutants in our operations to the lowest achievable levels
- Establish and support safety and environmental protection goals and standards
- Implement the EHSQ Management System to reduce risks and continually improve the effectiveness of our EHSQ processes

- Integrate safety and environmental considerations into the sale, installation and maintenance of our products and services
- Make safety and environmental considerations priorities in our investment decisions and dealings with our contractors and suppliers
- Provide the resources necessary to direct, support, monitor and maintain accountability for the implementation of this policy
- Improve the key processes of the company through turnback collection and analysis and implementation of the continuous improvement model
- Ensure products, services, company policies and procedures and all employee actions comply with regulatory requirements, codes and standards and we deliver on our promises to the customer. Business objectives are established and reviewed regularly.

Our Environmental Footprint

We take a holistic approach to managing our environmental footprint, considering impacts from both our field operations and the lifecycle of the products we install.

Otis A/S operates a fleet of approximately 179 motor vehicles, representing our largest impact on the environment. Initiatives are in place to transition our fleet from fossil fuel to electricity. Additionally, operational plans include optimizing our service routes to limit overall travel distance.

As a selling company, we have limited impact on the manufacturing processes of our products. However, through Life Cycle Assessments (LCAs) conducted by our Otis suppliers as part of our products' Environmental Product Declarations (EPDs), we are assured that our vendors have identified raw material extraction and energy consumption during the elevator's usage phase as the most relevant product-related environmental impacts. The Otis Worldwide group has been at the forefront of innovations to reduce the environmental impact of elevator use since we first introduced the Otis Gen2 elevator two decades ago. The Gen2 elevator, now standard with the ReGen drive, is up to 75% more efficient than conventional hydraulic systems (Otis Global ESG Report 2022 ADA p.24).

Goals and objectives

In Otis A/S, we make use of 179 vehicles to reach our customers and maintain the quality, safety and reliability of our elevators and escalators. We report our fleet fuel consumption through a global data management tool to our parent company. In 2022/23 Otis A/S consumed 363.935L of vehicle fuel, an increase from last year's 335.471L. Given the significant contribution that our fleet makes to our GHG emissions footprint, we have identified fleet efficiency as a key part of our strategy to reach our 2030 goals. We plan to integrate more electric and hybrid vehicles into our fleet. We typically upgrade vehicles to newer, more efficient models when leases expire (every four years). At the end of the year 2023, we had 5 electric vehicles in our fleet.

As battery-electric vehicles and charging infrastructure become more readily available, we expect the annual GHG emissions of our fleet to decrease.

Additionally, Otis A/S has decided to achieve ISO 14001 certification by 2025.

ISO 14001 is an international standard that specifies requirements for an effective Environmental management system. It requires the operation to measure and assess its environmental impacts and put a framework in place to minimize these impacts and provide a basis for continuous improvement. Achieving ISO 14001 is a testament to the robustness of the Otis environmental management system and our commitment to operate in a sustainable manner from (Otis Global ESG Report 2022 ADA p.26).

Management's review

Protecting our People

The safety of our employees and subcontractors is an Otis Absolute and “we will not be satisfied until our workplaces are safe from hazards, our employees are injury free, our products and services are safe".

Health and Safety is one of Otis’s key absolutes and we will continue with “Stop Work Authority” allowing employees to stop work in unsafe conditions and report incidents. We will also continue to carry out audits and assessments of job sites and office locations to ensure a safe working environment.

Goals and objectives

Our goal is to present a workplace free from Fatal and Serious Injuries. Additionally, we strive to improve, year over year in Lost Time 1,7 (LTIR) and Recordable injuries 2,9 (TRIR).

(TRIR= Total recordable incidents*200000/Total hours worked

LTIR= Lost work incidents*200000/Total hours worked (200000=100 full time workers in 1 year).

While we have seen an increase of reportable and lost time incidents from 2022 through 2023 with a total of 14 incidents in 2022/23, we have also recognized an overall more engaged workforce and an increase of reporting of near misses, near hits, and Stop Work Authorities”. We will never be discouraged by reporting of a safety concern or incident. Additionally, we use every Incident as a lesson learned to prevent reoccurrence in the future, with communication of the cause and corrective actions sent to all relevant employees.

