

Reno A/S

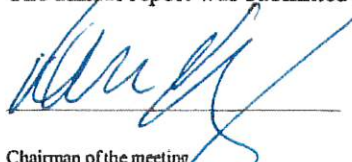
Nymarksvej 2, 7323 Give

Company reg. no. 75 16 45 13

Annual report

1 October 2018 - 30 September 2019

The annual report was submitted and approved by the general meeting on the 28 February 2020.


Chairman of the meeting
Kenneth Lagerborg

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Statement by management of the annual report

The board of directors and the managing director have today considered and approved the annual report of Reno A/S for the financial year 1 October 2018 to 30 September 2019.

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 30.09.2019 and of the results of its operations for the financial year 01.10.2018-30.09.2019.

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.

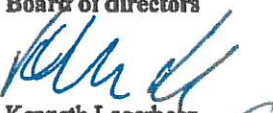
Egaa, 28 February 2020

Executive Board



Fabio Roberto Do Rego

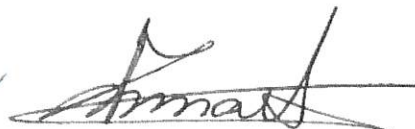
Board of directors



Kenneth Lagerborg
Chairman

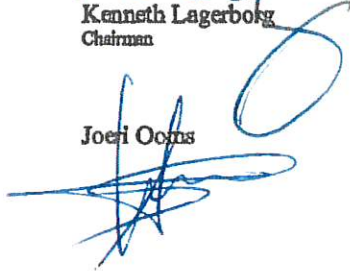


Mats Thomas Dahlgren



Peter Hugo M. Kinnart

Joeri Ooms



Independent auditor's report

To the shareholders of Reno A/S

Opinion

We have audited the financial statements of Reno A/S for the financial year 01.10.2018-30.09.2019, which comprise the income statement, balance sheet, statement of changes in equity 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 30.09.2019 and of the results of its operations for the financial year 01.10.2018-30.09.2019 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.

The management's responsibilities for the annual accounts

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 annual accounts

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 statement, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

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

Independent auditor's report

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. .

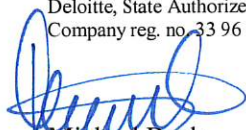
Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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.

DK-8000 Aarhus C, 28 February 2020

Deloitte Statsautoriseret Revisionspartnerselskab

Deloitte, State Authorized Public Accountants
Company reg. no. 33 96 35 56



Michael Bach
State Authorized Public Accountant
mne19691



Torben Rohde Pedersen
State Authorized Public Accountant
mne33801

Company data

The company

Reno A/S
Nymarksvej 2
7323 Give

Company reg. no. 75 16 45 13
Financial year: 1 October - 30 September

Board of directors

Kenneth Lagerborg, Chairman
Mats Thomas Dahlgren
Peter Hugo M. Kinnart
Joeri Ooms

Executive Board

Fabio Roberto Do Rego

Auditors

Deloitte, State Authorized Public Accountants

Parent company

Atlas Copco Airpower

Financial highlights

DKK in thousands.	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>
Profit and loss account:					
Gross profit	26.829	33.941	35.977	35.376	32.049
Results from operating activities	-867	10.000	11.013	9.943	7.749
Net financials	-373	-326	-356	-425	-426
Results for the year	-967	7.578	8.304	7.412	5.750
Balance sheet:					
Balance sheet sum	40.188	49.370	51.058	52.411	52.349
Equity	20.358	21.324	22.746	21.442	21.023
Employees:					
Average number of full time employees	61	59	58	57	57
Key figures in %:					
Solvency ratio	50,7	43,2	44,5	40,9	40,2
Return on equity	-4,6	34,4	37,6	34,9	26,6

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2018" issued by the Danish Society of Financial Analysts.

Solvency ratio
$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

Calculations formula effects: The financial strength of the entity.

Return on equity
$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Calculations formula effects The entity's return on capital invested in the entity by the owners.

