

KD Maskinfabrik A/S
Karetmagervej 25
7100 Vejle
Business Registration No
11064744

Annual report 2017

The Annual General Meeting adopted the annual report on 12.04.2018

Chairman of the General Meeting



Name: Jens Sehested Krogh

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Entity details

Entity

KD Maskinfabrik A/S
Karetmagervej 25
7100 Vejle

Central Business Registration No (CVR): 11064744

Registered in: Vejle

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

David Packness Meyer, Chairman

Ronnie Møller-Thorsøe

Per Krøyer Kristensen

Executive Board

Jens Sehested Krogh, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of KD Maskinfabrik A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

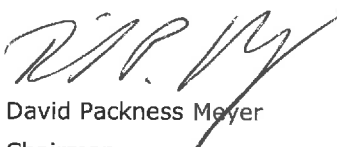
Vejle, 12.04.2018

Executive Board



Jens Sehested Krogh
CEO

Board of Directors



David Packness Meyer
Chairman



Ronnie Møller-Thorsøe



Per Krøyer Kristensen

Independent auditor's report

To the shareholders of KD Maskinfabrik A/S

Opinion

We have audited the financial statements of KD Maskinfabrik A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 12.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556



Jacob Nørmark

State Authorised Public Accountant

Identification No (MNE) mne30176

Management commentary

Primary activities

KD Maskinfabrik A/S (KD – DWE) Is a leading clean tech technology company focused on developing and manufacturing equipment and solutions to the global wastewater market. The demand for high quality and sustainable solutions is increasing and KD has established themselves with a foundation in the Kruger technologies acquired back in the early 00's as a partner to the wastewater segment supplying high quality, solutions built to last and with focus on giving the customer a value engineered (optimized) solution that is easy and fast to install at site giving our customers a financial and technological advantage when working with KD equipment and solutions.

KD Maskinfabrik A/S is developing its business and besides our 2 other companies (KD Precast Piling A/S & KD Vesave A/S) then we have taken focused initiatives to develop new products/solution that has made a significant impact on KD's future business opportunities. Some of these new innovative projects are:

KD Aquamizing© (former KD Envimizing)

A "Turn key Mini wastewater plant" focusing on the size 10.000 – 50.000 PE, and who gives KD the opportunity to target a new segment of small public players and industrial players in Scandinavia and selected markets. The potential for this project is large especially in Scandinavia, Mena region and China, where the need to build small local plants up to 50.000 PE.

KD Microplast Project (KD VeSave A/S)

KD has together with Vejle wastewater plants, as one of the first in the world, documented removal of more than 90 % of microplast in wastewater and have a technical solution ready (Proof of Concept) for commercialization once the law changes and more focus is centered on removing microplast, which is considered a health risk.

KD EDI MEGA Bridges solutions©

Where KD develop Mega bridge EDI solutions for customers who make very large wastewater projects like Jebel Ali Dubai, one of KD's customers. Specializing in These Large Bridge solutions and coming up with fast implementation projects gives our customers a competitive edge by choosing KD, as our solution is fast to implement, high quality and sustainable.

KD Dry Silo sludge solution©

KD has in 2017 developed a unique Dry and wet silo concept to be very u giving the customer a tailored solution based on the "lego" concept and where we optimize the whole sludge solution instead of just supplying a product. The customer gain a financial and technical advantage as the project is pre-engineered and built for easy installation and considering all the implications and risks in this sludge solution. Projects in 2017/2018 being installed in Bahrain and jebel Ali shows the uniqueness in our Dry silo sludge concept.

Management commentary

With constant development of new innovation of products and solutions within the wastewater segment KD has changed the company over the last 5 years from being a traditional machine plant manufacture to a clean tech company setting new standards in the wastewater industry with its idea, innovation and high quality products built to last.

Development in activities and finances

The yearly result in 2017 is positive and with a growth of more than 70 % in Turnover then we have succeeded in developing KD Maskinfabrik A/S (KD DWE) with a strong focus on breakthrough in key markets especially in Middle East and Asia, as well as launching new high quality product solutions , which has given us a significant competitive edge. Especially Middle East, Egypt, Vietnam And China has shown strong opportunities and we expect these markets to be a key driver for growth also in the future.

