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HYTOR A/S
Guldborgsundvej 1
6705 Esbjerg Ø
Business Registration No
33943717

Annual report 01.05.2018 - 31.12.2018

The Annual General Meeting adopted the annual report on 17.04.2019

Chairman of the General Meeting

____

Name: Henrik Larsen

Contents

Entity details

Entity
HYTOR A/S
Guldborgsundvej 1
6705 Esbjerg Ø

Central Business Registration No (CVR): 33943717
Registered in: Esbjerg
Financial year: 01.05.2018 - 31.12.2018

Board of Directors
John Hansen
Niels Grening Langerhuus
Niels Kristensen

Executive Board
Niels Grening Langerhuus, chief executive officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of HYTOR A/S for the financial year 01.05.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.05.2018 - 31.12.2018.

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

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

Esbjerg, 17.04.2019

Executive Board

Niels Grening Langerhuus
chief executive officer

Board of Directors

John Hansen	Niels Grening Langerhuus	Niels Kristensen

Independent auditor's report

To the shareholders of HYTOR A/S

Opinion

We have audited the financial statements of HYTOR A/S for the financial year 01.05.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.05.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

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

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

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

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

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

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

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

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

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

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

Independent auditor's report

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

Esbjerg, 17.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Harbo Andersen
State Authorised Public Accountant
Identification No (MNE) mne19699

Management commentary

	2018 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights					
Key figures					
Gross profit	16,730	36,068	31,010	31,897	46,122
Operating profit/loss	(483)	3,381	3,865	3,538	15,800
Net financials	681	908	918	151	(111)
Profit/loss for the year	611	3,332	3,707	2,837	11,962
Total assets	68,921	56,172	60,001	54,938	72,964
Investments in property, plant and equipment	2,998	5,551	912	4,540	3,293
Equity	31,440	33,829	33,497	32,790	36,953
Average invested capital incl goodwill	38,806	35,618	32,944	38,054	40,091
Net interest-bearing debt	15,445	2,536	6,181	0	13,218
Ratios					
Return on invested capital incl goodwill (%)	(0.4)	10.8	9.3	9.3	39.4
Financial gearing (%)	0.5	0.1	0.2	0.0	0.4
Return on equity (%)	1.9	9.9	11.2	8.1	34.7
Equity ratio (%)	45.6	60.2	55.8	59.7	50.6

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

Ratios	Calculation formula	Calculation formula reflects
Return on invested capital incl goodwill (%)	$\frac{\text{EBITA x 100}}{\text{Average invested capital incl goodwill}}$	The return generated by the entity on the investors' funds.
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The entity's financial gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation and impairment losses for intangible assets including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses for goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Management commentary

Primary activities
The entity develops and constructs individual solutions, furthermore sale/service and rental of equipment for the industry of oil and gas, wind turbines and industrial segments.

Development in activities and finances
In 2018 the entity realized a profit of 611 t.DKK against a profit of 3,332 t.DKK in 2017/18. The result is unsatisfactorily.

The profit of the financial period is affected by change of the financial year. This financial year represents the period 1st of May to 31st of December.

The equity of the entity amounts to 31,440 t.DKK at the 31st of December 2018.

Outlook
The company expect a better result for 2019, compared to 2018.

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

Income statement for 2018

	Notes	2018 DKK'000	2017/18 DKK'000
Gross profit		**16,730**	**36,068**
Staff costs	1	(15,841)	(27,839)
Depreciation, amortisation and impairment losses	2	(1,150)	(4,561)
Other operating expenses		(222)	(287)
Operating profit/loss		**(483)**	**3,381**
Income from investments in group enterprises		282	51
Other financial income	3	524	1,091
Other financial expenses	4	(125)	(234)
Profit/loss before fair value adjustments and tax		**198**	**4,289**
Fair value adjustment of investment properties		516	0
Profit/loss before tax		**714**	**4,289**
Tax on profit/loss for the year	5	(103)	(957)
Profit/loss for the year	6	**611**	**3,332**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Acquired intangible assets		2,517	2,848
Intangible assets	7	**2,517**	**2,848**
Investment property		8,516	8,000
Other fixtures and fittings, tools and equipment		7,337	7,137
Property, plant and equipment	8	**15,853**	**15,137**
Investments in group enterprises		1,560	778
Other receivables		1,650	1,650
Fixed asset investments	9	**3,210**	**2,428**
Fixed assets		**21,580**	**20,413**
Work in progress		9,392	959
Manufactured goods and goods for resale		15,178	14,697
Inventories		**24,570**	**15,656**
Trade receivables		14,736	13,448
Receivables from group enterprises		4,674	4,982
Prepayments	10	148	241
Receivables		**19,558**	**18,671**
Cash		**3,213**	**1,432**
Current assets		**47,341**	**35,759**
Assets		**68,921**	**56,172**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Contributed capital		5,000	5,000
Reserve for net revaluation according to the equity method		60	0
Retained earnings		26,380	25,829
Proposed dividend		0	3,000
Equity		**31,440**	**33,829**
Deferred tax	11	1,301	1,647
Other provisions	12	278	510
Provisions		**1,579**	**2,157**
Mortgage debt		4,017	4,193
Joint taxation contribution payable		449	0
Non-current liabilities other than provisions	13	**4,466**	**4,193**
Current portion of long-term liabilities other than provisions	13	262	260
Bank loans		14,250	951
Trade payables		8,389	4,610
Payables to group enterprises		4,354	2,432
Joint taxation contribution payable		0	1,114
Other payables		4,181	6,626
Current liabilities other than provisions		**31,436**	**15,993**
Liabilities other than provisions		**35,902**	**20,186**
Equity and liabilities		**68,921**	**56,172**