Ethics and Compliance

Our reputation is priceless. Millions of people, from customers and shareholders to employees and passengers, trust us because they expect, and know, that we do business the right way – the ethical, lawful and honest way. Everything we do and make runs on that spirit of integrity (Otis "The Absolutes" Guide p.6).

Human Rights

We are committed to protecting human rights and to reducing the risk of human trafficking or unhealthy working conditions in our global supply chain, and we demand the same of our suppliers. Otis maintains an Anti-Human Trafficking (AHT) Program designed to detect and mitigate all forms of human trafficking and exploitation of people, wherever it occurs. We have adopted a Global Modern Slavery Statement and an AHT policy that clearly state that Otis requires our suppliers to comply with the principles of the Otis Supplier Code of Conduct or applicable law – for example, laws prohibiting human trafficking and child labor, including international standards governing the Worst Forms of Child Labor. Our AHT Program meets, and strives to exceed, the standards set forth by government agencies around the world to protect and uphold human rights. (Otis Global ESG Report 2022 ADA p.45).

Responsible Procurement

Suppliers are critical to our success and account for a significant percentage of total cost to our business annually via direct materials, such as raw materials and components for new equipment and service; indirect services, such as logistics; fleet vehicles; professional services; and subcontractors that assist with elevator installations.

Our Supplier Code of Conduct outlines our expectations of suppliers, holding them accountable to the same standards we establish for ourselves, including that they promote a commitment to ethical business practices by:

- Respecting all human rights and fair labor practices
- Respecting anti-corruption, fair competition, and antitrust rules
- Providing training to their employees and conducting reasonable due diligence to ensure compliance to the Code
- Ensuring timely reporting of both actual and suspected violations
- Promoting an environment where legal and ethical issues can be raised without fear of retaliation, including making reporting channels available to employees and business partners (Otis Global ESG Report 2022 ADA p.47).

In the event of violations, we expect business partners to cooperate in comprehensive and fair investigations, ensuring that their own suppliers also participate if necessary. Suppliers and their business partners must also correct any nonconformances identified in quality assurance assessments. Failure to do so can result in the termination of our business contract (Otis Global ESG Report 2022 ADA p.44).

Conflict Minerals

Conflict minerals, as defined by Section 1502 of the Dodd-Frank Act, refer to certain metals – namely tantalum, tin, wolfram and gold – whose extraction is often linked to armed conflict in the Democratic Republic of Congo. Otis is committed to contributing to the elimination of human rights violations associated with conflict minerals and maintains a conflict minerals program that includes our Conflict Minerals Policy. In addition, we file an annual Conflict Minerals report with the U.S. Securities and Exchange Commission, which details our efforts to survey suppliers to ensure they comply with our policy and are sourcing minerals responsibly. (Otis Global ESG Report 2022 ADA p.46)

Goals and Objectives

Our goal is to have zero verified cases of Human Rights Violations or Corruption within Otis A/S.

The greatest risk for Corruption in Otis A/S is in our handling of Government Contracts. Such risks include the actual or the appearance of bribery, or other conflict of interest related to our dealings with Governmental Customers.

To support and achieve our Zero Verified Case goal in relation to Human Rights and Corruption, we have and will continue to educate and train our employees, suppliers and subcontractors on identification, prevention and reporting of Human Rights Violations and Corruption as part of our Ethics and Compliance Program.

On a quarterly basis we launch new training sessions in Ethics and Compliance in our e-learning module. For our technicians the training is done within the quarterly team meetings.

All suspected cases of Human Rights Violations and Corruption are reported to our Ethics and Compliance Officers. This can be accomplished through various means such as in person, via email or phone, reports may be made anonymously if so desired. Ethics and Compliance officers are in each Otis country and region and available to all Otis employees, customers, vendors and business partners.

There have been no such reported cases of Human Rights Violations recorded in Otis A/S in 2022/23.

There have been no such reported cases of corruption recorded in Otis A/S in 2022/23.

