
Ziemann Holvrieka A/S

Kulholmsvej 24, DK-8930 Randers NØ

Annual Report for 1 January - 31 December 2017

CVR No 58 97 69 11

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/5 2018

Ko Roelof Reint Brink
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ziemann Holvrieka A/S for the financial year 1 January - 31 December 2017.

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

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

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.

Randers, 30 May 2018

Executive Board

Bo Mortensen
Managing Director

Board of Directors

Ko Roelof Reint Brink
Chairman

Arend Muggen

Bo Mortensen

Independent Auditor's Report

To the Shareholder of Ziemann Holvrieka A/S

Opinion

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

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

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

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.

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

Independent Auditor's Report

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.

Aarhus, 30 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Michael Nielsson
statsautoriseret revisor
mne15151

Peter Ulrik Faurschou
statsautoriseret revisor
mne34502

Company Information

The Company

Ziemann Holvrieka A/S
Kulholmsvej 24
DK-8930 Randers NØ

CVR No: 58 97 69 11
Financial period: 1 January - 31 December
Municipality of reg. office: Randers

Board of Directors

Ko Roelof Reint Brink, Chairman
Arend Muggen
Bo Mortensen

Executive Board

Bo Mortensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

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

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Gross profit/loss	28.675	38.241	38.492	37.812	43.343
Operating profit/loss	-4.786	-3.052	2.530	2.513	6.102
Net financials	648	940	941	1.186	1.388
Net profit/loss for the year	-3.250	-1.546	2.682	2.838	5.612
Balance sheet					
Balance sheet total	57.176	78.051	65.953	58.867	68.900
Equity	27.120	30.370	31.916	29.234	26.396
Cash flows					
Cash flows from:					
- investing activities	-351	-276	-506	-506	-850
Number of employees	61	72	69	69	72
Ratios					
Return on assets	-8,4%	-3,9%	3,8%	4,3%	8,9%
Solvency ratio	47,4%	38,9%	48,4%	49,7%	38,3%
Return on equity	-11,3%	-5,0%	8,8%	10,2%	23,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The major part of the company activities relates to selling tanks to the food and beverage industry as well as sale of process equipment and process lines especially for the brewing industry as well as tanks for the pharmaceutical industry.

Development in the year

The income statement of the Company for 2017 shows a loss of DKK 3,249,768, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 27,120,012.

The operational activities of the company for 2017 did not all reach our own expectations.

Thanks to the incoming orders from 2016 the first quarter - and a little of Q2 - was promising, and we met our budget.

Despite the lack of orders from the brewery segment over Q2 and Q3 the production was held at the same level based on orders from other segments.

The situation on our primary markets Russia, turned out to have a larger negative influence than expected.

The continued sanctions against Russia and the continued blocking of EKF guarantees on the political situation, resulted in the low input of orders from Russia. As a result, we lost two orders in the Q2.

Even with increased sales activities within the non-brewery segment, we did not manage to keep the level.

The order intake throughout most of Q2 and Q3 has been relatively volatile, and in the normal low productive period, which is in the spring.

The sanctions against Russia has kept the RUR at a low level which still makes it difficult for our Russian customers to obtain EUR for new investments. This can be set off against an increased sale of our process optimizing of both brew houses and the cold block.

Foreign exchange risks

Activities abroad involve that the result, cash flow, and equity are influenced by the development in currency and interest rates for a number of currencies. The Company's currency policy is to identify commercial currency risks in excess of EUR. Primarily, the identification takes place through currency forward transactions of specific projects. No speculative currency operations have been concluded.

Management's Review

Know-how resources

A continuous knowledge about the processes in the brewing industry is growing and by virtue hereof products are developed so the Company is less dependent on acting on a stagnant market for tanks with increased competition from our neighbouring countries and Eastern Europe. This process knowledge we extend in cooperation with our sister company Ziemann Holvrieka GmbH as well as our new colleagues from BRIGGS plc. At the same time the Company has succeeded in re-establishing contacts to other segments than the brewing industry.

The Company involves all employees in the process of adapting the Company to meet the challenge in a market where the demands to the suppliers are constantly increasing - both with regards to products, price, quality, and flexibility.