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Statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	5,000	0	25,829	3,000
Ordinary dividend paid	0	0	0	(3,000)
Profit/loss for the year	0	60	551	0
Equity end of year	**5,000**	**60**	**26,380**	**0**

	Total DKK'000
Equity beginning of year	33,829
Ordinary dividend paid	(3,000)
Profit/loss for the year	611
Equity end of year	**31,440**

Cash flow statement for 2018

	Notes	2018 DKK'000	2017/18 DKK'000
Operating profit/loss		(483)	3,380
Amortisation, depreciation and impairment losses		1,150	4,560
Other provisions		(232)	(135)
Working capital changes	14	(8,775)	4,813
Cash flow from ordinary operating activities		**(8,340)**	**12,618**
Financial income received		524	1,086
Financial income paid		(125)	(229)
Income taxes refunded/(paid)		(1,114)	(612)
Cash flows from operating activities		**(9,055)**	**12,863**
Acquisition etc of intangible assets		0	(363)
Acquisition etc of property, plant and equipment		(2,998)	(5,353)
Sale of property, plant and equipment		1,979	0
Acquisition of fixed asset investments		(500)	0
Cash flows from investing activities		**(1,519)**	**(5,716)**
Repayments of loans etc		(174)	(262)
Incurrence of debt to associates		2,230	2,620
Dividend paid		(3,000)	(3,000)
Cash flows from financing activities		**(944)**	**(642)**
Increase/decrease in cash and cash equivalents		**(11,518)**	**6,505**
Cash and cash equivalents beginning of year		481	(6,024)
Cash and cash equivalents end of year		**(11,037)**	**481**
Cash and cash equivalents at year-end are composed of:			
Cash		3,213	1,432
Short-term debt to banks		(14,250)	(951)
Cash and cash equivalents end of year		**(11,037)**	**481**

Notes

	2018 DKK'000	2017/18 DKK'000
1. Staff costs		
Wages and salaries	14,234	25,452
Pension costs	1,171	1,891
Other social security costs	202	418
Other staff costs	234	78
	15,841	**27,839**
Average number of employees	**53**	**56**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017/18 DKK'000
Total amount for management categories	799	1,459
	799	**1,459**

	2018 DKK'000	2017/18 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	331	483
Depreciation of property, plant and equipment	1,695	4,078
Profit/loss from sale of intangible assets and property, plant and equipment	(876)	0
	1,150	**4,561**

	2018 DKK'000	2017/18 DKK'000
3. Other financial income		
Financial income arising from group enterprises	74	155
Other financial income	450	936
	524	**1,091**

Notes

	2018 DKK'000	2017/18 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	66	76
Other interest expenses	37	158
Other financial expenses	22	0
	125	**234**

	2018 DKK'000	2017/18 DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax	(346)	(157)
Refund in joint taxation arrangement	449	1,114
	103	**957**

	2018 DKK'000	2017/18 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	3,000
Transferred to reserve for net revaluation according to the equity method	60	0
Retained earnings	551	332
	611	**3,332**

	Acquired intangible assets DKK'000
7. Intangible assets	
Cost beginning of year	3,478
Cost end of year	**3,478**
Amortisation and impairment losses beginning of year	(630)
Amortisation for the year	(331)
Amortisation and impairment losses end of year	**(961)**
Carrying amount end of year	**2,517**