Management's review

Identifying Interested Parties and Risk Assessment

Interested Party	Internal/External	Internal Process	What does the interested want	What do we want from the	Risk	Reason for Interest	Risk to business
Certification Bodies	External	Sales FOD NE FOD SVC	Continued participation in certification scheme	Advice / guidance where applicable	Loss of reputation. Loss of business	Assesses conformity of the company against ISO 9001 & 14001 and so must be kept notified of any changes to our Environmental Management System	Loss of certification
Market Particpants on sales side	External	Sales, FOD NE FOD SVC Finance	To maximise sales	Compliance to legal obligations	Loss of business	Provide challenges to our ability to provide competitive products to our customers	Loss of business leading to loss of skilled / unskilled workers
Customers	External	Sales, FOD NE FOD SVC Finance IT	Service / delivery as per signed contract	Repeat business. Good relations	Loss of business	Lifts / escalators integral to building infrastructure	Loss of business leading to loss of skilled / unskilled workers
Employees	Internal	HR FOD NE FOD SVC EHSQ IT	To work for a sustainable / responsible company	To understand and comply with the EMS	Lack of compliance leads to an environmental incident	Long term employment	Poor environmental record leads to difficulty recruiting
Local Authority	External	Legal EHSQ Sales Finance	Pollution control	No enforcement action. Good relations	Loss of reputation. Loss of business	Environmental Regulator	Enforcement action. Loss of business. Loss of reputation
Local Residents	External	EHS Legal	No negative environmental conditions or spills	Good relations	Loss of reputation	Pollution prevention and control	Loss of business. Loss of reputation
Parent Company (OTIS)	Internal	Legal HR EHS	Compliance to legal obligations	Advise / guidance	Loss of reputation. Loss of business	Good financial performance, legal compliance	Increased internal obligations
Political Parties	External	All	Compliance to legal obligations / jobs creation / contribution to local & national economy	Simplified regulatory structure	Government intervention	Influence on the economy	Good / bad publicity.
Pressure Groups/ Media	External	Communications	Compliance to legal obligations / jobs creation / contribution to local & national economy	Good relations	Loss of business. Loss of reputation	Pollution prevention & control	Bad publicity. Boycott of OTIS
Public	External	Legal HR EHS Quality	Compliance to legal obligations / jobs creation / contribution to local & national economy	Good relations	Loss of business. Loss of reputation	Users of the product / service	Boycott of OTIS
Regulators & Industry Bodies	External	Legal	Compliance to legal obligations	Advice / guidance. Good relations	Loss of business. Loss of reputation	Dictate controlling regulations and guidance that impact on the management system	Enforcement action. Loss of business. Loss of reputation
Shareholders	External	Finance Sales Legal	Compliance to legal obligations. Return on investment	Continued support and investment	Loss of business. Loss of reputation	Expectation of a good return on their investment	Loss of investor confidence. Loss of business. Loss of reputation
Suppliers	External	Supply Chain	Continueing contracts	Compliance to legal obligations. Return on	Loss of business. Loss of reputation	Providing supporting services, labour and / or materials	Loss of business
Unions	External	HR FOD NE FOD SVC EHSQ	Compliance to legal obligations / jobs creation / contribution to local & national economy	Good relations	Loss of business. Loss of reputation	Direct impact on some of our employees and reputation	Good / bad publicity

Management's review

Statement on gender composition

General:

As the pioneers of our industry, we have set the standards and achieved many milestones, but there is always more to do to become the company we want to be. Our goals are aimed at increasing inclusion in our workforce and making life better through community engagement and partnerships everywhere we do business.

Overview (5 years)	2022/2023
Board of Directors	
Total members	4
Underrepresented gender	0%
Target	20%
Target year	2025
Other management levels	
Total other managers	30
Underrepresented gender	13%
Target	20%
Target year	2025

Goal:

Achieve a female representation of at least 20% in Board of Directors by the end of 2025. Currently 0% are females.

Policy:

At the end of 2021 Otis Worldwide was the first company in the industry to join the Paradigm for Parity coalition, pledging to achieve executive gender parity by 2030. Several new initiatives underpin our progress toward this goal, including a pay parity assessment, assembly of balanced slates for hiring, programs offered through external partners, including the Signature Leaders program and Simmons Leadership Conference. These practices are contributing to the development and career growth of females within Otis.

Explanation for not meeting target in 2023:

Otis A/S isn't meeting the target of having 20% females in the Board of Directors due to the fact the Otis Group faced an overall decrease in female representation across the board in past years. From January 2020 until today the overall number declined from 8.5% to 5.1%. People managers decreased from 9% to 7.6% in the same period.

