
T. SMEDEGAARD A/S

Sydvestvej 57-59, DK-2600 Glostrup

Annual Report for 1 January - 31 December 2015

CVR No 65 80 28 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/5 2016

Manfred Josef Oesterle
Chairman



pwc

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report on the Financial Statements	2
Management's Review	
Company Information	4
Financial Highlights	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	7
Balance Sheet 31 December	8
Notes to the Financial Statements	10
Accounting Policies	17

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of T. SMEDEGAARD A/S for the financial year 1 January - 31 December 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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.

Glostrup, 27 May 2016

Direktion

Tommy Andersen
CEO

Bestyrelse

Manfred Josef Oesterle
Chairman

Ralf Pfundmaier

Jens Leeser

Independent Auditor's Report on the Financial Statements

To the Shareholders of T. SMEDEGAARD A/S

Report on the Financial Statements

We have audited the Financial Statements of T. SMEDEGAARD A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act and the Danish Accounting Standard for small enterprises.

Management's Responsibility 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 the Danish Accounting Standard for small enterprises, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act and the Danish Accounting Standard for small enterprises.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 27 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jesper Wiinholt
statsautoriseret revisor

Steffen Kaj Pedersen
statsautoriseret revisor

Company Information

The Company

T. SMEDEGAARD A/S
Sydvestvej 57-59
DK-2600 Glostrup

Telephone: + 45 +45 43 96 10 28

Facsimile: + 45 +45 43 63 17 66

E-mail: info@smedegaard.dk

Website: www.smedegaard.dk

CVR No: 65 80 28 13

Financial period: 1 January - 31 December

Incorporated: 23 November 1961

Municipality of reg. office: Glostrup

Board of Directors

Manfred Josef Oesterle, Chairman
Ralf Pfundmaier
Jens Leeser

Executive Board

Tommy Andersen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
Key figures					
Profit/loss					
Gross profit/loss	408	3.903	7.936	8.662	8.533
Operating profit/loss	-7.245	-2.646	329	2.665	3.217
Profit/loss before financial income and expenses	-13.296	-2.646	329	2.665	3.217
Net financials	-1.868	-8.464	-4.089	3.166	-895
Net profit/loss for the year	-16.780	-10.623	-4.258	5.377	1.732
Balance sheet					
Balance sheet total	29.429	54.174	54.952	52.905	49.363
Equity	1.347	18.190	23.818	28.225	22.727
Ratios					
Return on assets	-45,2%	-20,4%	-7,0%	11,4%	4,7%
Solvency ratio	4,6%	33,6%	43,3%	53,4%	46,0%
Return on equity	-171,8%	-50,6%	-16,4%	21,1%	8,4%

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

The Annual Report of T. SMEDEGAARD A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises .

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The Company manufactures and are selling centrifugal pumps produced in Glostrup and glandless circulation pumps and the associated electric motors produced primarily in the subsidiary in Switzerland.

The products are sold through agents on the world market.

Development in the year

The income statement of the Company for 2015 shows a loss of DKK 16,779,500, and at 31 December 2015 the balance sheet of the Company shows equity of DKK 1,347,337.

Capital resources

We refer to note 1 of the annual report.

Unusual events

The financial position at 31 December 2015 and the activity during 2015 is affected by the Group decision of closing several activities in the entity.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2015 DKK	2014 DKK
Gross profit/loss		408.337	3.902.851
Distribution expenses		-3.666.459	-3.756.699
Administrative expenses		-3.986.729	-2.791.681
Operating profit/loss		-7.244.851	-2.645.529
Other operating expenses		-6.050.809	0
Profit/loss before financial income and expenses		-13.295.660	-2.645.529
Income from investments in subsidiaries		-3.428.249	-8.909.117
Financial income	2	2.025.953	1.074.710
Financial expenses	3	-465.832	-629.277
Profit/loss before tax		-15.163.788	-11.109.213
Tax on profit/loss for the year	4	-1.615.712	485.785
Net profit/loss for the year		-16.779.500	-10.623.428

Distribution of profit

Proposed distribution of profit

Reserve for net revaluation under the equity method		-1.874.576	-7.330.407
Retained earnings		-14.904.924	-3.293.021
		-16.779.500	-10.623.428

