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Hytor A/S

Guldborgsundvej 1
6705 Esbjerg Ø
Central Business Registration No
33943717

Annual report 2016/17

The Annual General Meeting adopted the annual report on 16.08.2017

Chairman of the General Meeting

____

Name: Henrik Larsen

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Entity details

Entity
Hytor A/S
Guldborgsundvej 1
6705 Esbjerg Ø

Central Business Registration No: 33943717
Registered in: Esbjerg
Financial year: 01.05.2016 - 30.04.2017

Phone: 79130000
E-mail: info@hytor.com

Board of Directors
John Hansen, chairman
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 01.05.2016 - 30.04.2017.

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 30.04.2017 and of the results of its operations and cash flows for the financial year 01.05.2016 - 30.04.2017.

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, 16.08.2017

Executive Board

Niels Grening Langerhuus
chief executive officer

Board of Directors

John Hansen chairman	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 01.05.2016 - 30.04.2017, 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 30.04.2017 and of the results of its operations and cash flows for the financial year 01.05.2016 - 30.04.2017 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.

Independent auditor's report

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

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

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

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

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

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

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

Independent auditor's report

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.

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, 16.08.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Henrik Harbo Andersen
State Authorised Public Accountant

Management commentary

	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000	2012/13 DKK'000
Financial highlights					
Key figures					
Gross profit	30,737	31,897	46,122	42,162	40,388
Operating profit/loss	3,865	3,538	15,800	16,064	16,890
Net financials	918	151	(111)	572	676
Profit/loss for the year	3,707	2,837	11,962	12,646	13,147
Total assets	60,197	55,371	72,964	59,944	54,414
Investments in property, plant and equipment	912	4,540	3,293	1,695	3,419
Equity	33,497	32,790	36,953	31,991	26,345
Average invested capital incl goodwill	32,944	38,054	40,091	31,980	28,539
Interest bearing debt, net	6,181	0	13,218	669	4,954
Ratios					
Return on invested capital incl goodwill (%)	12.2	9.3	39.4	50.2	59.3
Financial gearing (%)	0.2	0.0	0.4	0.0	0.2
Return on equity (%)	11.2	8.1	34.7	43.4	63.5
Equity ratio (%)	55.6	59.2	50.6	53.4	48.4

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

Ratios	**Calculation formula**	**Ratios**
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	$\frac{\text{Interest bearing debt, net}}{\text{Equity}}$	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 of and impairment losses relating to 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 relating to 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 2016/17, the entity realized a profit of 3,707 t.DKK against a profit of 2,837 t.DKK in 2015/16. The result is satisfactorily.

The equity of the entity amount to 33,497 t.DKK at the 30th of April 2017.

Outlook

In 2017/18, the executive board expects the entity will achive a positive result.

Events after the balance sheet date

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

Income statement for 2016/17

	Notes	2016/17 DKK'000	2015/16 DKK'000
Gross profit		**30,737**	**31,897**
Staff costs	1	(23,884)	(26,419)
Depreciation, amortisation and impairment losses	2	(2,657)	(1,940)
Other operating expenses		(331)	0
Operating profit/loss		**3,865**	**3,538**
Income from investments in group enterprises		(24)	(249)
Other financial income	3	1,171	722
Other financial expenses	4	(229)	(322)
Profit/loss before tax		**4,783**	**3,689**
Tax on profit/loss for the year	5	(1,076)	(852)
Profit/loss for the year	6	**3,707**	**2,837**

Balance sheet at 30.04.2017

	Notes	2016/17 DKK'000	2015/16 DKK'000
Acquired intangible assets		2,968	576
Intangible assets	7	**2,968**	**576**
Land and buildings		8,000	8,384
Other fixtures and fittings, tools and equipment		5,861	7,081
Property, plant and equipment	8	**13,861**	**15,465**
Investments in group enterprises		727	751
Other receivables		1,650	1,650
Fixed asset investments	9	**2,377**	**2,401**
Fixed assets		**19,206**	**18,442**
Work in progress		4,605	330
Manufactured goods and goods for resale		11,709	10,058
Inventories		**16,314**	**10,388**
Trade receivables		18,779	14,060
Contract work in progress		0	1,488
Receivables from group enterprises		5,341	10,361
Other receivables		163	48
Joint taxation contribution receivable		0	433
Prepayments	10	159	106
Receivables		**24,442**	**26,496**
Cash		**235**	**45**
Current assets		**40,991**	**36,929**
Assets		**60,197**	**55,371**