Targets and expectations for the year ahead

Overall, the market is expected to stay at the present level; however, with a minor change in the mix of the product groups. With our cooperation on Group level we expect to increase our market share outside general tank production.

The Company has implemented a number of activities in order to improve the operating result. These activities are primarily in the following areas:

- production technology
- safety in production
- logistic and planning
- flexible employees
- process technology
- quality level

The budget for 2018 shows an expected result before tax of DKK 3,800,000.

Furthermore, 2018 will offer a restructuring which shall ensure a more stable order flow and thereby reduce the risk of the major dive we have seen earlier.

Uncertainty relating to recognition and measurement

The calculation of contract work in progress requires estimates of future events. The estimates used are based on assumptions that the management considers to be reasonable, but which by nature is uncertain and unpredictable as unexpected events or circumstances may arise, which change the basis for applied assumptions. The relationship is further discussed in note 1.

Unusual events

The company has provisioned DKK 4.857.551 for loss on debtors, besides the bad debt provision the financial position at 31 December 2017 of the Company and the results of the activities and cash flows of the Company for the financial year for 2017 have not been affected by any unusual events.

Management's Review

Subsequent events

After the end of the financial year, no incidents of essential importance to the financial year 2017 have occurred.

Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Gross profit/loss		28.674.934	38.241.272
Staff expenses	2	-32.802.367	-40.272.136
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-658.596	-1.020.956
Profit/loss before financial income and expenses		-4.786.029	-3.051.820
Financial income		871.568	1.008.592
Financial expenses	4	-223.857	-68.697
Profit/loss before tax		-4.138.318	-2.111.925
Tax on profit/loss for the year	5	888.550	565.872
Net profit/loss for the year		-3.249.768	-1.546.053

Distribution of profit

Proposed distribution of profit

Retained earnings		-3.249.768	-1.546.053
		-3.249.768	-1.546.053

Balance Sheet 31 December

Assets

	Note	2017 DKK	2016 DKK
Land and buildings		245.223	517.971
Plant and machinery		1.017.648	945.285
Other fixtures and fittings, tools and equipment		13.462	120.235
Property, plant and equipment	6	1.276.333	1.583.491
Fixed assets		1.276.333	1.583.491
Inventories	7	3.915.043	6.314.936
Trade receivables	8	19.513.853	30.830.129
Contract work in progress	9	26.466.891	6.925.252
Receivables from group enterprises		2.889.662	5.802.806
Other receivables		5.611	72.196
Deferred tax asset	12	252.316	0
Corporation tax		602.000	608.000
Prepayments	10	163.799	736.120
Receivables		49.894.132	44.974.503
Cash at bank and in hand		2.090.133	25.178.384
Currents assets		55.899.308	76.467.823
Assets		57.175.641	78.051.314

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		1.000.001	1.000.001
Retained earnings		26.120.011	29.369.779
Equity	11	27.120.012	30.369.780
Provision for deferred tax	12	0	636.234
Other provisions	13	454.233	230.049
Provisions		454.233	866.283
Trade payables		9.400.189	8.133.558
Prepayments	9	1.676.676	28.561.688
Payables to group enterprises		11.944.864	2.259.873
Other payables		6.579.667	7.860.132
Short-term debt		29.601.396	46.815.251
Debt		29.601.396	46.815.251
Liabilities and equity		57.175.641	78.051.314
Uncertainty relating to recognition and measurement	1		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	1.000.001	29.369.779	30.369.780
Net profit/loss for the year	0	-3.249.768	-3.249.768
Equity at 31 December	1.000.001	26.120.011	27.120.012

