

Carrier Refrigeration Denmark A/S

Industrivej 21, 8260 Viby J

CVR No. 83 69 37 11

Annual Report for 2018/19

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 17/6 2020

Chairman

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned below the text 'Chairman'.

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Management's Statement on the Annual Report

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Carrier Refrigeration Denmark A/S for the financial year 1 December 2018 - 30 November 2019.

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

In our opinion the Annual Report gives a true and fair view of the financial position as of 30 November 2019, and the results of operations and cash flows of the Company for 2018/19.

The management review contains in our opinion a true account of the matters dealt with in the review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Viby, 17/6 2020

Executive Board


Søren Steen Thomsen

Supervisory Board


Erik Gøttsche von Starck
Chairman


Daniel Schmedding


Søren Steen Thomsen

Independent Auditor's Report

To the Shareholders of Carrier Refrigeration Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 November 2019 and of the results of the Company operations and cash flows for the financial year 1 December 2018 - 30 November 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Carrier Refrigeration Denmark A/S for the financial year 1 December 2018 – 30 November 2019, which comprise income statement, balance sheet, statement of cash flows and notes, including a summary of significant accounting policies (“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 Statement Act. We did not identify any material misstatement in Management's Review.

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 judgment 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 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, ^{17/6} 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerskab
Cvr. nr. 33 77 12 31

Michael Nielsson

Michael Nielsson
State Authorized Public Accountant
mne15151

Company Information

The Company	<p>Carrier Refrigeration Denmark A/S Industrivej 21 DK-8260 Viby J</p> <p>Telephone +45 8655 0255 E-mail: info@carrier-ref.dk Website: www.carrier.dk</p> <p>CVR No.: 83 69 37 11</p> <p>Financial period: 1 December - 30 November</p> <p>Municipality of reg. office: Aarhus</p>
Shareholder	<p>The share capital, DKK 1.000,000, is 100% owned by Carrier Transicold Scandinavia A/S, Industrivej 30, DK-6330 Padborg.</p>
Ultimate parent company	<p>Carrier Global Corporation, 13995 Pasteur Boulevard Palm Beach Gardens, Florida 33418, USA</p> <p>The consolidated financial report, of which the Company is part, can be obtained on inquiry to the above company or on the website www.carrier.com.</p>
Supervisory Board	<p>Ernst Gunter Von Starck, Chairman Daniel Schmedding Søren Steen Thomsen</p>
Executive Board	<p>Søren Steen Thomsen</p>
Auditors	<p>PricewaterhouseCoopers Statsautoriseret Revisionspartnerskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C</p>

Company Information

Lawyer

Plesner
Amerika Plads 37
DK-2100 København Ø

Bankers

Nordea Bank DK A/S
Østjylland Erhvervsafdeling
Rådhusstorvet 13-19
DK-8700 Horsens

Financial Highlights

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

	1/12 2018 - 30/11 2019	1/12 2017 - 30/11 2018	1/12 2016 - 30/11 2017	1/12 2015 - 30/11 2016	1/12 2014 - 30/11 2015
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	4 296	1 307	3 739	1 325	5 938
Financial income and expenses	- 97	- 248	- 283	- 123	- 156
Profit/loss before tax	4 198	1 059	3 456	1 202	5 782
Net profit/loss for the year	3 272	821	2 696	902	4 434
Balance sheet					
Balance sheet total	77 887	78 531	61 569	60 308	81 449
Equity	19 831	16 559	15 737	13 041	12 139
Cash flows					
<i>Cash flows</i>					
Cash flows from:					
- operating activities	8 277	-8 068	9 747	14 033	14 071
- investing activities	- 182	- 135	- 76	- 273	-5 788
- including investment in intangible assets property, plant and equipment	0	0	0	0	-5 349
- financing activities	-1 497	10 856	-4 480	-18 253	3 153
Change in cash and cash equivalents for the year	6 598	2 654	5 191	-4 493	11 436
Number of employees	58	58	59	53	55
Ratios					
Return on assets	5,5%	1,7%	6,1%	2,2%	7,3%
Solvency ratio	25,5%	21,1%	25,6%	21,6%	14,9%
Return on equity	18,0%	5,1%	18,7%	7,2%	311,8%

For definitions, see under accounting policies.