Balance sheet at 30.04.2017

	Notes	2016/17 DKK'000	2015/16 DKK'000
Contributed capital		5,000	5,000
Retained earnings		25,497	24,790
Proposed dividend		3,000	3,000
Equity		**33,497**	**32,790**
Deferred tax	11	1,804	1,340
Other provisions	12	645	480
Provisions		**2,449**	**1,820**
Mortgage debts		4,453	4,715
Non-current liabilities other than provisions	13	**4,453**	**4,715**
Current portion of long-term liabilities other than provisions	13	262	256
Bank loans		6,259	4,065
Trade payables		5,720	4,905
Payables to group enterprises		171	0
Joint taxation contribution payable		612	0
Other payables		6,774	6,820
Current liabilities other than provisions		**19,798**	**16,046**
Liabilities other than provisions		**24,251**	**20,761**
Equity and liabilities		**60,197**	**55,371**
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Mortgages and securities	17		
Transactions with related parties	18		
Group relations	19		

Statement of changes in equity for 2016/17

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	5,000	24,790	3,000	32,790
Ordinary dividend paid	0	0	(3,000)	(3,000)
Profit/loss for the year	0	707	3,000	3,707
Equity end of year	**5,000**	**25,497**	**3,000**	**33,497**

Cash flow statement 2016/17

	Notes	2016/17 DKK'000	2015/16 DKK'000
Operating profit/loss		3,865	3,538
Amortisation, depreciation and impairment losses		2,657	1,940
Other provisions		165	(1,005)
Working capital changes	14	(8,556)	22,049
Cash flow from ordinary operating activities		**(1,869)**	**26,522**
Financial income received		1,171	722
Financial income paid		(229)	(322)
Income taxes refunded/(paid)		433	(4,413)
Cash flows from operating activities		**(494)**	**22,509**
Acquisition etc of intangible assets		(2,540)	(576)
Acquisition etc of property, plant and equipment		(912)	(4,540)
Sale of property, plant and equipment		7	519
Loans		0	(10,361)
Cash flows from investing activities		**(3,445)**	**(14,958)**
Instalments on loans etc		(256)	(170)
Incurrence of debt to group enterprises		5,191	0
Repayment of debt to group enterprises		0	(1,004)
Dividend paid		(3,000)	(7,000)
Cash flows from financing activities		**1,935**	**(8,174)**
Increase/decrease in cash and cash equivalents		**(2,004)**	**(623)**
Cash and cash equivalents beginning of year		(4,020)	(3,397)
Cash and cash equivalents end of year		**(6,024)**	**(4,020)**
Cash and cash equivalents at year-end are composed of:			
Cash		235	45
Short-term debt to banks		(6,259)	(4,065)
Cash and cash equivalents end of year		**(6,024)**	**(4,020)**

Notes

	2016/17 DKK'000	2015/16 DKK'000
1. Staff costs		
Wages and salaries	21,791	23,534
Pension costs	1,650	2,404
Other social security costs	443	481
	23,884	**26,419**
Average number of employees	**52**	**55**

	Remuneration of management 2016/17 DKK'000	Remuneration of management 2015/16 DKK'000
Total amount for management categories	1,476	1,394
	1,476	**1,394**

	2016/17 DKK'000	2015/16 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	148	0
Depreciation of property, plant and equipment	2,516	2,040
Profit/loss from sale of intangible assets and property, plant and equipment	(7)	(100)
	2,657	**1,940**

	2016/17 DKK'000	2015/16 DKK'000
3. Other financial income		
Financial income arising from group enterprises	210	96
Interest income	0	9
Other financial income	961	617
	1,171	**722**