Cash Flow Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Net profit/loss for the year		-3.249.768	-1.546.053
Adjustments	14	-877.665	-484.811
Change in working capital	15	-28.575.591	16.389.564
Cash flows from operating activities before financial income and expenses		-32.703.024	14.358.700
Financial income		871.568	1.008.592
Financial expenses		-223.857	-68.697
Cash flows from ordinary activities		-32.055.313	15.298.595
Corporation tax paid		6.000	-794.478
Cash flows from operating activities		-32.049.313	14.504.117
Purchase of property, plant and equipment		-351.438	-350.063
Sale of property, plant and equipment		0	74.500
Cash flows from investing activities		-351.438	-275.563
Repayment of loans from credit institutions		-9.312.500	0
Raising of loans from group enterprises		18.625.000	0
Cash flows from financing activities		9.312.500	0
Change in cash and cash equivalents		-23.088.251	14.228.554
Cash and cash equivalents at 1 January		25.178.384	10.949.830
Cash and cash equivalents at 31 December		2.090.133	25.178.384
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2.090.133	25.178.384
Cash and cash equivalents at 31 December		2.090.133	25.178.384

Notes to the Financial Statements

1 Uncertainty relating to recognition and measurement

The calculation of contract work in progress requires estimates of future events. The estimates used are based on assumptions that the management considers to be reasonable, but which by nature is uncertain and unpredictable as unexpected events or circumstances may arise, which change the basis for applied assumptions.

An essential condition for the application of the production principle is that the income and costs of individual contract can be estimated reliably. Expected revenues and costs of a contract may however change as the contract is executed and uncertainties are clarified. Similarly, during the execution of the contract, changes may be made to the contract, as well as conditions for the execution of the contract may prove not to be met.

The company's internal business processes, financial management and calculation tools, along with project management's knowledge and experience, support that construction work in progress can be measured reliably in accordance with the production principle.

	<u>2017</u> DKK	<u>2016</u> DKK
2 Staff expenses		
Wages and salaries	29.980.917	36.800.110
Pensions	2.153.101	2.576.248
Other social security expenses	<u>668.349</u>	<u>895.778</u>
	<u>32.802.367</u>	<u>40.272.136</u>
Average number of employees	<u>61</u>	<u>72</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	2017 DKK	2016 DKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	658.596	1.040.583
Gain and loss on disposal	0	-19.627
	658.596	1.020.956
Which is specified as follows:		
Buildings	272.748	298.295
Plant and machinery	279.075	577.594
Other fixtures and fittings, tools and equipment	106.773	164.694
Loss/(profit) on sale of property, plant and equipment	0	-19.627
	658.596	1.020.956
4 Financial expenses		
Interest paid to group enterprises	42.682	0
Other financial expenses	67.507	68.697
Exchange loss	113.668	0
	223.857	68.697
5 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	-888.550	-565.872
	-888.550	-565.872

Notes to the Financial Statements

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 January	25.722.979	14.678.084	1.770.135
Additions for the year	0	351.439	0
Disposals for the year	-458.360	0	0
Cost at 31 December	<u>25.264.619</u>	<u>15.029.523</u>	<u>1.770.135</u>
Impairment losses and depreciation at 1 January	25.205.008	13.732.799	1.649.900
Depreciation for the year	272.748	279.076	106.773
Reversal of impairment and depreciation of sold assets	-458.360	0	0
Impairment losses and depreciation at 31 December	<u>25.019.396</u>	<u>14.011.875</u>	<u>1.756.673</u>
Carrying amount at 31 December	<u>245.223</u>	<u>1.017.648</u>	<u>13.462</u>

7 Inventories

	2017	2016
	DKK	DKK
Raw materials and consumables	3.915.043	6.314.936
	<u>3.915.043</u>	<u>6.314.936</u>

8 Trade receivables

The following receivables fall due for payment more than 1 year after year end	<u>4.294.813</u>	<u>7.010.517</u>
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Notes to the Financial Statements

	<u>2017</u>	<u>2016</u>
	DKK	DKK
9 Contract work in progress		
Selling price of work in progress	65.011.981	26.957.605
Payments received on account	<u>-40.221.766</u>	<u>-48.594.041</u>
	<u>24.790.215</u>	<u>-21.636.436</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	26.466.891	6.925.252
Prepayments received recognised in debt	<u>-1.676.676</u>	<u>-28.561.688</u>
	<u>24.790.215</u>	<u>-21.636.436</u>

10 Prepayments

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

11 Equity

The share capital consists of 23 shares of a nominal value of DKK 1,000,001. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