Review

Main activities

The Company's main activities are sale and installation of refrigeration cabinets and systems to the Danish market. In addition the Company provides service on cabinets and systems delivered by the Company.

Carrier Refrigeration Denmark A/S is part of the worldwide group United Technologies Corporation (UTC) whose refrigeration division is known under the brand name Carrier.

Development in the year

Profit/Loss for the year

During the period 1 December 2017 - 30 November 2018 gross profit amounted to DKK 25.645k and during the period 1 December 2018 - 30 November 2019 increased to DKK 28.755k.

The result for the financial year 2018/19 is in line with the expectations as at the publication of last year's financial report.

Profit before tax increased from DKK 1.059k in 2017/18 to 4.198k in 2018/19.

Net profit after tax DKK 3.272k.

Management considers the result for the year satisfactory.

Special risks

The Company is not exposed to special risks apart from those which are normal within the industry.

Expectations for the coming year

Management expects similar activities and a positive result for 2019/20.

Subsequent events

On April 3, 2020, United Technologies Corporation ("UTC") separated into three independent, publicly traded companies; UTC, Otis Worldwide Corporation and Carrier Global Corporation (the "Separation"). As a result of the Separation, the ultimate parent of the Company changed from UTC to Carrier Global Corporation.

Besides the above no events have occurred after the balance sheet date that have a material impact on the assessment of the financial statements. However, see Note 1 in Annual report in regards of a description of Covid-19.

Income Statement 1 December - 30 November

	Note	2018/19 DKK	2017/18 DKK
Gross profit/loss	2,3	28 755 225	25 645 007
Distribution expenses	2,3	-14 634 627	-13 230 989
Administrative expenses	2,3	-9 825 090	-11 111 531
Other operating income		0	5 000
Profit/loss before financial income and expenses		4 295 508	1 307 487
Financial expenses	4	-97 041	-248 446
Profit/loss before tax		4 198 467	1 059 041
Tax	5	- 926 434	- 237 646
Net profit/loss for the year		3 272 033	821 395

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	3 200 000	0
Retained earnings	72 033	821 395
	3 272 033	821 395

Balance Sheet 30 November

Assets

	Note	2019 DKK	2018 DKK
Trademarks and similar rights		153 562	767 812
Goodwill		2 987 024	4 594 126
Intangible assets	6	3 140 586	5 361 938
Other fixtures and fittings, tools and equipment		243 752	228 182
Property, plant and equipment	7	243 752	228 182
Deposits		598 350	598 320
Financial assets	8	598 350	598 320
Fixed assets		3 982 688	6 188 440
Inventories (goods for resale)		4 309 369	4 523 530
Trade receivables		33 573 818	34 052 368
Ongoing work in progress		15 156 265	19 620 471
Receivables from group enterprises		685 636	751 491
Other receivables		71 007	693
Prepayments	9	416 351	300 875
Receivables		49 903 077	54 725 898
Cash at bank and in hand		19 691 834	13 093 532
Current assets		73 904 279	72 342 960
Assets		77 886 967	78 531 400

Balance Sheet 30 November

Liabilities and equity

	Note	2019	2018
		DKK	DKK
Share capital		1 000 000	1 000 000
Retained earnings		15 630 727	15 558 694
Proposed dividend for the year		3 200 000	0
Equity		19 830 727	16 558 694
Deferred tax	5	381 972	984 821
Other provisions		3 085 164	4 183 308
Provisions		3 467 136	5 168 129
Other payables	10	362 686	0
Long-term debt		362 686	0
Prepayments received from customers		32 794	1 576 586
Trade payables		11 266 905	11 851 717
Payables to group enterprises		13 815 140	19 311 673
Loan with group enterprises		16 000 000	12 000 000
Corporation tax	5	1 529 283	361 648
Other payables		11 238 033	11 332 951
Deferred income	11	344 262	370 003
Short-term debt		54 226 417	56 804 577
Debt		54 589 103	56 804 577
Liabilities and equity		77 886 967	78 531 400
Events after balance sheet date	1		
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Statement of changes in the Equity

