

Carrier Refrigeration Denmark A/S

Industrivej 21, 8260 Viby J
CVR No. 83 69 37 11

Annual Report for 2019/20

The Annual Report was presented and adopted at the
Annual General Meeting of the Company on ²⁷/₄ 2021.

Chairman



Contents

	Page
Management's Statement on the Annual Report	1
Independent Auditor's Report	2
Company Information	4
Financial Highlights	6
Review	7
Income Statement December 2019 - 30 November 2020	8
Balance Sheet at 30 November 2020	9
Statement of changes in the Equity	11
Cash Flow Statement December 2019 - 30 November 2020	12
Notes to the Annual Report	13

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 2019 - 30 November 2020.

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 2020, and the results of operations and cash flows of the Company for 2019/20.

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.

27/4
Viby, 2021

Executive Board



Søren Steen Thomsen

Supervisory Board



Ernst Gunter Von Starck
Chairman



Søren Steen Thomsen

Manne Casin

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 2020 and of the results of the Company operations and cash flows for the financial year 1 December 2019 - 30 November 2020 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 2019 – 30 November 2020, 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 Financial 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 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, ^{27/4} 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerskab

Cvr. nr. 33 77 12 31

Michael Nielsson

Michael Nielsson

State Authorized Public Accountant

mnel5151

Company Information

The Company

Carrier Refrigeration Denmark A/S
Industrivej 21
DK-8260 Viby J

Telephone +45 8655 0255
E-mail: ccsdkinfo@carrier.com
Website: www.carrier.dk

CVR No.: 83 69 37 11

Financial period: 1 December - 30 November

Municipality of reg. office: Aarhus

Shareholder

The share capital, DKK 1.000,000, is 100% owned by Carrier Transicold Scandinavia A/S, Industrivej 30, DK-6330 Padborg.

Ultimate parent company

Carrier Global Corporation, 13995 Pasteur Boulevard
Palm Beach Gardens, Florida 33418, USA

The consolidated financial report, of which the Company is part, can be obtained on inquiry inquiry to the above company or on the website www.carrier.com.

Supervisory Board

Ernst Gunter Von Starck, Chairman
Marine Casin
Søren Steen Thomsen

Executive Board

Søren Steen Thomsen

Auditors

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

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 2019 - 30/11 2020	1/12 2018 - 30/11 2019	1/12 2017 - 30/11 2018	1/12 2016 - 30/11 2017	1/12 2015 - 30/11 2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	3 621	4 296	1 307	3 739	1 325
Financial income and expenses	- 134	- 97	- 248	- 283	- 123
Profit/loss before tax	3 488	4 198	1 059	3 456	1 202
Net profit/loss for the year	3 854	3 272	821	2 696	902
Balance sheet					
Balance sheet total	81 140	77 887	78 531	61 569	60 308
Equity	20 485	19 831	16 559	15 737	13 041
Cash flows					
<i>Cash flows</i>					
Cash flows from:					
- operating activities	-4 821	8 277	-8 068	9 747	14 033
- investing activities	0	- 182	- 135	- 76	- 273
- including investment in intangible assets	0	0	0	0	0
property, plant and equipment	0	- 182	- 186	- 76	- 223
- financing activities	-4 245	-1 497	10 856	-4 480	-18 253
Change in cash and cash equivalents for the year	-9 066	6 598	2 654	5 191	-4 493
Number of employees	58	58	58	59	53
Ratios					
Return on assets	4,5%	5,5%	1,7%	6,1%	2,2%
Solvency ratio	25,2%	25,5%	21,1%	25,6%	21,6%
Return on equity	19,1%	18,0%	5,1%	18,7%	7,2%

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 Carrier Global Corporation whose refrigeration division is known under the brand name Carrier.

Development in the year

Profit/Loss for the year

During the period 1 December 2018 - 30 November 2019 gross profit amounted to DKK 28.755k and during the period 1 December 2019 - 30 November 2020 decreased to DKK 26.767k.

The result for the financial year 2019/20 is in line with the expectations as at the publication of last year's financial report.

Profit before tax decreased from DKK 4.198k in 2018/19 to 3.488k in 2019/20.

Net profit after tax DKK 3.854k.

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 2020/21 at the same level as 2019/20.

Subsequent events

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	2019/20	2018/19
		DKK	DKK
Gross profit/loss	2,3	26 767 046	28 755 225
Distribution expenses	2,3	-13 095 479	-14 634 627
Administrative expenses	2,3	-10 050 449	-9 825 090
Profit/loss before financial income and expenses		3 621 118	4 295 508
Financial expenses	4	-133 544	-97 041
Profit/loss before tax		3 487 574	4 198 467
Tax	5	366 540	- 926 434
Net profit/loss for the year		3 854 114	3 272 033

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	8 000 000	3 200 000
Retained earnings	-4 145 886	72 033
	3 854 114	3 272 033

Balance Sheet 30 November

Assets

	Note	2020 DKK	2019 DKK
Trademarks and similar rights		0	153 562
Goodwill		2 184 094	2 987 024
Intangible assets	6	2 184 094	3 140 586
Other fixtures and fittings, tools and equipment		119 050	243 752
Property, plant and equipment	7	119 050	243 752
Deposits		598 350	598 350
Financial assets	8	598 350	598 350
Fixed assets		2 901 494	3 982 688
Inventories (goods for resale)		3 900 899	4 309 369
Trade receivables		31 968 775	33 573 818
Ongoing work in progress		30 777 604	15 156 265
Receivables from group enterprises		506 045	685 636
Other receivables		14 415	71 007
Prepayments	9	444 140	416 351
Receivables		63 710 979	49 903 077
Cash at bank and in hand		10 626 426	19 691 834
Current assets		78 238 304	73 904 279
Assets		81 139 798	77 886 967

Balance Sheet 30 November

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		1 000 000	1 000 000
Retained earnings		11 484 841	15 630 727
Proposed dividend for the year		8 000 000	3 200 000
Equity		20 484 841	19 830 727
Deferred tax	5	743 850	381 972
Other provisions		3 697 127	3 085 164
Provisions		4 440 977	3 467 136
Other payables		0	362 686
Long-term debt		0	362 686
Prepayments received from customers		2 108 221	32 794
Trade payables		9 915 492	11 266 905
Payables to group enterprises		20 769 649	13 815 140
Loan with group enterprises		8 000 000	16 000 000
Corporation tax	5	800 865	1 529 283
Other payables		13 957 502	11 238 033
Deferred income	10	662 251	344 262
Short-term debt		56 213 981	54 226 417
Debt		56 213 981	54 589 103
Liabilities and equity		81 139 798	77 886 967
Unusual events	1		
Contingent assets, liabilities and other financial obligations	11		
Related parties and ownership	12		
Accounting policies	14		

Statement of changes in the Equity

	Share capital	Retained earnings	Proposed dividend	Total
	DKK	DKK	DKK	DKK
Equity at 1 December	1 000 000	15 630 727	3 200 000	19 830 727
Net profit/loss for the year	0	3 854 114	8 000 000	11 854 114
Paid dividend for the year	0	-8 000 000	-3 200 000	-11 200 000
Equity at 30 November	1 000 000	11 484 841	8 000 000	20 484 841

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	2019/20	2018/19
		DKK '000	DKK '000
Net profit/loss for the year before financial income and expenses		3 621	4 296
Amortisation and depreciation	3	1 081	2 388
Change in inventories		408	214
Change in receivables incl. contract work		-13 808	4 823
Change in provisions, trade payables and other payables		4 011	-2 985
Cash flows from operating activities before financial income and expenses		-4 687	8 736
Financial expenses		-134	-97
Cash flows from ordinary activities		-4 821	8 639
Corporation tax paid / received		0	- 362
Cash flows from operating activities		-4 821	8 277
Purchase of property, plant and equipment		0	- 182
Cash flows from investing activities		0	- 182
Change in payables to group enterprises		-1 045	-1 497
Paid dividend		-3 200	0
Cash flows from financing activities		-4 245	-1 497
Change in cash and cash equivalents		-9 066	6 598
Cash at 1 December		19 692	13 094
Cash 30 November		10 626	19 692
Cash are specified as follows:			
Cash at bank and in hand		10 626	19 692
Cash at 30 November		10.626	19.692

Notes to the Annual Report

1 Unusual events

The consequences of Covid-19 which many governments worldwide deciding to close down the countries which will have major impact on the world economy.

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.

	<u>2019/20</u>	<u>2018/19</u>
	DKK	DKK
2 Staff		
Wages and salaries	37 881 045	38 124 527
Pensions	2 704 337	2 732 686
Other social security expenses	392 514	432 546
	<u>40 977 896</u>	<u>41 289 759</u>
Wages and salaries, pensions and other social security expenses are recognised in the following items:		
Cost of sales	27 635 249	27 648 664
Distribution expenses	7 823 434	8 491 658
Administrative expenses	5 519 213	5 149 437
	<u>40 977 897</u>	<u>41 289 759</u>
Average number of employees	<u>58</u>	<u>58</u>
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)	80 051	121 608
Administrative expenses	1 001 145	2 266 077
	<u>1 081 196</u>	<u>2 387 685</u>
4 Financial expenses		
Interest paid to group enterprises	304	34 170
Other financial expenses	133 240	62 871
	<u>133 544</u>	<u>97 041</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	1 529 283	381 972	0
Tax paid to parent company relating to 2019/20	0	0	0
Adjustment previous years	-1 529 283	0	-1 529 283
Tax on profit/loss for the year	800 865	361 878	1 162 743
	<u>800 865</u>	<u>743 850</u>	<u>- 366 540</u>

6 Intangible assets

	Trademarks and similar rights	Goodwill
	<u> </u>	<u> </u>
	DKK	DKK
Cost at 1 December	7 897 500	26 076 085
Cost at 30 November	<u>7 897 500</u>	<u>26 076 085</u>
Impairment losses at 1 December	0	8 008 000
Impairment losses at 30 November	<u>0</u>	<u>8 008 000</u>
Amortisation at 1 December	7 743 938	15 081 061
Amortisation for the year	153 562	802 930
Amortisation at 30 November	<u>7 897 500</u>	<u>15 883 991</u>
Carrying amount at 30 November	<u>0</u>	<u>2 184 094</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	1 177 105
Departures for the year	- 160 800
Cost at 30 November	<u>1 016 305</u>
Impairment losses and depreciation at 1 December	933 353
Depreciation for the year	124 702
Departure for the year	- 160 800
Impairment losses and depreciation at 30 November	<u>897 255</u>
Carrying amount at 30 November	<u>119 050</u>

	<u>2019/20</u>	<u>2018/19</u>
	DKK	DKK
8 Financial assets		
Cost at 1 December	598.350	598.320
Additions for the year	<u>0</u>	<u>30</u>
Carrying amount at 30 November	<u>598 350</u>	<u>598 350</u>

9 Prepayments

Prepayments comprise of prepaid expenses concerning insurance, subscriptions etc.

Notes to the Annual Report

10 Deferred income

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

11 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations amount to DKK 2.903 k of which DKK 1.556 k is due within 1 year.

The company has one signed lease which are non-callable until July 31 2026 and another signed lease with 12 month's notice. The total rent obligation is DKK 4.446 k of which DKK 1.224 k is payable in 2020/21.

The company has issued guarantees in relation to completed projects of DKK 2.969 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

12 Related parties and ownership

	Basis
Controlling interest	
Carrier Transicold Scandinavia A/S, Industrivej 30, DK-6330 Padborg	Controlling shareholder
Ardmore Holdings s.à.r.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
Marine Casin 61 rue du Château, 92100 Boulogne-Billancourt, France	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

13 Accounting policies

Basis of Preparation

The Annual Report of Carrier Refrigeration Denmark A/S for the period 1 December 2019 - 30 November 2020 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 Transcold 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.

Notes to the Annual Report

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.

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.

Notes to the Annual Report

Equipment

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. 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-5 years

Assets costing less than DKK 14.100 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 measure 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>	=	$\frac{\textit{Net profit for the year} \times 100}{\textit{Average equity}}$