isoplus Fjernvarmeteknik A/S

Korsholm Allé 20, DK-5500 Middelfart

Annual Report for 1 January - 31 December 2016

CVR No 16 32 14 35

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/5 2017.

Allan Betzer
Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of isoplus Fjernvarmeteknik A/S for the financial year 1 January - 31 December 2016.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Middelfart, 31 May 2017

Executive Board

Verner Rosendal

Board of Directors

Allan Betzer Chairman	Verner Rosendal	Raimund Rockenbauer

Independent Auditor's Report

To the Shareholder of isoplus Fjernvarmeteknik A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of isoplus Fjernvarmeteknik A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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 judgement 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 and the Group'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 Group's and 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

Independent Auditor’s Report

audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Trekantområdet, 31 May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Steffen Kjær Rasmussen	Lasse Berg
State Authorised Public Accountant	State Authorised Public Accountant

Company Information

The Company	isoplus Fjernvarmeteknik A/S Korsholm Allé 20 DK-5500 Middelfart Telephone: + 45 64 41 61 09 Facsimile: + 45 64 41 61 59 E-mail: iso@isoplus.dk Website: www.isoplus.dk CVR No: 16 32 14 35 Financial period: 1 January - 31 December Municipality of reg. office: Middelfart
Board of Directors	Allan Betzer, Chairman Verner Rosendal Raimund Rockenbauer
Executive Board	Verner Rosendal
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle
Lawyers	Penta Advokater Buen 12 6000 Kolding
Bankers	Sydbank A/S Jernbanegade 14 6000 Kolding

Financial Highlights

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

	Group				
	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	58.883	54.740	56.006	28.793	24.677
Profit/loss before financial income and expenses	5.953	6.215	14.915	6.764	4.280
Net financials	-2.006	-2.140	-2.830	-3.351	-2.009
Net profit/loss for the year	2.807	2.907	9.031	2.641	1.555
Balance sheet					
Balance sheet total	129.464	111.190	110.348	107.388	89.290
Equity	35.094	32.287	29.380	20.349	17.708
Cash flows					
Cash flows from:					
- operating activities	-8.363	5.540	-1.599	16.511	-2.489
- investing activities	-9.767	-4.694	-4.110	-2.449	-8.037
including investment in property, plant and equipment	-9.852	-5.148	-4.282	-2.991	-8.357
- financing activities	5.673	-3.113	-3.010	-2.735	241
Change in cash and cash equivalents for the year	-12.457	-2.267	-8.719	11.327	-10.285
Number of employees	95	82	72	63	56
Ratios					
Return on assets	4,6%	5,6%	13,5%	6,3%	4,8%
Solvency ratio	27,1%	29,0%	26,6%	18,9%	19,8%
Return on equity	8,3%	9,4%	36,3%	13,9%	9,2%

For definitions, see under accounting policies.

Management's Review

Key activities

isoplus Denmark is selling pre-insulated pipes and related products and services.

Our markets are the district heating sector in the Nordic countries, Estonia, Canada and United Kingdom.

Further from our site in Hvidovre, isoplus installers service our customers with joints fitting and extruding.

Development in the year

The income statement of the Group for 2016 shows a profit of TDKK 2,807, and at 31 December 2016 the balance sheet of the Group shows equity of TDKK 35,094.

The past year and follow-up on development expectations from last year

The year 2016 was another year of growth and development of isoplus efforts on markets within and outside Denmark. Following a growth strategy the board and management accepts the result for 2016.

Special risks - operating risks and financial risks

Operating risks

Product liability risks are covered by our own insurance and those of our suppliers.

IT hacking and virus are risks taken care of through surveillance systems in close cooperation with IT-support companies and official criminal prevention authorities.

The financial situation is stable despite our expansion in markets abroad. In cooperation with the Group and financial institutes the liquidity is secured for further expansion.

Targets and expectations for the year ahead

The growth strategy will be continued and growing numbers of district heating projects in our markets abroad will be the key to our growth.

External environment

As far as district heating and cooling contributes to reducing the CO_2-emission challenges isoplus is very proud to be part of this environmental effort and green technology as such.