	2017 <u>DKK</u>	2016 <u>DKK</u>
12 Provision for deferred tax		
Property, plant and equipment	-107.775	-145.016
Trade receivables	-1.068.661	0
Contract work in progress	1.416.017	937.720
Prepayments	37.270	177.733
Other payables	79.487	53.352
Trade payables	0	-33.000
Provisions	-99.931	0
Tax loss carry-forward	-508.723	-354.555
Transferred to deferred tax asset	252.316	0
	<u>0</u>	<u>636.234</u>
Deferred tax asset		
Calculated tax asset	252.316	0
Carrying amount	<u>252.316</u>	<u>0</u>

	2017 <u>DKK</u>	2016 <u>DKK</u>
13 Other provisions		

The Company provides a general guarantee on sold tanks and on harbour revenues. There are recognized provisions of DKK 454,233 (2016: 230,049) based on expected cost of these guarantees.

Other provisions	454.233	230.049
	<u>454.233</u>	<u>230.049</u>

The provisions are expected to mature as follows:

Within 1 year	454.233	230.049
	<u>454.233</u>	<u>230.049</u>

Notes to the Financial Statements

	2017	2016
	DKK	DKK
14 Cash flow statement - adjustments		
Financial income	-871.568	-1.008.592
Financial expenses	223.857	68.697
Depreciation, amortisation and impairment losses, including losses and gains on sales	658.596	1.020.956
Tax on profit/loss for the year	-888.550	-565.872
	-877.665	-484.811

15 Cash flow statement - change in working capital

Change in inventories	2.399.893	10.869.659
Change in receivables	-4.673.313	-8.876.944
Change in other provisions	224.184	150.049
Change in trade payables, etc	-26.526.355	14.246.800
	-28.575.591	16.389.564

16 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has entered lease contracts on the addresses Kulholmsvej 24, 28 and 38. The leases are irrevocable from the part of the lessor until the 01.04.2036. Lessee has a notice of 12 months to the dates 01.04 or 01.10. At present, the annual lease for 18.983 m² land is TDKK 668. The ground rent is adjusted once a year per 1 January.

Through Nationale Borg the company has guarantees for customers issued for totally TDKK 4.592

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
Bo Mortensen, Dr. Larsens Vej 23, 8370 Hadsten, Denmark	CEO and Board Member
Ko Roelof Reint Brink, Kloosterbrink 15, 8034 PT Zwolle, Netherlands	Board Member
Arrend Muggen, Kartanjelaan 23, 8441 NC Heerenveen, Netherlands	Board Member
CIMC Group Co. Ltd., No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong P.R.C., China	Ultimative parent company
CIMC Enric Tank and Process B.V., Kapt. Grantstraat 8, P.O. Box 2044, NL-7801 CA EMMEN	Imidiate parent company
Coöperatie Vela Holding U.A., Kamer van Kooperhandel Den Haag, 2502 LS Den Haag, The Netherlands	Domestic parent

Transactions

There have been no transactions with Board members, CEO or significant shareholders, except for normal management remuneration.

There have been transactions with group companies at market terms.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

CIMC Enric Tank and Process B.V.
Kapt. Grantstraat 8
P.O. Box 2044
NL-7801 CA EMMEN

Notes to the Financial Statements

17 Related parties (continued)

Consolidated Financial Statements

The company is included in the consolidated report of the parent company

<u>Name</u>	<u>Place of registered office</u>
CIMC Group Co. Ltd.	No. 2 Gangwan Avenue Shekou Industrial Zone, Shenzhen, Guangdong P.R.C. China
CIMC Enric Tank and Process	Kapt. Grantstraat 8 P.O. Box 2044 NL-7801 CA EMMEN

Notes to the Financial Statements

18 Accounting Policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

Recognition and measurement

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

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

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

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

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

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit/loss

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

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

Balance Sheet

Property, plant and equipment

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

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

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

Production buildings, 20 years

Plant and machinery, 8 years

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable

Notes to the Financial Statements

18 Accounting Policies (continued)

value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Contract work in progress

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

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

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

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

Prepayments

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

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.

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 legisla-

Notes to the Financial Statements

18 Accounting Policies (continued)

tion at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Notes to the Financial Statements

18 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

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