Management's review

Primary activities

Reno A/S is the leading manufacturer and supplier of compressed air solutions and high-pressure cleaners for professional and industrial use. The Company markets and supplies a wide:

- Industrial range of well-known brands in all product areas. The Company also develops, manufactures and assembles a wide range of own products under its own brands, RENO and FF.
- Distributor programme in piston compressors and high pressure cleaners through Danish as well as foreign retailers.
- Range of specialist and customized industrial solutions, project sales, contract works and OEM. Official distributor of Ingersoll Rand industrial compressors in Denmark.
- End-to-end service solutions with after-sale and maintenance services performed by own nationwide service organisation.

The distributor division is in Thyregod and is made up of sales support to distributors, procurement, production, assembly and distribution centres. The industry division is located in Egaa, Gadstrup and Nørresundby and comprises industrial sale and service, including nationwide travelling service technicians.

Development in activities and financial matters

The income statement for 2018/19 shows a loss DKK 967 thousand against a profit of DKK 7.578 thousand last year, and balance sheet at 30 September 2019 shows equity of DKK 20.358 thousand. Management considers results of the year unsatisfactory. The result of the year have been negatively effected by an extraordinary writedown on the inventories due to a change in the impairment principles.

The Company operates with a distributor and an industry division which contribute to revenue and earnings. Both divisions are regarded market leaders in their respective sectors, and the board basis in distribution channels and customer segments contributes to a stable foundation.

Management's review

Particular risks

Operating risks

In terms of products, customers and geographically the Company is well diversified in particular compared to the rest of the industry; historically this has contributed to stable revenue as well as earning.

Considering its role a leading manufacturer in the industry and considering the above diversification, the Company is independent of individual customers and industries.

The Company is dependent on central production and stock in Thyregod as the distribution business model demands that we are able to deliver from day to day. This risk is limited in the industry division than to 4 physical and 17 mobile (service trucks) storage points and the possibility to establish emergency stock within a relatively short period of time.

The Company uses XAL which is no longer supported by the supplier. The Company is exposed to a higher risk until this has been replaced.

The Company works strategically with the identification and handling of the Company's risk management, in particular at board level.

All in all, the Company is assessed as representing a low to medium risk compared to the rest of the industry.

Currency risks

The Company is primarily exposed to cash flows in Danish kroner and Euro and a small amount of invoicing is in Norwegian or Swedish kroner. The USD exposure is relatively small and relates primarily to purchases outside the EU. The Company has chosen not to use hedging for its currency exposures.

Environmental performance

The Company is environmentally responsible and is making ongoing efforts to reduce the environmental impact of the business operations.

Over the years, we have continuously widened our range of products and marketing of personal protection equipment, oil-free compressors, heat recovery and energy optimization, etc., which has a positive effect on our customer's environmental impact.

Knowledge resources

The Company operates on a market where specialist knowledge is necessary in order to meet customer's demands. The employees are therefore important in order to meet the Company's long-term targets, and it is crucial to employ and maintain the best employees in the industry.

In 2018/19, the average number of employees was 61 fulltime employees.

Management's review

Outlook

Next year, the Company expects to further expand its market position. The general market growth in Denmark is expected to remain relatively limited.

Based on measures taken compared with the general market development, a modest growth is expected in the distribution and industry divisions.

Management expects a profit for the coming years at the same level as in 2017/18.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the assessment of the annual report.

Profit and loss account 1 October - 30 September

Amounts concerning 2018/19: DKK.

Amounts concerning 2017/18: DKK in thousands.

<u>Note</u>	<u>2018/19</u>	<u>2017/18</u>
Gross profit	26.829.266	33.941
Distribution costs	-13.712.323	-11.411
Administration costs	-13.983.600	-12.530
Operating profit	-866.657	10.000
Other financial income	3.590	22
2 Other financial costs	-376.355	-348
Financing, net	-372.765	-326
Results before tax	-1.239.422	9.674
3 Tax on ordinary results	272.673	-2.096
4 Results for the year	-966.749	7.578