Notes

	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment		
Cost beginning of year	8,000	19,103
Additions	0	2,998
Disposals	0	(3,357)
Cost end of year	**8,000**	**18,744**
Revaluations for the year	516	0
Revaluations end of year	**516**	**0**
Depreciation and impairment losses beginning of year	0	(11,966)
Depreciation for the year	0	(1,695)
Reversal regarding disposals	0	2,254
Depreciation and impairment losses end of year	**0**	**(11,407)**
Carrying amount end of year	**8,516**	**7,337**

The investment property comprises an industrial building located in Esbjerg. Investment property is measured at fair value, in accordance with accounting policies. The fair value is determined by applying the return-based model using the expected cash flow from the property. The return-rate used in the model is 7,75% in 2018. For further information please see description in accounting policies. A increase on the return-rate by 0,25% would reduce the fair value by 266 tDKK.

Notes

	Investments in group enterprises DKK'000	Other receivables DKK'000
9. Fixed asset investments		
Cost beginning of year	1,000	1,650
Additions	500	0
Cost end of year	**1,500**	**1,650**
Impairment losses beginning of year	(222)	0
Share of profit/loss for the year	282	0
Impairment losses end of year	**60**	**0**
Carrying amount end of year	**1,560**	**1,650**

	Registered in	Corporate form	Equity interest %
Investments in group enterprises comprise:			
HYTOR Oil & Gas Solutions A/S	Esbjerg	A/S	100.0
HYTOR Fluid Solutions A/S	Esbjerg	A/S	100.0

10. Prepayments

Prepayments contain insureance etc. paid in advance.

Notes

	2018 DKK'000	2017/18 DKK'000
11. Deferred tax		
Intangible assets	554	626
Property, plant and equipment	792	859
Inventories	0	237
Receivables	32	53
Provisions	(61)	(112)
Liabilities other than provisions	(16)	(16)
	1,301	**1,647**

Changes during the year	
Beginning of year	1,647
Recognised in the income statement	(346)
End of year	**1,301**

12. Other provisions

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

	Due within 12 months 2018 DKK'000	Due within 12 months 2017/18 DKK'000	Due after more than 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Mortgage debt	262	260	4,017	2,954
Joint taxation contribution payable	0	0	449	0
	262	**260**	**4,466**	**2,954**

	2018 DKK'000	2017/18 DKK'000
14. Change in working capital		
Increase/decrease in inventories	(8,914)	659
Increase/decrease in receivables	(1,195)	5,412
Increase/decrease in trade payables etc	1,334	(1,258)
	(8,775)	**4,813**

Notes

15. Financial instruments

As part of hedging-recognised receivables and liabilities, as well as future sales and purchases, the Company uses hedging instruments by way of forward exchance contracts. The contract value of the USD/DKK hedging is 25,670 tkr. And the period is between 0-12 months. The hedging concerns future sales. The forward exchange contracts have been concluded with the Company’s usual banker.

	2018 DKK'000	2017/18 DKK'000
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**1,359**	**793**
Liabilities under rental agreements or leases with group enterprises until expiry	**39,397**	**40,112**

17. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Grening Holding ApS, Varde serves as the administration company. According to the joint taxation provi-sions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is 8,516 tDKK.

19. Related parties with controlling interest

Grening Holding ApS, Denmark owns all the shares and thus controls the Company.

20. Transactions with related parties

Only non-arm’s length transactions with related parties are disclosed in the financial statements. Alle related party transactions carried out during the financial year have been made on an arm’s length basis.

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Grening Holding ApS, Varde
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Grening Holding ApS, Varde

Accounting policies

Reporting class

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

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

Non-comparability

The entity has changed financial year from 1st of May to 30th of April to 1st of January to 31st of December. As a result this financial year represents the period 1st og May 2018 to 31st of December 2018. The comparative figures have not been modified for which reason the comparative figures are non-comparabel.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

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

Accounting policies

Revenue

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

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

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

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

Other financial income

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

Accounting policies

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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

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

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Software	3-7 years

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

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset’s fair value and present value of future lease payments.

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

Other fixtures and fittings, tools and equipment	3-10 years
Rental equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

Accounting policies

Investment property
On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by applying the yield-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required yield rate that reflects current market yield rates for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

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

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

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

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

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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

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

Accounting policies

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

Cash
Cash comprises cash in hand and bank deposits.

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

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

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

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

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

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

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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

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

Accounting policies

Joint taxation contributions payable or receivable
Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax.

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

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

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

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

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