Notes

	2016/17 DKK'000	2015/16 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	0	10
Interest expenses	158	144
Exchange rate adjustments	71	86
Other financial expenses	0	82
	229	**322**

	2016/17 DKK'000	2015/16 DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax for the year	464	548
Adjustment concerning previous years	0	13
Refund in joint taxation arrangement	612	291
	1,076	**852**

	2016/17 DKK'000	2015/16 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	3,000	3,000
Retained earnings	707	(163)
	3,707	**2,837**

	Acquired intangible assets DKK'000
7. Intangible assets	
Cost beginning of year	653
Additions	2,540
Disposals	(77)
Cost end of year	**3,116**
Amortisation and impairment losses beginning of year	(77)
Amortisation for the year	(148)
Reversal regarding disposals	77
Amortisation and impairment losses end of year	**(148)**
Carrying amount end of year	**2,968**

Notes

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment		
Cost beginning of year	10,611	13,763
Additions	0	912
Disposals	0	(1,123)
Cost end of year	**10,611**	**13,552**
Revaluations beginning of year	4,686	0
Revaluations end of year	**4,686**	**0**
Depreciation and impairment losses beginning of the year	(6,913)	(6,682)
Depreciation for the year	(384)	(2,132)
Reversal regarding disposals	0	1,123
Depreciation and impairment losses end of the year	**(7,297)**	**(7,691)**
Carrying amount end of year	**8,000**	**5,861**

	Investments in group enterprises DKK'000	Other receivables DKK'000
9. Fixed asset investments		
Cost beginning of year	1,000	1,650
Cost end of year	**1,000**	**1,650**
Impairment losses beginning of year	(249)	0
Share of profit/loss for the year	(24)	0
Impairment losses end of year	**(273)**	**0**
Carrying amount end of year	**727**	**1,650**

Notes

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

10. Prepayments

Prepayments contains insurance etc. paid in advance.

	2016/17 DKK'000	2015/16 DKK'000
11. Deferred tax		
Intangible assets	652	126
Property, plant and equipment	1,123	1,274
Inventories	146	35
Receivables	33	19
Provisions	(142)	(106)
Liabilities other than provisions	(8)	(8)
	1,804	**1,340**

	2016/17 DKK'000
Changes during the year	
Beginning of year	1,340
Recognised in the income statement	464
End of year	**1,804**

12. Other provisions

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

	Instalments within 12 months 2016/17 DKK'000	Instalments within 12 months 2015/16 DKK'000	Instalments beyond 12 months 2016/17 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Mortgage debts	262	256	4,453	3,396
	262	**256**	**4,453**	**3,396**

Notes

	2016/17 DKK'000	2015/16 DKK'000
14. Change in working capital		
Increase/decrease in inventories	(5,926)	3,792
Increase/decrease in receivables	(3,399)	26,972
Increase/decrease in trade payables etc	769	(8,715)
	(8,556)	**22,049**

	2016/17 DKK'000	2015/16 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**518**	**903**
Herof liabilities under rental agreements or leases with group enterprises until expiry	**43,478**	**46,844**

The entity has entered a lease agreement with Ejendomsselskabet 3M ApS. The annual rent is at 3.372 t.DKK. The rent is indexed annually. The lease agreement is interminable until 1th April 2030.

16. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Grening Holding ApS serves as the administration company. According to the joint taxation provisions 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 total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

17. Mortgages and securities

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 8.000 t.DKK.

18. Transactions with related parties

There are no non-arm's length transactions with related parties.

19. Group relations

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.

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.

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

Accounting policies

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

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

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

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 losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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

The Entity is jointly taxed with 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 usefull 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
Land and buildings are measured at cost plus revaluation and what concerns the buildings less accumulated depreciation and impairment losses. Revaluations are measured by regular, independent valuation of the fair value.

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:

Buildings	40 years
Other fixtures and fittings, tools and equipment	3-7 years
Rental equipment	3-5 years

Accounting policies

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.

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

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

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

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.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Accounting policies

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

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

Cash
Cash comprises cash in hand and bank deposits.

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

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

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

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.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Accounting policies

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.

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

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

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

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

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

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