Balance sheet 30 September

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Assets		
Fixed assets		
5 Goodwill	0	0
Intangible fixed assets in total	0	0
6 Plant and machinery	591.449	632
7 Other fixtures and fittings, tools and equipment	158.199	267
Tangible fixed assets in total	749.648	899
8 Other securities and investments	0	6
9 Other receivables	321.455	226
Financial fixed assets in total	321.455	232
Fixed assets in total	1.071.103	1.131
Current assets		
Raw materials and consumables	7.310.062	14.301
Work in progress	1.678.047	1.396
Manufactured goods and goods for resale	12.860.681	12.713
Inventories in total	21.848.790	28.410
Trade receivables	15.319.696	18.226
10 Deferred tax assets	60.142	184
Other receivables	415.487	409
11 Prepayments	240.944	80
Receivables	16.036.269	18.899
Cash	1.231.732	930
Current assets in total	39.116.791	48.239
Assets in total	40.187.894	49.370

Balance sheet 30 September

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Equity and liabilities		
Equity		
Contributed capital	2.100.000	2.100
Retained earnings	18.257.735	19.224
Equity in total	20.357.735	21.324
Liabilities		
12 Other debts	225.259	0
Long-term liabilities in total	225.259	0
Bank loans	8.559	0
Trade payables	7.445.995	9.464
Payables to group enterprises	5.003.889	9.327
Corporate tax	1.807.827	3.437
Other payables	5.338.630	5.818
Short-term liabilities in total	19.604.900	28.046
Liabilities in total	19.830.159	28.046
Equity and liabilities in total	40.187.894	49.370
1 Staff matters		
13 Contingencies		
14 Related parties		

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Results brought forward</u>	<u>In total</u>
Equity 1 October 2018	2.100.000	19.224.484	21.324.484
Profit or loss for the year retained earnings	<u>0</u>	<u>-966.749</u>	<u>-966.749</u>
	<u>2.100.000</u>	<u>18.257.735</u>	<u>20.357.735</u>

Cash flow statement 1 October - 30 September

Amounts concerning 2018/19: DKK.

Amounts concerning 2017/18: DKK in thousands.

<u>Note</u>	<u>2018/19</u>	<u>2017/18</u>
Results for the year	-966.749	7.578
15 Adjustments	527.823	3.576
16 Change in working capital	5.524.174	1.439
Cash flow from operating activities before net financials	5.085.248	12.593
Interest received and similar amounts	3.590	22
Interest paid and similar amounts	-376.355	-348
Cash flow from ordinary activities	4.712.483	12.267
Corporate tax paid	-1.233.067	-2.765
Cash flow from operating activities	3.479.416	9.502
Purchase of tangible fixed assets	-278.079	-342
Sale of tangible fixed assets	0	131
Purchase of financial fixed assets	-94.994	-14
Other cash flows from (spent in) investment activities	5.977	0
Cash flow from investment activities	-367.096	-225
Raising of long-term debts	225.259	0
Repayments of loan, group enterprises	-3.044.621	0
Dividend paid	0	-9.000
Proceeds of debt, group enterprises	0	9.327
Cash flow from financing activities	-2.819.362	327
Changes in available funds	292.958	9.604
Available funds 1 October 2018	930.215	-8.674
Available funds 30 September 2019	1.223.173	930
Available funds		
Cash	1.231.732	930
Short-term bank loans	-8.559	0
Available funds 30 September 2019	1.223.173	930

Notes

Amounts concerning 2018/19: DKK.

Amounts concerning 2017/18: DKK in thousands.

	<u>2018/19</u>	<u>2017/18</u>
1. Staff matters		
Salaries and wages	32.536.972	29.086
Pension costs	4.046.584	3.389
Other costs for social security	336.000	536
Other staff costs	889.073	842
	<u>37.808.629</u>	<u>33.853</u>
Average number of employees	<u>61</u>	<u>59</u>
With reference to section 98b of the Danish Financial Statements Act. 3, no. 2, no information has been given about remuneration to the management.		
2. Other financial costs		
Financial costs, group enterprises	254.388	14
Other financial costs	121.967	334
	<u>376.355</u>	<u>348</u>
3. Tax on ordinary results		
Tax of the results for the year, parent company	-396.598	2.204
Adjustment for the year of deferred tax	123.925	-108
	<u>-272.673</u>	<u>2.096</u>
4. Proposed distribution of the results		
Disposed to results Retained earnings	0	7.578
Allocated from results brought forward	-966.749	0
Distribution in total	<u>-966.749</u>	<u>7.578</u>

Notes

Amounts concerning 2018/19: DKK.