Management's Review

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group 2016	Group 2015	Parent 2016	Parent 2015
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		**58.883**	**54.740**	**58.801**	**54.740**
Staff expenses	1	-48.031	-43.128	-47.535	-43.128
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-4.899	-5.397	-4.899	-5.397
Profit/loss before financial income and expenses		**5.953**	**6.215**	**6.367**	**6.215**
Income from investments in subsidiaries		0	0	-430	0
Financial income	2	55	43	55	43
Financial expenses	3	-2.061	-2.183	-2.045	-2.183
Profit/loss before tax		**3.947**	**4.075**	**3.947**	**4.075**
Tax on profit/loss for the year	4	-1.140	-1.168	-1.140	-1.168
Net profit/loss for the year		**2.807**	**2.907**	**2.807**	**2.907**

Balance Sheet 31 December

Assets

		Group		Parent	
	Note	2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
Land and buildings		32.988	27.136	32.988	27.136
Other fixtures and fittings, tools and equipment		7.916	8.812	7.839	8.812
Property, plant and equipment	5	**40.904**	**35.948**	**40.827**	**35.948**
Investments in subsidiaries	6	0	0	0	0
Fixed assets		**40.904**	**35.948**	**40.827**	**35.948**
Inventories		**41.923**	**35.041**	**41.923**	**35.041**
Trade receivables		35.266	28.071	35.154	28.071
Receivables from group enterprises		2.385	81	4.558	81
Other receivables		3.923	527	3.923	527
Corporation tax		211	0	211	0
Prepayments		1.559	1.256	1.555	1.256
Receivables		**43.344**	**29.935**	**45.401**	**29.935**
Cash at bank and in hand		**3.293**	**10.266**	**1.232**	**10.266**
Currents assets		**88.560**	**75.242**	**88.556**	**75.242**
Assets		**129.464**	**111.190**	**129.383**	**111.190**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2016 TDKK	Group 2015 TDKK	Parent 2016 TDKK	Parent 2015 TDKK
Share capital		1.549	1.549	1.549	1.549
Retained earnings		33.545	30.738	33.545	30.738
Equity		**35.094**	**32.287**	**35.094**	**32.287**
Provision for deferred tax	8	2.085	1.411	2.085	1.411
Provisions		**2.085**	**1.411**	**2.085**	**1.411**
Mortgage loans		7.141	7.735	7.141	7.735
Credit institutions		5.869	864	5.869	864
Lease obligations		2.007	1.663	2.007	1.663
Long-term debt	9	**15.017**	**10.262**	**15.017**	**10.262**
Mortgage loans	9	591	581	591	581
Credit institutions	9	45.342	38.945	45.342	38.945
Lease obligations	9	1.240	1.240	1.240	1.240
Trade payables		8.371	7.221	8.374	7.221
Payables to group enterprises		11.908	8.179	11.830	8.179
Corporation tax		0	437	0	437
Other payables		9.816	10.627	9.810	10.627
Short-term debt		**77.268**	**67.230**	**77.187**	**67.230**
Debt		**92.285**	**77.492**	**92.204**	**77.492**
Liabilities and equity		**129.464**	**111.190**	**129.383**	**111.190**

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Statement of Changes in Equity

Group

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	1.549	30.738	32.287
Net profit/loss for the year	0	2.807	2.807
Equity at 31 December	**1.549**	**33.545**	**35.094**

Parent

	Share capital	Retained earnings	Total
Equity at 1 January	1.549	30.738	32.287
Net profit/loss for the year	0	2.807	2.807
Equity at 31 December	**1.549**	**33.545**	**35.094**

Cash Flow Statement 1 January - 31 December

	Note	Group 2016 TDKK	Group 2015 TDKK
Net profit/loss for the year		2.807	2.907
Adjustments	10	7.960	8.669
Change in working capital	11	-16.009	-286
Cash flows from operating activities before financial income and expenses		**-5.242**	**11.290**
Financial income		55	44
Financial expenses		-2.061	-2.183
Cash flows from ordinary activities		**-7.248**	**9.151**
Corporation tax paid		-1.115	-3.611
Cash flows from operating activities		**-8.363**	**5.540**
Purchase of property, plant and equipment		-9.852	-5.148
Sale of property, plant and equipment		85	454
Cash flows from investing activities		**-9.767**	**-4.694**
Repayment of mortgage loans		-584	-585
Repayment of loans from credit institutions		-4.213	-2.016
Reduction of lease obligations		-1.042	-512
Raising of loans from credit institutions		10.126	0
Lease obligations incurred		1.386	0
Cash flows from financing activities		**5.673**	**-3.113**
Change in cash and cash equivalents		**-12.457**	**-2.267**
Cash and cash equivalents at 1 January		-26.996	-24.729
Cash and cash equivalents at 31 December		**-39.453**	**-26.996**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		3.293	10.266
Overdraft facility		-42.746	-37.262
Cash and cash equivalents at 31 December		**-39.453**	**-26.996**