In 2023 our Board of Directors has discussed the possibility of female members of the board and most likely there will be 2 new female members in the year 2024.

The exact reason for this decline in female representation can be explained by many factors but the real driver is unknown to the company.

Nevertheless, the decline female representation amongst all levels in the organization caused Otis A/S to consider specific actions (like mentioned above) to increase the females in the company.

Goal:

Achieve a female representation of at least 20% amongst the other management levels managers in Otis A/S by the end of 2025. Currently 13% of our people managers are females.

Policy:

The practices to enable us to achieve 20% female representation in the Board of Directors in Denmark will also help us achieving this goal. In addition, the following is done: Aim at presenting at least 50% female candidates for every white-collar position and actively promote our apprenticeship programs to female students so Otis A/S can invest in female representation in field management.

In 2022/23 we have had the focus on diversity and were able to say welcome to 2 female managers in Otis. The focus in the hiring process will continue.

At OTIS A/S in Denmark our total number of employees are 226 at the end of the year. There are no females among the 150 technicians but included in the total 76 the G&A functions are 15 women which is 19,7%.

Our local management team consists of 12 members of this is 2 women which is 16,7%

Data Ethics

Otis A/S aims to be transparent about the data we use by documenting how we collect it, why we collect it and how we process the data where a risk of ethical considerations is relevant. Clear and transparent global data management policies regarding systems that use data is a key element of ethical behavior.

Otis is committed to maintaining levels of protection of data aligned to best practices in the industry which, as a minimum, comply with the requirements of the applicable legislation and Otis's contractual obligations. However, being a company with a strong ethical commitment, Otis also regards ethical use of data being more than just legally compliant. In this way Otis recognizes the importance of ethical considerations when it comes to the use of any type of data (personal as non-personal) and therefore endeavors to bring awareness of the topic in the organization.

OTIS A/S in Denmark follows the global policies regarding data ethics. The program is distributed through our homepage and several training sessions on a yearly basis. The policies contain every sort of data related to customers, suppliers and employees. The policies are implemented at all necessary levels in Otis A/S.

Foreign subsidiaries

Otis A/S has subsidiaries in Norway represented in Oslo and several big cities in Norway.

Subsequent events

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

Income statement 1 December 2022 - 30 November 2023

	Note	2022/23	2021/22
		DKK	DKK
Revenue	3	432,448,976	375,720,371
Production expenses	4	-379,747,782	-358,353,456
Gross profit		**52,701,194**	**17,366,915**
Distribution expenses	4	-3,945,439	-9,654,431
Administrative expenses	4	-60,006,408	-58,882,289
Operating profit/loss		**-11,250,653**	**-51,169,805**
Other operating expenses		0	-1,469,829
Profit/loss before financial income and expenses		**-11,250,653**	**-52,639,634**
Income from investments in subsidiaries		9,965,357	8,518,028
Financial income	5	319,764	20,081
Financial expenses	6	-5,337,687	-933,067
Profit/loss before tax		**-6,303,219**	**-45,034,592**
Tax on profit/loss for the year	7	1,662,126	11,612,999
Net profit/loss for the year	8	**-4,641,093**	**-33,421,593**

Balance sheet 30 November 2023

Assets

	Note	2022/23	2021/22
		DKK	DKK
Acquired licenses		8,409,405	9,638,375
Goodwill		2,865,128	3,943,168
Intangible assets	9	**11,274,533**	**13,581,543**
Other fixtures and fittings, tools and equipment		393,837	720,692
Property, plant and equipment in progress		79,010	0
Property, plant and equipment	10	**472,847**	**720,692**
Investments in subsidiaries	11	61,200,235	58,736,661
Deposits	12	385,107	356,534
Fixed asset investments		**61,585,342**	**59,093,195**
Fixed assets		**73,332,722**	**73,395,430**
Raw materials and consumables		1,116,798	4,103,685
Inventories		**1,116,798**	**4,103,685**
Trade receivables		89,990,728	45,724,371
Contract work in progress	13	50,545,828	103,367,176
Receivables from group enterprises		23,287,849	8,379,039
Other receivables		691,058	1,265,967
Deferred tax asset	14	12,554,872	9,345,747
Corporation tax		1,634,000	2,801,015
Prepayments	15	2,285,215	2,582,596
Receivables		**180,989,550**	**173,465,911**
Current assets		**182,106,348**	**177,569,596**
Assets		**255,439,070**	**250,965,026**