Amounts concerning 2017/18: DKK in thousands.

	<u>30/9 2019</u>	<u>30/9 2018</u>
5. Goodwill		
Cost 1 October 2018	3.938.000	3.938
Cost 30 September 2019	3.938.000	3.938
Amortisation and writedown 1 October 2018	-3.938.000	-3.285
Amortisation for the year	0	-653
Amortisation and writedown 30 September 2019	-3.938.000	-3.938
6. Plant and machinery		
Cost 1 October 2018	11.335.223	10.998
Additions during the year	189.738	224
Transfers	0	113
Cost 30 September 2019	11.524.961	11.335
Depreciation and writedown 1 October 2018	-10.703.179	-10.365
Depreciation for the year	-230.333	-225
Transfers	0	-113
Depreciation and writedown 30 September 2019	-10.933.512	-10.703
Book value 30 September 2019	591.449	632

Notes

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

	<u>30/9 2019</u>	<u>30/9 2018</u>
7. Other fixtures and fittings, tools and equipment		
Cost 1 October 2018	3.727.951	4.015
Additions during the year	88.341	118
Disposals during the year	0	-292
Transfers	0	-113
Cost 30 September 2019	<u>3.816.292</u>	<u>3.728</u>
Amortisation and writedown 1 October 2018	-3.460.695	-2.780
Depreciation for the year	-197.398	-276
Reversal of depreciation, amortisation and writedown, assets disposed of	0	-292
Transfers	0	-113
Amortisation and writedown 30 September 2019	<u>-3.658.093</u>	<u>-3.461</u>
Book value 30 September 2019	<u>158.199</u>	<u>267</u>
8. Other securities and investments		
Cost 1 October 2018	6.222	7
Disposals during the year	-6.222	-1
Cost 30 September 2019	<u>0</u>	<u>6</u>
Book value 30 September 2019	<u>0</u>	<u>6</u>
9. Other receivables		
Cost 1 October 2018	226.461	212
Additions during the year	94.994	14
Cost 30 September 2019	<u>321.455</u>	<u>226</u>
Book value 30 September 2019	<u>321.455</u>	<u>226</u>

Notes

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK in thousands.

	<u>30/9 2019</u>	<u>30/9 2018</u>
10. Deferred tax assets		
Deferred tax assets 1 October 2018	184.067	76
Deferred tax of the results for the year	<u>-123.925</u>	<u>108</u>
	<u>60.142</u>	<u>184</u>

11. Prepayments

Prepayments consist of deferred expenses.

12. Other debts

Holiday pay obligation, salaried staff	<u>225.259</u>	<u>0</u>
	<u>225.259</u>	<u>0</u>

Of the total other debt, DKK 225 thousand falls due within 5 years.

13. Contingencies

Contingent liabilities

	<u>DKK in thousands</u>
Leasing liabilities	<u>5.796</u>
Contingent liabilities in total	<u>5.796</u>

Rent and lease liabilities include a rent obligation in interminable rent agreements with remaining contracts term of 0-5 years. Furthermore, the Company has liabilities under operating leases for cars and IT equipment. Of total liabilities DKK 3.411 thousands fall due within one years.

The Entity participates in a Danish joint taxation arrangement where Atlas Copco Kompressorteknik A/S 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. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Notes

Amounts concerning 2018/19: DKK.

Amounts concerning 2017/18: DKK in thousands.

14. Related parties

Controlling interest

Atlas Copco Airpower, Antwerpen, Belgium

Majority shareholder

Transactions

Transactions with related parties are only disclosed in the annual report if they are not on arm's length terms. No such transactions have been conducted in the financial year.

Consolidated annual accounts

Atlas Copco AB, Stockholm, Sweden prepares group consolidated financial statements.