Balance Sheet 31 December

Assets

	Note	2015 DKK	2014 DKK
Completed development projects		6.221.967	6.807.701
Development projects in progress		0	3.025.735
Intangible assets	6	6.221.967	9.833.436
Plant and machinery		1.828.073	2.753.288
Other fixtures and fittings, tools and equipment		281.255	493.500
Leasehold improvements		45.569	77.736
Property, plant and equipment in progress		170.000	0
Property, plant and equipment	7	2.324.897	3.324.524
Investments in subsidiaries	5	0	5.488.861
Receivables from group enterprises		0	1.812.103
Other receivables		275.000	275.000
Fixed asset investments		275.000	7.575.964
Fixed assets		8.821.864	20.733.924
Raw materials and consumables		1.930.963	2.936.464
Work in progress		1.668.357	4.566.330
Finished goods and goods for resale		4.395.711	2.459.153
Inventories		7.995.031	9.961.947
Trade receivables		3.442.216	3.606.131
Receivables from group enterprises		8.621.553	17.239.362
Deferred tax asset		0	2.061.900
Prepayments		539.013	558.646
Receivables		12.602.782	23.466.039
Cash at bank and in hand		8.933	12.505
Currents assets		20.606.746	33.440.491
Assets		29.428.610	54.174.415

Balance Sheet 31 December

Liabilities and equity

	Note	2015 DKK	2014 DKK
Share capital		1.000.000	1.000.000
Reserve for net revaluation under the equity method		0	1.874.576
Retained earnings		347.337	15.315.478
Equity	8	1.347.337	18.190.054
Credit institutions		845.941	821.690
Long-term debt	9	845.941	821.690
Credit institutions	9	19.284.554	24.831.485
Lease obligations		0	166.427
Prepayments received from customers		0	124.922
Trade payables		2.261.063	4.306.903
Payables to group enterprises		2.027.610	970.753
Other payables		3.662.105	4.762.181
Short-term debt		27.235.332	35.162.671
Debt		28.081.273	35.984.361
Liabilities and equity		29.428.610	54.174.415
Going concern	1		
Contingent assets, liabilities and other financial obligations	10		
Staff	12		
Related parties and ownership	11		

Notes to the Financial Statements

1 Going concern

The financial position at 31 December 2015 and the activity during 2015 is affected by the Group decision of closing several activities in the entity. At 31 December 2015 the equity amounts to DKK 1.3 million.

A letter of support from parent company (KSB Aktiengesellschaft) is received, where KSB vouch for the value of IPR and declare to support T. Smedegaard A/S with financial support if needed during 2016.

	<u>2015</u> DKK	<u>2014</u> DKK
2 Financial income		
Interest received from group enterprises	40.948	740.593
Other financial income	0	823
Exchange adjustments	1.985.005	333.294
	<u>2.025.953</u>	<u>1.074.710</u>
3 Financial expenses		
Other financial expenses	465.832	629.277
	<u>465.832</u>	<u>629.277</u>
4 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	1.615.712	-538.971
Adjustment of deferred tax concerning previous years	0	53.186
	<u>1.615.712</u>	<u>-485.785</u>

Notes to the Financial Statements

	2015 DKK	2014 DKK
5 Investments in subsidiaries		
Cost at 1 January	527.363	527.363
Adjustment 1 January	100.458	0
Additions for the year	5.880.919	0
Disposals for the year	-6.200.569	0
Cost at 31 December	<u>308.171</u>	<u>527.363</u>
Value adjustments at 1 January	1.874.576	5.788.730
Adjustment 1 January	-100.458	0
Disposals for the year	-3.082.094	0
Exchange adjustment	-63.216	432.344
Net profit/loss for the year	-3.428.249	-8.909.335
Other equity movements, net	0	4.562.837
Value adjustments at 31 December	<u>-4.799.441</u>	<u>1.874.576</u>
Equity investments with negative net asset value amortised over receivables	<u>4.491.270</u>	<u>3.086.922</u>
Carrying amount at 31 December	<u>0</u>	<u>5.488.861</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Smedegaard AG	Schweiz	550.000	100%	-4.491.270	-3.428.249

Notes to the Financial Statements

6 Intangible assets

	Completed development projects	Development projects in progress
	DKK	DKK
Cost at 1 January	8.754.102	3.025.735
Net effect from change of accounting policy	-137.522	0
Disposals for the year	0	-2.542.665
Transfers for the year	483.070	-483.070
Cost at 31 December	<u>9.099.650</u>	<u>0</u>
Impairment losses and amortisation at 1 January	1.946.401	0
Amortisation for the year	<u>931.282</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>2.877.683</u>	<u>0</u>
Carrying amount at 31 December	<u>6.221.967</u>	<u>0</u>