	Share capital	Retained earnings	Proposed dividend	Total
	DKK	DKK	DKK	DKK
Equity at 1 December	1 000 000	15 558 694	0	16 558 694
Net profit/loss for the year	0	3 272 033	0	3 272 033
Proposed dividend for the year	0	-3 200 000	3 200 000	0
Egenkapital 30. november <i>Equity at 30 November</i>	1 000 000	15 630 727	3 200 000	19 830 727

The share capital consists of 4.000 shares of a nominal value of DKK 250. No shares carry any special rights.

The share capital has been increased with 500,000 DKK on 8 July 2015.

Cash Flow Statement

	Note	2018/19 DKK '000	2017/18 DKK '000
Net profit/loss for the year before financial income and expenses		4 296	1 307
Amortisation and depreciation	3	2 388	2 387
Change in inventories		214	44
Change in receivables incl. contract work		4 823	-16 606
Change in provisions, trade payables and other payables		-2 985	5 989
Cash flows from operating activities before financial income and expenses		8 736	-6 879
Financial expenses		-97	-248
Cash flows from ordinary activities		8 639	-7 127
Corporation tax paid / received		- 362	- 941
Cash flows from operating activities		8 277	-8 068
Purchase of property, plant and equipment		- 182	- 186
Deposits		0	51
Cash flows from investing activities		- 182	- 135
Change in payables to group enterprises		-1 497	10 856
Cash flows from financing activities		-1 497	10 856
Change in cash and cash equivalents		6 598	2 654
Cash at 1 December		13 094	10 440
Cash 30 November		19 692	13 094
Cash are specified as follows:			
Cash at bank and in hand		19 692	13 094
Cash at 30 November		19.692	13.094

Notes to the Annual Report

1 Events after balance sheet date

The consequences of Covid-19 depends on how many governments worldwide which have determined to close down the countries which will have major impact on the world economy. The management consider the consequences of Covid-19 as an event, which has occurred after the balance sheet date and therefore it is non-adjustment event for the company.

The company has so far not been negatively affected by Covid-19. Furthermore the company's management doesn't consider that Covid-19 will have significantly affect on the company, since the company's customers (supermarkets, etc.) still have to use the company's products and services. It is currently not possible for determine the size of any negative effect due to Covid-19.

	2018/19	2017/18
	DKK	DKK
2 Staff		
Wages and salaries	38 124 527	39 989 601
Pensions	2 732 686	2 754 889
Other social security expenses	432 546	385 856
	<u>41 289 759</u>	<u>43 130 346</u>
Wages and salaries, pensions and other social security expenses are recognised in the following items:		
Cost of sales	27 648 664	29 082 793
Distribution expenses	8 491 658	6 827 196
Administrative expenses	5 149 437	7 220 357
	<u>41 289 759</u>	<u>43 130 346</u>
Average number of employees	58	58
3 Depreciation and amortization intangible and tangible fixed assets		
Depreciation and amortization of intangible and tangible fixed assets is expensed under the following headings:		
Consumption of goods (gross profit/loss)	121 608	146 604
Administrative expenses	2 266 077	2 240 554
	<u>2 387 685</u>	<u>2 387 158</u>
4 Financial expenses		
Interest paid to group enterprises	34 170	182 266
Other financial expenses	62 871	66 179
	<u>97 041</u>	<u>248 446</u>

Notes to the Annual Report

5 Tax

	Corporation tax	Provision for deferred tax	Tax according to income statement
	<u> </u>	<u> </u>	<u> </u>
Provision 1 December	361 648	984 821	0
Tax paid to parent company relating to 2017/18	- 361 648		0
Tax on profit/loss for the year	<u>1 529 283</u>	<u>- 602 849</u>	<u>926 434</u>
	<u>1 529 283</u>	<u>381 972</u>	<u>926 434</u>