Balance sheet 30 November 2023

Liabilities and equity

	Note	2022/23	2021/22
		DKK	DKK
Share capital		10,000,000	10,000,000
Revaluation reserve		0	0
Retained earnings		-13,198,451	-1,055,575
Equity		**-3,198,451**	**8,944,425**
Other provisions	16	7,004,227	15,640,104
Provisions		**7,004,227**	**15,640,104**
Payables to group enterprises		170,349,889	134,292,870
Long-term debt	17	**170,349,889**	**134,292,870**
Trade payables		24,232,981	21,809,369
Contract work in progress	13	22,148,589	18,207,961
Payables to group enterprises	17	8,155,569	29,212,211
Other payables		23,590,611	19,436,217
Deferred income	18	3,155,655	3,421,869
Short-term debt		**81,283,405**	**92,087,627**
Debt		**251,633,294**	**226,380,497**
Liabilities and equity		**255,439,070**	**250,965,026**

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Statement of changes in equity

	Share capital	Revaluation reserve	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 December	10,000,000	1,043,850	-2,099,425	8,944,425
Net effect of correction of material misstatements	0	-1,043,850	1,043,850	0
Adjusted equity at 1 December	10,000,000	0	-1,055,575	8,944,425
Exchange adjustments	0	0	-7,501,783	-7,501,783
Net profit/loss for the year	0	0	-4,641,093	-4,641,093
Equity at 30 November	**10,000,000**	**0**	**-13,198,451**	**-3,198,451**

The net effect of correction of material misstatements relates to exchange rate adjustments of investments in subsidiaries measured in accordance equity method, where the subsidiary has a net negative value adjustment. The correction has no impact on the income statement or total equity.

Notes to the Financial Statements

1. Capital resources

As of 30 November 2023, the Company's equity is negative by DKK -3,198,451. The negative equity is due to major loses occurred in 2021/22 and 2022/23 and is primarily related to loses on one major projekt (Metro Copenhagen) as well as significant negative impact from exchange rate adjustment of the investments in the subsidiary in Norway, which have had an impact of DKK 7,501,783 in 2022/23.

Management expects to re-establish the Company's capital via normal operations, by cash contribution or by a combination hereof.

As of 30 November 2023, the Company's current assets exceeds its short-term debt by DKK 100,822,943, and in addition, the Company has an opportunity to draw additional DKK 29.6 million on the Group's credit facility. Furthermore, the Company has received a Letter of Support from its Parent Company, OTIS Worldwide Corporation securing the ability to continue as a going concern. The Letter of Support expires 12 months from the signing date of this Annual Report. Thus, Management expect that the Company will be able to pay its debt as it falls due.

2. Uncertainty relating to recognition and measurement

Otis A/S has some degree of uncertainty in relation to the recognition and measurement of ongoing contracts. The loss provision booked last year for the Metro project was reduced to DKK 3 million as the cost incurred and losses already recognized in P&L. Please refer to note 16 for further information.

Otis A/S is also taking part in ongoing cases where the claims raised against the Company could potentially be reduced or waived. Please refer to note 19 for further information.

3. Revenue

	2022/23	2021/22
	DKK	DKK
Geographical segments		
Revenue, Denmark	432,448,976	375,720,371
	432,448,976	**375,720,371**
Business segments		
New Equipment	187,443,774	169,679,063
Service	245,005,202	206,041,308
	432,448,976	**375,720,371**

The Company's activitites are located in Denmark. The company sells, installs and services elevators and escalators.

Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK

4. Staff

	2022/23 DKK	2021/22 DKK
Wages and salaries	146,797,295	136,105,833
Pensions	14,195,796	12,266,173
Other social security expenses	514,628	493,350
Other staff expenses	4,022,836	4,436,413
	165,530,555	**153,301,769**
Including remuneration to the Executive Board	**2,423,381**	**2,690,370**
Average number of employees	**227**	**217**

5. Financial income

	2022/23 DKK	2021/22 DKK
Other financial income	283,658	20,081
Exchange adjustments	36,106	0
	319,764	**20,081**

6. Financial expenses

	2022/23 DKK	2021/22 DKK
Interest paid to group enterprises	5,069,839	468,912
Other financial expenses	267,848	134,140
Exchange loss	0	330,015
	5,337,687	**933,067**

7. Income tax expense

	2022/23 DKK	2021/22 DKK
Deferred tax for the year	-3,209,125	-11,622,604
Adjustment of tax concerning previous years	1,546,999	9,605
	-1,662,126	**-11,612,999**

Notes to the Financial Statements

		2022/23	2021/22
		DKK	DKK
8.	**Profit allocation**		
	Retained earnings	-4,641,093	-33,421,593
		-4,641,093	**-33,421,593**

9. Intangible fixed assets

	Acquired licenses	Goodwill
	DKK	DKK
Cost at 1 December	12,471,887	10,506,233
Cost at 30 November	12,471,887	10,506,233
Impairment losses and amortisation at 1 December	2,833,512	6,563,065
Amortisation for the year	1,228,970	1,078,040
Impairment losses and amortisation at 30 November	4,062,482	7,641,105
Carrying amount at 30 November	**8,409,405**	**2,865,128**
Amortised over	10 years	10-11 years

10. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK
Cost at 1 December	2,793,209	0
Additions for the year	129,519	79,010
Cost at 30 November	2,922,728	79,010
Impairment losses and depreciation at 1 December	2,072,317	0
Depreciation for the year	456,574	0
Impairment losses and depreciation at 30 November	2,528,891	0
Carrying amount at 30 November	**393,837**	**79,010**
Amortised over	3-10 years	

Notes to the Financial Statements

11. Investments in subsidiaries

	2022/23	2021/22
	DKK	DKK
Cost at 1 December	185,773,405	185,773,405
Cost at 30 November	185,773,405	185,773,405
Value adjustments at 1 December	-127,036,744	-135,459,545
Exchange adjustment	-7,501,783	-95,227
Net profit/loss for the year	13,031,917	11,959,912
Amortisation of goodwill	-3,590,387	-4,029,824
Other adjustments	523,827	587,940
Value adjustments at 30 November	-124,573,170	-127,036,744
Carrying amount at 30 November	**61,200,235**	**58,736,661**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes	Ownership
Otis AS	Norway	NOK 6.600.000	100%	100%

12. Other fixed asset investments

	Deposits
	DKK
Cost at 1 December	356,534
Additions for the year	28,573
Cost at 30 November	385,107
Carrying amount at 30 November	**385,107**

Notes to the Financial Statements

13. Contract work in progress

	2022/23	2021/22
	DKK	DKK
Selling price of work in progress	312,075,330	284,183,205
Payments received on account	-283,678,091	-199,023,990
	28,397,239	**85,159,215**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	50,545,828	103,367,176
Prepayments received recognised in debt	-22,148,589	-18,207,961
	28,397,239	**85,159,215**

14. Deferred tax asset

	2022/23	2021/22
	DKK	DKK
Deferred tax asset at 1 December	9,345,747	-2,276,857
Amounts recognised in the income statement for the year	3,209,125	11,622,604
Deferred tax asset at 30 November	**12,554,872**	**9,345,747**
Intangible assets	2,393,512	2,814,168
Property, plant and equipment	-286,769	-186,366
Trade receivables	-2,067,747	-1,822,175
Contract work in progress	-5,016,589	-3,289,650
Provisions	-2,207,359	-1,317,246
Tax loss carry-forward	-5,369,920	-5,544,478
Transferred to deferred tax assets	12,554,872	9,345,747
	0	**0**
Deferred tax asset		
The deferred tax asset relates to losses in subsidiaries		
Calculated tax assets	12,554,872	9,345,747
Carrying amount	**12,554,872**	**9,345,747**

Deferred tax has been provided at 22% corresponding to the current tax rate.

The Company has had negative income before tax in both 2021/22 and for 2022/23. The negative results is primarily related to losses on one significant project and payments of labour taxes. Due to finalising of the project by mid-2024, Management does not expect significant losses going forward, and assumes that the recognised tax losses will be utilised within 3-5 years. Consequently, Management has assessed that there are no need for write down of the deferred tax assets and that the tax asset is fairly stated.