15. Adjustments

Depreciation and amortisation	427.731	1.154
Other financial income	-3.590	-22
Other financial costs	376.355	348
Tax on ordinary results	-396.598	2.204
Deferred tax	123.925	-108
	<u>527.823</u>	<u>3.576</u>

16. Change in working capital

Change in inventories	6.560.952	-1.704
Change in debtors	2.738.075	3.480
Change in trade creditors and other liabilities	-3.774.853	-337
	<u>5.524.174</u>	<u>1.439</u>

Accounting policies used

The annual report for Reno A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies applied to these financial statements are consistent with those applied last year, however with a few reclassifications.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Translation of foreign currency

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.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, production costs and other operating income.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

The production costs comprise costs, including salaries, wages and depreciation, which are incurred in order to achieve the net turnover of the year. Trade enterprises recognise cost of sales, and manufacturing enterprises recognise production costs corresponding to the turnover of the year. These costs include direct and indirect costs for raw materials and consumables, salaries and wages, rent and leasing, and depreciation on the production plant.

Furthermore, the production costs comprise research costs, development costs which do not meet the criteria for capitalisation, and amortisation of capitalised development costs.

Additionally, writedown in connection with expected losses on contracts are recognised.

Costs concerning investment property comprise operation costs, repair and maintenance costs, taxes, charges and other costs. Costs concerning the heating account are recognised in the balance sheet as a balance among the lessees.

Accounting policies used

Distribution costs

The distribution costs comprise costs which have been incurred for distribution of goods sold during the year and for sales campaigns carried out during the year. Additionally, costs for sales staff, costs for advertising and exhibitions, and depreciation are recognised in the profit and loss account.

Administration costs

Administration costs comprise costs which have been incurred during the year for management and administration, including costs for the administrative staff, the executive board, offices, stationery and office supplies, and depreciation.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 10 years.

Goodwill is written down to the recoverable amount if this is lower than the carrying amount.

Tangible fixed assets

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

Accounting policies used

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	<i>Useful life</i>	<i>Residual value</i>
<i>Technical plants and machinery</i>	<i>5-12 years</i>	<i>0-20 %</i>
<i>Other plants, operating assets, fixtures and furniture</i>	<i>3-5 years</i>	<i>0-20 %</i>

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

As regards assets of own production, the cost comprises direct costs for materials, components, deliveries from sub-suppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operating leases and rental agreements are recognised under contingencies etc.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Accounting policies used

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Financial fixed assets

Other securities and investments

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

Other unlisted securities are measured at cost. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Trade receivables

Trade receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Accounting policies used

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Also capitalised residual leasing liabilities in connection with financial leasing contracts are recognised in the financial liabilities.

Liabilities relating to investment properties are measured at amortised cost.

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

The cash flow statement

The cash flow statement shows the cash flow of the company for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities, respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

Accounting policies used

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds with deduction of short-term bank debt and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.

Definitions

Amortised cost

Amortised cost is the value at which fixed asset investments or financial liabilities are measured in connection with the first recognition with

1. deduction of instalments,
2. addition or deduction of the total amortisation of the difference between the originally recognised amount and the amount due on the expiration date, and
3. deduction of writedown.

Fair value

The fair value is the amount at which an asset may be traded or a liability may be settled in connection with transactions between unrelated parties.

Replacement value

The replacement value of an asset is the price payable when acquiring a similar asset on the balance sheet date.

Recoverable value

The recoverable value of an asset is either the capital value or the sales value, whichever is the highest, with deduction of the expected selling costs.

Value in use

The value in use of an asset is the present value of the future net payments which the asset is expected to produce by continued use in its present function. The value in use of a liability is the present value of the future net payments to be made during the life of the liability.

Cost

The cost of an asset is the amount paid for the asset, irrespective of the asset being acquired from an external party or manufactured internally. The cost of a liability is the amount received as payment for the liability.

Net realisable value

The net realisable value of an asset is the sum of the future net payments which the asset on the balance sheet date is expected to produce as a feature of usual activities. The net realisable value of a liability is the sum of the future net payments to be made during the life of the liability.

Market value

The market value of an asset is the price at which the asset may be sold on the balance sheet date. The market value of a liability is the price to be paid in order to settle the liability on the balance sheet date.