6 Intangible assets

	Trademarks and similar rights	Goodwill
	<u> </u>	<u> </u>
	DKK	DKK
Cost at 1 December	<u>7 897 500</u>	<u>26 076 085</u>
Cost at 30 November	<u>7 897 500</u>	<u>26 076 085</u>
Impairment losses at 1 December	<u>0</u>	<u>8 008 000</u>
Impairment losses at 30 November	<u>0</u>	<u>8 008 000</u>
Amortisation at 1 December	7 129 688	13 473 959
Amortisation for the year	<u>614 250</u>	<u>1 607 102</u>
Amortisation at 30 November	<u>7 743 938</u>	<u>15 081 061</u>
Carrying amount at 30 November	<u>153 562</u>	<u>2 987 024</u>

Notes to the Annual Report

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	<u>DKK</u>
Cost at 1 December	995 202
Additions for the year	<u>181 903</u>
Cost at 30 November	<u>1 177 105</u>
Impairment losses and depreciation at 1 December	767 020
Depreciation for the year	<u>166 333</u>
Impairment losses and depreciation at 30 November	<u>933 353</u>
Carrying amount at 30 November	<u>243 752</u>

	<u>2018/19</u>	<u>2017/18</u>
	DKK	DKK
8 Financial assets		
Cost at 1 December	598.320	649.519
Additions for the year	30	390.820
Disposals for the year	0	<u>-442.019</u>
Cost at 30 November	<u>598 350</u>	<u>598 320</u>
Carrying amount at 30 November	<u>598 350</u>	<u>598 320</u>

9 Prepayments

Prepayments comprise of prepaid expenses concerning insurance, subscriptions etc.

10 Long-term debt

Of long-term debt DKK 0 k after 5 years

Notes to the Annual Report

11 Deferred income

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

12 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations amount to DKK 3.988 k of which DKK 1.517 k is due within 1 year.

The company has one signed lease which are non-callable until July 31 2026 and another signed lease which are non-callable until January 1 2020. The total rent obligation is DKK 5.739 k of which DKK 1.208 k is payable in 2019/20.

The company has issued guarantees in relation to completed projects of DKK 1,785 k.

Joint taxation

The group companies are jointly and severally liable for tax on the jointly taxed income of the group. Moreover, the group companies are jointly and severally liable for withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any later corrections to company tax or income tax can result in an increase of the companies liable.

Notes to the Annual Report

13 Related parties and ownership

	<u>Basis</u>
Controlling interest	
Carrier Transicold Scandinavia A/S, Industrivej 30, DK-6330 Padborg	Controlling shareholder
Ardmore Holdings s.ár.l. Avenue J. F. Kennedy 46A 1855 Luxembourg	Parent company of Carrier Transicold Scandinavia A/S
Carrier Global Corporation, 13995 Pasteur Boulevard Palm Beach Gardens, Florida 33418, USA	Ultimate parent company
Other related parties	
Ernst Gunter Von Starck Oddelená 2398/9, 169 00 Praha 6, Czech	Chairman of the Supervisory Board
Daniel Schmedding Heckenrosenphal 1, 50858 Köln, Germany	Member of the Supervisory Board
Søren Steen Thomsen P.S. Krøyers Vej 17 8270 Højbjerg, Denmark	Member of the Executive and Supervisory Boards

Transactions

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions. Transactions have been made at market conditions.

Notes to the Annual Report

14 Accounting policies

Basis of Preparation

The Annual Report of Carrier Refrigeration Denmark A/S for the period 1 December 2018 - 30 November 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to middle size enterprises of reporting class C.

The Annual Report for 2018/19 is in DKK.

The accounting policies applied remain unchanged from previous years.

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 costs 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.

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.

Danish kroner are used as the measurement currency. All other currencies are regarded as foreign currencies.

Notes to the Annual Report

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 the income statement.

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.

Corporation tax and deferred tax

Tax for the year consists of current tax for the year and 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.