In Denmark we acquired Aalborg vest bottom aeration project which was a strategic win as we want to position ourselves as the key supplier of large bottom aeration projects in Denmark, Sweden and Norway together with our Austrian Partner. Therefore we enter into 2018 with a very strong pipeline of orders, which gives us a strong foundation for developing the company further and continue the growth towards our strategic goal in 2019 and 2020.

KD has in 2017 achieved very important milestones in new product development, new key markets and new key accounts strengthen our business opportunities globally.

KD DWE Egypt Joint Venture

KD DWE Egypt was established in 2015 and are working intensively on new projects in Egypt market. In 2017 we have won projects in Egypt for more than 1,5 million euro's and we expect 2018 to be the breakthrough for KD DWE Egypt as we are also discussing partnership with a key player in the Egyptian wastewater market to further strengthen our business opportunities.

KD is in dialogue with a strategic partner for developing the business in the MENA region. That can give KD a further competitive edge on key markets in MENA region in the future.

Outlook

The company enters 2018 having signed more than 50 % of the new orders needed to achieve the result for 2018, giving our shareholders a strong feeling for a very good 2018 year for KD Maskinfabrik A/S. The order pipeline (sales cockpit) of new future projects has never been bigger and we expect a record high order intake for KD in 2018. It is especially Middle East, Egypt, Vietnam, China giving us very strong opportunities.

We therefore expect a growth in turnover for 2018 compared with 2017 as well as an increase in financial result for 2018 up from 2017.

Management commentary

Our strategic goal is still to triple the turnover from 2014 to 2020 with an EBIT above 10.

Particular risks

The company has no special risks.

Currency risks

The company has no special currency risks dealing only in DKK and euro's

Environmental Risks

The company has no environmental risks and. The company is certified in ISO900.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		25.170.858	12.242.478
Staff costs	1	(17.961.793)	(15.165.399)
Depreciation, amortisation and impairment losses	2	<u>(1.972.457)</u>	<u>(1.733.084)</u>
Operating profit/loss		5.236.608	(4.656.005)
Income from investments in group enterprises		(1.214.596)	(226.287)
Other financial income	3	121.549	44.582
Other financial expenses	4	<u>(2.529.732)</u>	<u>(1.373.024)</u>
Profit/loss before tax		1.613.829	(6.210.734)
Tax on profit/loss for the year	5	<u>(648.204)</u>	<u>1.296.185</u>
Profit/loss for the year		<u>965.625</u>	<u>(4.914.549)</u>
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		0	(123.236)
Transferred to other statutory reserves		6.723.511	1.939.728
Retained earnings		<u>(5.757.886)</u>	<u>(6.731.041)</u>
		<u>965.625</u>	<u>(4.914.549)</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Completed development projects		2.968.064	3.868.605
Development projects in progress		8.889.029	0
Intangible assets	6	<u>11.857.093</u>	<u>3.868.605</u>
Land and buildings		15.469.730	15.912.417
Plant and machinery		260.339	500.578
Other fixtures and fittings, tools and equipment		84.906	245.672
Property, plant and equipment	7	<u>15.814.975</u>	<u>16.658.667</u>
Investments in group enterprises		2.288.608	921.949
Investments in joint ventures		60.332	52.864
Other receivables		146.142	196.459
Fixed asset investments	8	<u>2.495.082</u>	<u>1.171.272</u>
Fixed assets		<u>30.167.150</u>	<u>21.698.544</u>
Work in progress		840.168	4.924.833
Manufactured goods and goods for resale		4.605.066	4.814.177
Inventories		<u>5.445.234</u>	<u>9.739.010</u>
Trade receivables		12.605.898	8.634.975
Contract work in progress	9	28.410.266	11.573.557
Receivables from group enterprises		63.563	580.319
Other receivables		2.090.128	111.439
Income tax receivable		2.006.372	868.679
Prepayments		265.304	222.415
Receivables		<u>45.441.531</u>	<u>21.991.384</u>
Other investments		42.384	40.116
Other investments		<u>42.384</u>	<u>40.116</u>
Cash		<u>11.415</u>	<u>372.811</u>
Current assets		<u>50.940.564</u>	<u>32.143.321</u>
Assets		<u>81.107.714</u>	<u>53.841.865</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		4.264.599	2.854.167
Reserve for development expenditure		8.663.239	1.939.728
Retained earnings		<u>(2.891.378)</u>	<u>1.276.940</u>
Equity		<u>10.036.460</u>	<u>6.070.835</u>
Deferred tax	10	<u>2.972.000</u>	<u>639.000</u>
Provisions		<u>2.972.000</u>	<u>639.000</u>
Mortgage debt		7.854.111	8.533.809
Bank loans		<u>291.000</u>	<u>663.000</u>
Non-current liabilities other than provisions	11	<u>8.145.111</u>	<u>9.196.809</u>
Current portion of long-term liabilities other than provisions	11	917.131	782.564
Bank loans		31.088.759	23.534.295
Trade payables		21.627.254	8.227.133
Payables to group enterprises		0	690.034
Payables to shareholders and management		1.215.962	1.129.238
Other payables		4.110.037	3.571.957
Deferred income	12	<u>995.000</u>	<u>0</u>
Current liabilities other than provisions		<u>59.954.143</u>	<u>37.935.221</u>
Liabilities other than provisions		<u>68.099.254</u>	<u>47.132.030</u>
Equity and liabilities		<u>81.107.714</u>	<u>53.841.865</u>
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Assets charged and collateral	15		