Notes to the Financial Statements

15. Prepayments

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

16. Other provisions

	2022/23	2021/22
	DKK	DKK
Warranty Provisions	3,449,532	687,150
Provision for loss on construction contracts	2,270,695	14,952,954
Other provisions	1,284,000	0
	7,004,227	**15,640,104**

The provisions are expected to mature as follows:		
Provisions falling due after 5 years	0	0
	0	**0**

The Company provides a 1 to 5 year warranty on certain products and undertakes to repair or replace items that are not satisfactory. Other provisions have been recognized for expected warranty claims, which have been calculated on the basis of past experience regarding the level of repairs.

17. Long-term debt

	2022/23	2021/22
	DKK	DKK

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022/23	2021/22
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	170,349,889	134,292,870
Long-term part	170,349,889	134,292,870
Other short-term debt to group enterprises	8,155,569	29,212,211
	178,505,458	**163,505,081**

18. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

19. Contingent assets, liabilities and other financial obligations

	2022/23	2021/22
	DKK	DKK
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	8,726,610	8,216,317
Between 1 and 5 years	13,787,478	12,840,492
	22,514,088	**21,056,809**

Contingent assets

On the balance sheet date, the Company has an ongoing case in the National Tax Tribunal after having appealed the decision from the Danish Tax Agency regarding non-withholding of tax for foreign subcontractors (labour taxes) for the period 2014-2018 and 2018-2020. The management disagrees with the Danish Tax Agency's decision and maintains the principle view that there is no basis for an assumption that there is an employment relationship, or in the alternative, that the claim must be reduced in relation to the actual salary payments. The company has expensed the entire claim in previous year of TDKK 11,747 regarding 2014-2018 and TDKK 5,287 regarding 2018-2020. A receivable have not been recognized in the financial statements as Management cannot measure the expected outcome of the case reliably.

In 2023, the tax authorities has initiated a control for the years 2021-2022, and the result of this control are still pending.

Notes to the Financial Statements

20. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Otis Wordwide Corporation 1 Carrier Place Farmington, CT 06032 USA	Controlling parent
Alder Holding SAS, c/o Otis France Tour Défense Plaza 23-27, Rue Delarivière Lefoullon 92800 Puteaux, France	Parent

Transactions

Transactions with related parties have not been disclosed for in accordance with section 98 C(7) of the Danish Financial Statements Act as there have been no transactions with related parties, which have not been effected at arm's length.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Otis Worldwide Corporation	USA

The Group Annual Report of Otis Worldwide Corporation may be obtained at the following address:

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

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

Otis Worldwide Corporation
1 Carrier Place
Farmington, CT 06032 USA

21. Fee to auditors appointed at the general meeting

	2022/23 DKK	2021/22 DKK
PricewaterhouseCoopers		
Audit fee	695,000	450,000
Tax advisory services	40,000	40,000
Non-audit services	95,000	90,000
	830,000	**580,000**

Notes to the Financial Statements

22. Subsequent events

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

Notes to the Financial Statements

23. Accounting policies

The Annual Report of OTIS A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022/23 are presented in DKK.

Correction of material misstatements

Correction of material misstatements relates to exchange rate adjustments of investments in subsidiaries measured in accordance with the equity method, where the exchange rate adjustment of the investment has been booked as a reserve despite the subsidiary has a net negative value adjustment. The correction has no impact on the income statement or total equity but is only a reclassification within the Equity between reserves for fair value adjustments and retained earnings.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022/23 of Otis Worldwide Corporation, 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 Otis Worldwide Corporation, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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 described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

Revenue

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Revenue

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

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

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service 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 service.

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

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management.

Cost of sales also includes provisions for losses on contract work.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Notes to the Financial Statements

Other operating income and expenses

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

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 comprise interest, realised and unrealised exchange adjustments.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Balance sheet

Intangible fixed assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at year.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding year.

Depreciation period and residual value are reassessed annually.

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3-10 years

The fixed assets' residual values are determined at nil.

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.

Notes to the Financial Statements

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

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.

Other fixed asset investments

Other fixed asset investments consist of rent deposit.

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 and costs of completion. 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.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Contract work in progress

Contract work in progress regarding service 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.

Notes to the Financial Statements

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.

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 1 year. 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 liabilities

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit/loss of ordinary primary operations x 100 / Revenue
Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity