Konecranes Demag A/S

Baldersbuen 37, 2640 Hedehusene

CVR no. 49 10 69 12

Annual report for 2020

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 30.06.21

Jukka Pellikka
Dirigent

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Company information etc.

The company

Konecranes Demag A/S
Baldersbuen 37
2640 Hedehusene
Danmark
Tel.: 70 22 36 37
Website: www.konecranes.com
Registered office: Høje Taastrup
CVR no.: 49 10 69 12
Financial year: 01.01 - 31.12

Executive Board

Daniel From Hansen

Board of Directors

Tero Kalevi Laine
Aku Juhani Lehtinen
Andrew Timothy Spencer

Auditors

EY Godkendt Revisionspartnerselskab

Bank

Nordea

Company information etc.

We have on this day presented the annual report for the financial year 01.01.20 - 31.12.20 for Konecranes Demag A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.20 and of the results of the company's activities for the financial year 01.01.20 - 31.12.20.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Hedehusene, June 28, 2021

Executive Board

Daniel From Hansen

Board of Directors

Tero Kalevi Laine	Aku Juhani Lehtinen	Andrew Timothy Spencer

Independent auditor's report

To the Shareholders of Konecranes Demag A/S

Opinion

We have audited the financial statements of Konecranes Demag A/S for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, and notes, including 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 financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

Statement regarding the 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, we conclude that Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of Management's review.

Copenhagen, June 28, 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30700228

Alex Petersen
State Authorized Public Accountant
mne28604

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2020	2019	2018	2017	2016
Profit/loss					
Operating profit	6,345	686	3,646	11,168	-1,263
Index	-502	-54	-289	-884	100
Total net financials	-75	198	-164	-410	-282
Index	27	-70	58	145	100
Profit for the year	4,890	763	2,615	9,161	-3,228
Index	-151	-24	-81	-284	100
Balance					
Total assets	98,105	81,320	102,901	73,062	27,780
Index	353	293	370	263	100
Investments in property, plant and equipment	39	294	947	2,338	213
Index	18	138	445	1,098	100
Equity	41,050	36,160	35,397	32,783	3,010
Index	1,364	1,201	1,176	1,089	100

Ratios

	2020	2019	2018	2017	2016
Profitability					
Return on equity	13%	2%	8%	51%	-70%
Equity ratio					
Equity interest	42%	44%	34%	45%	11%
Others					
Number of employees (average)	74	76	73	69	41

With accounting effect from 1 January 2017 the company completed a merger with Terex Material Handling ApS. Konecranes Demaq A/S was the surviving company. The company applied the pooling of interest method in connection with the merger. Consequently, the comparative figures 2016 have not been restated and are therefore not comparable from 2017 to 2019.

Financial ratios are calculated in accordance with terms and definitions described as below.

Ratios definitions

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

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The company's main activities are sales and servicing of cranes, primarily in the Danish market.

Uncertainty concerning recognition and measurement

The recognition and measurement of items in the financial statement is not subject to any uncertainty.

Development in activities and financial affairs

The income statement for the period 01.01.20 - 31.12.20 shows a profit/loss of DKK 4,890,308 against DKK 762,696 for the period 01.01.19 - 31.12.19. The balance sheet shows equity of DKK 41,050,310.

Outlook

The company expects a profit before tax for 2021 minimum on same level as 2020.

Special risks

Price risks

The company is not exposed to risks beyond those risks that are common in the Company's industry.
Costs of raw materials and comsumables are primarily purchased from group companies in EUR and therefore the impact from currency fluctuation is not significant.

COVID-19 risks

For special risks related to the current COVID-19 virus outbreak, see section Subsequent events below.

External environment

As part of the group strategy for the company's overall environmental activities, a group environmental policy has been prepared setting out a number of environmental objectives. Focusing on environmentally operations, this policy forms a natural part of the company's objectives concerning product quality and production conditions.

Subsequent events

Following the COVID-19 virus outbreak in Denmark, starting March, 2020, the Company has experienced uncertainty at some customers and decreased activity levels on the Danish market. However earning for 2021 compared to origin Budget is not expected to be effected significantly. Management considers COVID-19 to constitute a non-adjusting event and has not adjusted any figures in the financial statements 2020. No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Income statement

Note		2020 DKK	2019 DKK
	Gross profit	**54,079,453**	**49,120,787**
1	Staff costs	-46,993,954	-48,308,023
	Profit before depreciation, amortisation, write-downs and impairment losses	**7,085,499**	**812,764**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-740,480	-98,328
	Other operating expenses	0	-28,038
	Profit before net financials	**6,345,019**	**686,398**
2	Financial income	11,098	221,791
3	Financial expenses	-85,721	-24,229
	Profit before tax	**6,270,396**	**883,960**
	Tax on profit for the year	-1,380,088	-121,264
	Profit for the year	**4,890,308**	**762,696**

4 Distribution of net profit

Balance sheet

ASSETS

Note		31.12.20 DKK	31.12.19 DKK
	Leasehold improvements	571,271	1,257,091
	Other fixtures and fittings, tools and equipment	41,169	51,972
6	**Total property, plant and equipment**	**612,440**	**1,309,063**
7	Deposits	535,180	534,615
	Total investments	**535,180**	**534,615**
	Total non-current assets	**1,147,620**	**1,843,678**
	Raw materials and consumables	3,817,534	4,615,966
	Total inventories	**3,817,534**	**4,615,966**
8	Work in progress for third parties	9,712,797	10,004,570
	Trade receivables	61,902,335	44,301,455
	Receivables from group enterprises	19,894,850	18,642,977
11	Deferred tax asset	605,118	554,392
	Income tax receivable	0	390,000
9	Prepayments	1,024,418	966,989
	Total receivables	**93,139,518**	**74,860,383**
	Total current assets	**96,957,052**	**79,476,349**
	Total assets	**98,104,672**	**81,320,027**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.20 DKK	31.12.19 DKK
10	Share capital	1,501,000	1,501,000
	Retained earnings	34,549,310	34,659,002
	Proposed dividend for the financial year	5,000,000	0
	Total equity	**41,050,310**	**36,160,002**
12	Other provisions	2,349,573	1,005,715
	Total provisions	**2,349,573**	**1,005,715**
13	Other payables	0	1,621,690
	Total long-term payables	**0**	**1,621,690**
	Payables to other credit institutions	620	0
	Trade payables	9,313,732	7,517,377
	Payables to group enterprises	23,799,690	23,988,624
	Income taxes	1,040,814	0
	Other payables	20,549,933	11,026,619
	Total short-term payables	**54,704,789**	**42,532,620**
	Total payables	**54,704,789**	**44,154,310**
	Total equity and liabilities	**98,104,672**	**81,320,027**

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Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	1,501,000	33,896,306	0	35,397,306
Net profit/loss for the year	0	762,696	0	762,696
Balance as at 31.12.19	1,501,000	34,659,002	0	36,160,002
Statement of changes in equity for 01.01.20 - 31.12.20				
Balance as at 01.01.20	1,501,000	34,659,002	0	36,160,002
Net profit/loss for the year	0	-109,692	5,000,000	4,890,308
Balance as at 31.12.20	1,501,000	34,549,310	5,000,000	41,050,310

	2020 DKK	2019 DKK

1. Staff costs

Wages and salaries	41,229,185	42,837,993
Pensions	4,791,904	4,470,805
Other social security costs	972,865	999,225
Total	46,993,954	48,308,023
Average number of employees during the year	74	76

Be reference to section 98b(3). (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

2. Financial income

Interest, group enterprises	0	14,851
Other interest income	321	195,738
Foreign exchange gains	0	2,103
Other financial income	10,777	9,099
Other financial income	11,098	206,940
Total	11,098	221,791

3. Financial expenses

Other interest expenses	53,343	14,112
Foreign currency translation adjustments	32,378	10,117
Total	85,721	24,229

	2020 DKK	2019 DKK

4. Distribution of net profit

Proposed dividend for the financial year	5,000,000	0
Retained earnings	-109,692	762,696
Total	4,890,308	762,696

5. Intangible assets

Figures in DKK	Acquired rights	Goodwill
Cost as at 01.01.20	553,115	8,837,995
Cost as at 31.12.20	553,115	8,837,995
Amortisation and impairment losses as at 01.01.20	-553,115	-8,837,995
Amortisation and impairment losses as at 31.12.20	-553,115	-8,837,995
Carrying amount as at 31.12.20	0	0

6. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.20	1,500,303	1,771,953
Additions during the year	38,509	0
Cost as at 31.12.20	1,538,812	1,771,953
Depreciation and impairment losses as at 01.01.20	-243,212	-1,719,978
Depreciation during the year	-724,329	-10,806
Depreciation and impairment losses as at 31.12.20	-967,541	-1,730,784
Carrying amount as at 31.12.20	571,271	41,169

7. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.20	534,615
Additions during the year	565
Cost as at 31.12.20	535,180
Carrying amount as at 31.12.20	535,180

	31.12.20 DKK	31.12.19 DKK

8. Work in progress for third parties

Work in progress for third parties	9,712,797	10,004,570
Total	9,712,797	10,004,570

9. Prepayments

Prepaid insurance premiums	526,357	522,080
Other prepayments	498,061	444,909
Total	1,024,418	966,989

10. Share capital

The share capital consists of:

	Quantity	Total nominal value
A-shares, of DKK 1,000	1,501	1,501,000
Total		1,501,000

The share capital increasedby DKK 1,000 in 2017. The share capital was unchanged during the four preceding financial years.

	31.12.20 DKK	31.12.19 DKK

11. Deferred tax

Provisions for deferred tax as at 01.01.20	554,392	749,656
Deferred tax recognised in the income statement	50,726	-195,264
Provisions for deferred tax as at 31.12.20	605,118	554,392

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	605,118	554,392

Deferred tax is distributed as below:

Intangible assets	-22,803	-259,082
Property, plant and equipment	-109,383	-138,015
Investments	43,975	145,450
Provisions	-516,907	-221,257
Tax losses	0	-81,488
Total	-605,118	-554,392

12. Other provisions

Figures in DKK	Warranty commitments
Provisions as at 01.01.20	1,005,715
Provisions during the year	1,343,858
Provisions as at 31.12.20	2,349,573

Other provisions are expected to be distributed as follows:

Other provisions are ordinary warranty provisions, the company usually provide 2 to 5 years warranty commitment in respect of the company's product.

13. Long-term payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 31.12.19
Other payables	0	1,621,690
Total	0	1,621,690

14. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 9-48 months and average lease payments of DKK 176k, a total of DKK 8,419k .

Guarantee commitments

The company is subject to standard contractor guarantees.

Recourse guarantee commitments

The company has put up guarantees totalling DKK 1,102k through Nordea, Danske Bank and Tryg Garanti as sequrity for its construction contracts.

15. Charges and security

The company participates in a cash-pool agreement with the Group. The cash-pool of DKK 19,900k is presented as receivables from group enterprises. The cash-pool is pledged for group credit institutions.

Other than the above the company has not provided any security or other collateral in assets at 31 December 2020.

16. Related parties

Controlling influence	Basis of influence
Konecranes Holding Sweden AB, Kristianstad	Ejer

Transactions	Relation	2020 DKK
Sales to related parties, included in Gross profit	Group companies	840,000
Purchases from related parties, included in Gross profit	Group companies	75,972,470
Cost sharing costs	Group companies	8,639,000

Balances	31.12.20 DKK
Receivables from group enterprises	19,894,850
Payables to group enterprises	-23,799,690

Konecranes Demag A/S is included in the consolidated financial statements of the parent, Konecranes Plc, Koneenkatu 8, FI-05801, Finland.

17. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

17. Accounting policies - continued -

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in accordance with IAS 17 in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease. All other leases are considered operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under "Contractual obligations and contingencies, etc.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

The Company's revenue is generated from the production and sale of The Company sells standard cranes under Konecranes and Demag brand and manages the appropriate client projects in the Danish markets. The Company also takes care of repair, maintenance and modernization of cranes manufactured by Konecranes but also by third parties.

On the conclusion of sales contracts that consist of several separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods, services or construction contracts are met.

17. Accounting policies - continued -

A contract is split up into individual transactions when the fair value of each individual sales transaction can be estimated reliably and when each individual sales transaction represents a stand-alone value for the buyer. Sales transactions are deemed to have a stand-alone value for the buyer when the transaction is individually identifiable and usually sold separately. Revenue is measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Revenue from the sale of services

Revenue from the rendering of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered because the services are rendered in the form of an indefinite number of actions over a specified period of time.

Revenue from construction contracts

Revenue from construction contracts concerning standard cranes, related products and spare parts subject to a high degree of individual adaptation is recognised as revenue by reference to the stage of completion, which means that revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When income and expenses of a construction contract cannot be estimated reliably, revenue assessed recognised solely at the costs incurred in so far as it is assessed that they are likely to be recovered.

The stage of completion by which completion of the production is measured is determined by reference to the proportion of costs incurred relative to the latest cost estimate.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

17. Accounting policies - continued -

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	5-7	0
Goodwill	7	0
Leasehold improvements	5	0
Other plant, fixtures and fittings, tools and equipment	2-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.
Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

17. Accounting policies - continued -

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

17. Accounting policies - continued -

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

17. Accounting policies - continued -

Receivables

Receivables are measured at amortised cost.
The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

The Construction contracts are measured at the selling price of the work performed less payments received on account and anticipated losses. Construction contracts entail a significant degree of design customisation of produced goods. Moreover, before any work is commenced, a binding agreement must have been entered into, which will imply a penalty or damages on subsequent termination of the agreement.

17. Accounting policies - continued -

The selling price is measured by reference to the percentage of completion at the end of the reporting period and the total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.
When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on a construction contract cannot be determined reliably, the selling price is measured solely at the costs incurred in so far as they are likely to be recovered.

Where the selling price of work performed exceeds payments received on account and anticipated losses, the excess amount is recognised in contract assets. If payments received on account and anticipated losses exceed the selling price of a construction contract, the deficit is recognised in contract liabilities.

Prepayments received from customers are recognised in contract liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Where payment has been received for later sales of goods but delivery has not yet taken place, deferred revenue is also recognised in contract liabilities.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

17. Accounting policies - continued -

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

17. Accounting policies - continued -

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.