Statement of changes in equity for 2017

	Contributed capital DKK	Share premium DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	2.854.167	0	1.939.728	1.276.940
Increase of capital	1.410.432	1.589.568	0	0
Transferred from share premium	0	(1.589.568)	0	1.589.568
Profit/loss for the year	0	0	6.723.511	(5.757.886)
Equity end of year	4.264.599	0	8.663.239	(2.891.378)
				Total DKK
Equity beginning of year				6.070.835
Increase of capital				3.000.000
Transferred from share premium				0
Profit/loss for the year				965.625
Equity end of year				10.036.460

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	14.670.028	12.358.699
Pension costs	2.174.085	1.718.733
Other social security costs	327.411	380.319
Other staff costs	790.269	707.648
	17.961.793	15.165.399
Average number of employees	36	34
	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.128.765	778.824
Depreciation of property, plant and equipment	843.692	911.760
Profit/loss from sale of intangible assets and property, plant and equipment	0	42.500
	1.972.457	1.733.084
	2017	2016
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	11.638	15.282
Exchange rate adjustments	107.543	26.636
Fair value adjustments	2.368	2.664
	121.549	44.582
	2017	2016
	DKK	DKK
4. Other financial expenses		
Other interest expenses	2.423.362	1.372.965
Other financial expenses	106.370	59
	2.529.732	1.373.024

Notes

	2017	2016
	DKK	DKK
5. Tax on profit/loss for the year		
Current tax	(2.005.796)	(547.103)
Change in deferred tax	2.654.000	(749.082)
	648.204	(1.296.185)
	Completed develop- ment projects DKK	Develop- ment projects in progress DKK
6. Intangible assets		
Cost beginning of year	7.636.766	0
Additions	228.224	8.889.029
Cost end of year	7.864.990	8.889.029
Amortisation and impairment losses beginning of year	(3.768.161)	0
Amortisation for the year	(1.128.765)	0
Amortisation and impairment losses end of year	(4.896.926)	0
Carrying amount end of year	2.968.064	8.889.029

Development projects

At 31.12.2017, the Company has the following development projects in progress, which are still in progress at 31.12.2017:

- Development of membrane solutions (development costs to date amount to DKK 2,746k)
- Development project for the brewery industry (development costs to date amount to DKK 1,065k).
- Development project Envimizing (development costs to date amount to DKK 1,182k).
- Development project within Wet silo sliding frame technology (development costs to date amount to DKK 2,137k)
- Development project within Mega Bridge (development costs to date amount to DKK 1,759k)

Development of membrane solution

The Company has initiated the development of a membrane solution which can be used in the food segment with respect to purification of waste water to technical water. In this way, the breweries etc. can save approx. 30% in water consumption. The development project is developed in cooperation with the Danish Environmental Protection Agency, which has granted a subsidy of DKK 995k.

Notes

It is an MUDP Project, and the Company expects to complete the project in Q2 2018 after which marketing and sales can be initiated. It is Management's expectation that it requires DKK 200-300k to complete the development project.

It is Management's expectation that this will result in a competitive advantage, and therefore the Company's Management expects an increase in the level of activity. The carrying amount at 31.12.2017 is DKK 2,746k, and Management does not find any indication of impairment to exist.

Development project for the brewery industry

The development project consists of further development of a project for the brewery industry in three areas which the Company considers a general problem for the industry:

- 1) From waste water – to technical water – clean drinking water. In future, it will be possible to produce on the basis of water.
- 2) Aeration and removal of COD from 5000 mg/l – under 100 mg/l with savings under 2 years. Management sees this as a big business opportunity.
- 3) Recovery and cleaning of water from riverbeds as a new water source.

Management regards the project as ground-breaking for the brewery industry and expects the market to react positively as this will create opportunities and be cost saving. Management expects the project to be completed at the end of 2018 and expects a further investment of DKK 500k to complete the development. Based on a comparison of budgeted cash flows and indications for significant market players in the industry, Management expects that the value-in-use will exceed the carrying amount.

It is Management's expectation that this will result in a competitive advantage, and therefore the Company's Management expects an increase in the level of activity. The carrying amount at 31.12.2017 is DKK 1,065k, and Management does not find any indication of impairment to exist.

Development project Envimizing

Development costs for Envimizing within 2 focus areas

- 1) Removal of microplast as the first provider in the world removing more than 90 %
- 2) Building small membrane-based turn key WWTP plants from 10.000 PE to 50.000 PE.

With the development of the above technology, the Company will be first mover on the market relating to removal of microplast and have a competitive advantage compared to its competitors. In cooperation with customers, the technology was tested at the end of 2017 and at the beginning of 2018, and the Company is waiting for the last test results to support the above before the technology can be considered completed and finally offered to customers. The development of the technology was finished at the beginning of 2018 and has already resulted in indications of significant orders generating the expected cash flows, which will make the value-in-use exceed the carrying amount.

Notes

It is Management's expectation that this will result in a competitive advantage, and therefore the Company's Management expects an increase in the level of activity. The carrying amount at 31.12.2017 is DKK 1,182k, and Management does not find any indication of impairment to exist.

Development project within wet silo sliding frame technology

Development of wet silo sliding frame technology project and dry silo project are two new technologies that the Company has been developing in 2017. These developments are value engineered technology solutions that differentiate the Company significantly. With the development of this technology, Management expects to be able to offer the market a total solution that will create significantly better results for the customer and be resource and cost saving for the end-user. The development of the technology was finished at the beginning of 2018 and has already resulted in indications of significant orders generating the expected cash flows, which will make the value-in-use exceed the carrying amount.

It is Management's expectation that this will result in a competitive advantage, and therefore the Company's Management expects an increase in the level of activity. The carrying amount at 31.12.2017 is DKK 2,137k, and Management does not find any indication of impairment to exist.

Development within Mega Bridge

The Mega Bridge EDI Project, where the Company value engineers Mega bridge WWTP Projects above 45 meters with new innovative technology. This solution will market the Company in the future and open opportunities in other countries and other project dimensions. The technology and development have been tested on a project in progress, and the Company is waiting for the final examinations before the technology can be finally implemented and offered to the market. It is Management's expectations that the technology will enter into service in Q2 to Q3 2018. Management has already started to market the technology in 2018, and at present the Company has received positive indications from the market. Management expects that only a limited investment is needed to complete the project.

It is Management's expectation that it will result in a competitive advantage, and therefore the Company's Management expects an increase in the level of activity. The carrying amount at 31.12.2017 is DKK 1,759k, and Management does not find any indication of impairment to exist.

Notes

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
7. Property, plant and equipment			
Cost beginning of year	21.227.790	6.566.316	3.865.048
Cost end of year	21.227.790	6.566.316	3.865.048
Depreciation and impairment losses beginning of year	(5.315.373)	(6.065.738)	(3.619.376)
Depreciation for the year	(442.687)	(240.239)	(160.766)
Depreciation and impairment losses end of year	(5.758.060)	(6.305.977)	(3.780.142)
Carrying amount end of year	15.469.730	260.339	84.906
	Invest- ments in group enterprises DKK	Investments in joint ventures DKK	Other receivables DKK
8. Fixed asset investments			
Cost beginning of year	1.025.000	52.864	196.459
Additions	2.581.255	7.468	1.150
Disposals	0	0	(51.467)
Cost end of year	3.606.255	60.332	146.142
Impairment losses beginning of year	(103.051)	0	0
Share of profit/loss for the year	(1.214.596)	0	0
Impairment losses end of year	(1.317.647)	0	0
Carrying amount end of year	2.288.608	60.332	146.142

During the year, a group contribution was granted to both subsidiaries totalling DKK 2,581k.

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
VESAVE A/S	Vejle	A/S	100,0
KD Pile Equipment A/S	Vejle	A/S	100,0

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in joint ventures companies			
Danish Wastewater Equipment Egypt LLC	Egypten	LLC	60,0

There is a shareholders' agreement between the parties in the joint venture company governing the actual influence to 50%.

	<u>2017 DKK</u>	<u>2016 DKK</u>
9. Contract work in progress		
Contract work in progress	60.889.327	31.267.422
Progress billings regarding contract work in progress	<u>(32.479.061)</u>	<u>(19.693.865)</u>
	<u>28.410.266</u>	<u>11.573.557</u>

Notes

	<u>2017</u> DKK	<u>2016</u> DKK
10. Deferred tax		
Intangible assets	2.609.000	851.000
Property, plant and equipment	1.583.000	1.546.000
Liabilities other than provisions	(65.000)	(45.000)
Tax losses carried forward	(6.415.000)	(5.318.000)
Other taxable temporary differences	5.260.000	3.605.000
	<u>2.972.000</u>	<u>639.000</u>
Changes during the year		
Beginning of year	639.000	
Recognised in the income statement	2.654.000	
Other changes	(321.000)	
End of year	<u>2.972.000</u>	

	<u>Due within 12</u> <u>months</u> <u>2017</u> DKK	<u>Due within 12</u> <u>months</u> <u>2016</u> DKK	<u>Due after more</u> <u>than 12</u> <u>months</u> <u>2017</u> DKK	<u>Outstanding</u> <u>after 5 years</u> <u>DKK</u>
11. Liabilities other than provisions				
Mortgage debt	545.131	410.564	7.854.111	5.593.852
Bank loans	372.000	372.000	291.000	0
	<u>917.131</u>	<u>782.564</u>	<u>8.145.111</u>	<u>5.593.852</u>

12. Deferred income

Deferred income consists of subsidies received for development projects, which are taken to income as the development projects are amortised.

	<u>2017</u> DKK	<u>2016</u> DKK
13. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>1.511.000</u>	<u>345.000</u>

Of the total amount, unrecognised lease commitments amount to DKK 743k compared to last year's DKK 345k.

Notes

14. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

15. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage debt amounts to DKK 8,399k at 31.12.2017. The carrying amount of the property at 31.12.2017 is DKK 15,470k.

Bank debt is secured by way of a deposited mortgage deed and an all-moneys mortgage of nominal DKK 13,000 on the Company's land and buildings as well as property, plant and equipment. The carrying amount is DKK 15,814k at 31.12.2017.

Furthermore, the Company's bank debt is secured on a floating charge of nominal DKK 14,500k. The debt amounts to DKK 31,752k at 31.12.2017. The floating charge comprises the following assets:

- Tools and equipment.
- Unsecured claims attributable to the sale of goods and services.
- Goodwill, domain names and rights according to various laws.
- Inventories of raw materials, semi-manufactures and finished goods.
- Motor vehicles that have not previously been registered.

The carrying amount at 31.12.2017 is DKK 18,396k.

Furthermore, the Company has provided its investments in the subsidiary as security for the bank debt. The carrying amount at 31.12.2017 is DKK 2.289k.

The Company has also provided its deposit account as security for all debt to Jyske Bank. The deposit account amounts to DKK 11k at 31.12.2017.

Moreover, Jyske Bank has issued performance bonds in favour of customers totalling DKK 83k (2016: DKK 83k) and Tryg Garanti has issued performance bonds in favour of customers totalling DKK 5,773k (2016: DKK 4,183k).

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses and other external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Accounting policies

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Enterprise's ordinary activities, including expenses for premises, stationery and office supplies, promotion expenses, etc. Other external expenses also include impairment losses on receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income from receivables from group enterprises, net capital gains relating to securities, payables and foreign currency transactions, and tax relief under the Danish Tax Prepayment Scheme.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses attributable to payables to subsidiaries, net capital losses on securities, payables and foreign currency transactions, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	30 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Accounting policies

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in joint ventures

Investments in joint ventures are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

Accounting policies

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other investments

Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Accounting policies

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.