Notes to the Financial Statements

7 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 January	21.775.744	2.983.124	96.500	170.000
Additions for the year	162.021	0	0	0
Disposals for the year	0	-78.779	0	0
Cost at 31 December	<u>21.937.765</u>	<u>2.904.345</u>	<u>96.500</u>	<u>170.000</u>
Revaluations at 1 January	0	0	0	0
Revaluations at 31 December	0	0	0	0
Impairment losses and depreciation at 1 January	19.022.456	2.489.624	18.764	0
Depreciation for the year	1.087.236	212.245	32.167	0
Reversal of impairment and depreciation of sold assets	0	-78.779	0	0
Impairment losses and depreciation at 31 December	<u>20.109.692</u>	<u>2.623.090</u>	<u>50.931</u>	<u>0</u>
Carrying amount at 31 December	<u>1.828.073</u>	<u>281.255</u>	<u>45.569</u>	<u>170.000</u>

Notes to the Financial Statements

8 Equity

	Share capital DKK	Reserve for net revaluation under the equity method DKK	Retained earnings DKK	Total DKK
2015				
Equity at 1 January	1.000.000	1.874.576	15.315.477	18.190.053
Exchange adjustments	0	0	-63.216	-63.216
Net profit/loss for the year	0	-1.874.576	-14.904.924	-16.779.500
Equity at 31 December	1.000.000	0	347.337	1.347.337
2014				
Equity 1. januar	1.000.000	4.209.802	18.608.499	23.818.301
Exchange adjustments relating to foreign entities	0	432.344	0	432.344
Other equity movements	0	4.562.837	0	4.562.837
Net profit/loss for the year	0	-7.330.407	-3.293.021	-10.623.428
Equity at 31 December	1.000.000	1.874.576	15.315.478	18.190.054

The share capital is broken down as follow:

	Number	Nominal value DKK
A-shares	2	100.000
B-shares	9	900.000
		1.000.000

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

Notes to the Financial Statements

9 Long-term debt

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

The debt falls due for payment as specified below:

	<u>2015</u> DKK	<u>2014</u> DKK
Credit institutions		
Between 1 and 5 years	845.941	821.690
Long-term part	845.941	821.690
Other short-term debt to credit institutions	19.284.554	24.831.485
	<u>20.130.495</u>	<u>25.653.175</u>

10 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has, in accordance with usual practice for the industry, assumed 2 year warranty on pumps sold.

The Company has issues a letter of support to the subsidiary Smedegaard AG of CHF 653k.

11 Related parties and ownership

Ownership

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

KSB Akiengesellschaft
Johann-Klein Strasse 9
67227 Frankenthal
Germany

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company KSB Aktiengesellschaft.

Notes to the Financial Statements

11 Related parties and ownership (continued)

	<u>2015</u> DKK	<u>2014</u> DKK
12 Staff		
Wages and Salaries	12.395.005	13.157.596
Pensions	1.289.799	1.362.559
Other social security expenses	478.364	520.765
Other staff expenses	1.077.001	846.593
	<u>15.240.169</u>	<u>15.887.513</u>
 Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	8.852.570	9.076.040
Distribution expenses	2.412.838	4.215.712
Administrative expenses	3.974.761	2.595.761
	<u>15.240.169</u>	<u>15.887.513</u>

Accounting Policies

Basis of Preparation

Financial Statements of T. SMEDEGAARD A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in DKK.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

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, herunder afskrivninger, nedskrivninger og hensatte forpligtelser samt tilbageførsler som følge af ændrede regnskabsmæssige skøn af beløb, der tidligere har været indregnet i resultatopgørelsen.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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

Accounting Policies

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

Translation policies

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

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

Income Statement

Gross profit/loss

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

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Accounting Policies

Cost of sales

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

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

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

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year less goodwill amortisation.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

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.

Accounting Policies

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 8 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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	3-10	years
Other fixtures and fittings, tools and equipment	1-5	years
Leasehold improvements	1-5	years

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

Accounting Policies

Investments in subsidiaries and associates

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

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

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

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

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 in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

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

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

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

Accounting Policies

Equity

Dividend

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

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

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

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, such as mortgage loans and loans from credit institutions, 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.

Deferred income

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

Accounting Policies

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

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$