The current tax is calculated using the current tax percentage of 22%.

The current tax receivable is recognised in the balance sheet as a receivable if too much has been paid, but current tax liabilities are recognised as short-term liabilities if they have not been paid.

Deferred tax is recognised in the balance sheet as the tax of temporary differences. The deferred tax is calculated using the tax rate which, based on the tax legislation at year end, is valid at the date when it is expected to be realised.

Deferred tax assets are recognised at the value at which they are expected to be realised.

The Company is jointly taxed with the parent company Carrier Transicold Scandinavia A/S and the Danish affiliated companies hereof.

The tax effect of the joint taxation is allocated to each company in proportion to its taxable income (full allocation).

Income Statement

Gross profit

Gross profit is made up of revenue and other operating income less cost of sales.

Revenue

Revenue from the sale of goods and service is recognised in the income statement provided that delivery and transfer of risk have been made to the purchaser by year end.

Notes to the Annual Report

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

Ongoing work in progress is recognized as the completion whereby revenue equals the selling price of the work performed (Production Method). This method applies when the total income and expenses of the contract and 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.

Cost of sales

Production costs include the costs incurred to obtain revenue for the year. This includes salaries, depreciation and amortization of tangible fixed assets and other direct costs.

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 on property, plant and equipment, etc.

Administrative expenses

Administrative expenses include costs for management, administrative staff, office expenses, amortization of intangible and tangible fixed assets etc.

Financial income and expenses

Financial income and expenses comprise interest and realised and unrealised exchange adjustments.

Balance Sheet

Goodwill

Acquired goodwill is measured at cost less accumulated depreciation and amortization. The depreciation, which is stated as cost less impairment distributed linearly over the estimated useful life determined on the basis of management experience within the individual business areas. Depreciation over a period exceeding 5 years occurs when the acquisition time of an expected earnings-related effects beyond.

Trademarks and similar rights are measured at cost less accumulated depreciation and recoverable amount if this is lower.

Trademarks and similar rights are amortized over the remaining patent term or a shorter economic life.

Equipment

Equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Notes to the Annual Report

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Interest is not recognised.

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:

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

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Depreciation is recognised in the income statement under cost of sales, distribution expenses and administrative expenses, respectively.

Profit and loss in connection with current replacement of property, plant and equipment is recognised under other operating income/other operating expenses.

Impairment of fixed assets

The carrying amounts of intangibles, 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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis.

Inventories

Inventories are measured at the lower of cost under FIFO method and the 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 and consumables equals landed cost.

Obsolete goods are written down.

Notes to the Annual Report

Work in progress

Larger work in progress is measured by the value of the work performed calculated on the basis of completion. Completion is calculated as the proportion of costs incurred in relation to expected total cost of the project. When it is probable that the total of the cost of the project will exceed total revenues on a project, the expected loss is recognized in the income statement.

When the selling price cannot be reliably measured work in progress is measured at cost price or a lower net realisable value.

Progress billings are deducted from the value of sales. The individual projects are classified as receivables when the net value is positive and as liabilities when the advance payments exceed the selling price.

Cost of sales work and contracts are recognized in the income statement as they are incurred.

Other work in progress is measured at cost. Cost comprises direct materials and wages. 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.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise of prepaid expenses concerning insurance, subscriptions etc.

Equity

Dividend

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

Provisions

Other provisions include warranty obligations in respect of repair work within the warranty period of as much as 2 years and for specific customers 5 years. In addition, the company allocates specific known cases. Provisions are measured and recognised based on experience with guarantee work.

Debts

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

Notes to the Annual Report

Deferred income

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

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 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.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

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

Explanation of financial ratios

<i>Return on assets</i>	=	$\frac{\textit{Profit before financials} \times 100}{\textit{Total assets}}$
<i>Solvency ratio</i>	=	$\frac{\textit{Equity at year end} \times 100}{\textit{Total assets}}$
<i>Return on equity</i>	=	$\frac{\textit{Net profit for the year} \times 100}{\textit{Average equity}}$