Notes to the Financial Statements

		Group		Parent	
		2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
1	**Staff expenses**				
	Wages and salaries	45.763	41.175	45.287	41.175
	Pensions	20	0	0	0
	Other social security expenses	694	593	694	593
	Other staff expenses	1.554	1.360	1.554	1.360
		48.031	**43.128**	**47.535**	**43.128**
	Average number of employees	**95**	**82**	**94**	**82**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

2	**Financial income**				
	Other financial income	2	42	2	42
	Exchange adjustments	12	-6	12	-6
	Exchange gains	41	7	41	7
		55	**43**	**55**	**43**
3	**Financial expenses**				
	Interest paid to group enterprises	89	6	89	6
	Other financial expenses	1.972	1.767	1.956	1.767
	Exchange loss	0	410	0	410
		2.061	**2.183**	**2.045**	**2.183**
4	**Tax on profit/loss for the year**				
	Current tax for the year	466	1.758	466	1.758
	Deferred tax for the year	674	-590	674	-590
		1.140	**1.168**	**1.140**	**1.168**

Notes to the Financial Statements

5 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	31.226	31.625
Additions for the year	6.741	3.111
Disposals for the year	0	-7.387
Cost at 31 December	37.967	27.349
Impairment losses and depreciation at 1 January	4.090	22.813
Depreciation for the year	889	4.007
Reversal of impairment and depreciation of sold assets	0	-7.387
Impairment losses and depreciation at 31 December	4.979	19.433
Carrying amount at 31 December	**32.988**	**7.916**
Including assets under finance leases amounting to	0	3.176

6 Investments in subsidiaries

	Parent	
	2016	2015
	TDKK	TDKK
Cost at 1 January	0	0
Cost at 31 December	0	0
Value adjustments at 1 January	0	0
Net profit/loss for the year	-430	0
Value adjustments at 31 December	-430	0
Equity investments with negative net asset value amortised over receivables	430	0
Carrying amount at 31 December	**0**	**0**

Notes to the Financial Statements

6 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
isoplus Piping Systems Inc.	Toronto, Canada		100%	0	0
Winscar Piping Systems Limited	United Kingdom	GBP 100	100%	0	0

None of the subsidiaries above, have yet published an official Annual Report.

7 Distribution of profit

	Parent	
	2016	2015
	TDKK	TDKK
Retained earnings	2.807	2.907
	2.807	**2.907**

8 Provision for deferred tax

	Group		Parent	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Provision for deferred tax at 1 January	1.411	2.001	1.411	2.001
Amounts recognised in the income statement for the year	674	-590	674	-590
Provision for deferred tax at 31 December	**2.085**	**1.411**	**2.085**	**1.411**

Notes to the Financial Statements

9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	4.668	5.302	4.668	5.302
Between 1 and 5 years	2.473	2.433	2.473	2.433
Long-term part	7.141	7.735	7.141	7.735
Within 1 year	591	581	591	581
	7.732	**8.316**	**7.732**	**8.316**
Credit institutions				
After 5 years	0	0	0	0
Between 1 and 5 years	5.869	864	5.869	864
Long-term part	5.869	864	5.869	864
Within 1 year	2.596	1.683	2.596	1.683
Other short-term debt to credit institutions	42.746	37.262	42.746	37.262
Short-term part	45.342	38.945	45.342	38.945
	51.211	**39.809**	**51.211**	**39.809**
Lease obligations				
Between 1 and 5 years	2.007	1.663	2.007	1.663
Long-term part	2.007	1.663	2.007	1.663
Within 1 year	1.240	1.240	1.240	1.240
	3.247	**2.903**	**3.247**	**2.903**

Notes to the Financial Statements

	Group	
	2016	2015
	TDKK	TDKK
10 Cash flow statement - adjustments		
Financial income	-55	-43
Financial expenses	2.061	2.183
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.814	5.361
Tax on profit/loss for the year	1.140	1.168
	7.960	**8.669**

11 Cash flow statement - change in working capital

Change in inventories	-6.882	-4.078
Change in receivables	-13.196	10.395
Change in trade payables, etc	4.069	-6.603
	-16.009	**-286**

Notes to the Financial Statements

12 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	Group 2016 TDKK	Group 2015 TDKK	Parent 2016 TDKK	Parent 2015 TDKK
Land and buildings at a total carrying amount of	32.988	27.136	32.988	27.136

The following assets have been placed as security with bankers:

	Group 2016 TDKK	Group 2015 TDKK	Parent 2016 TDKK	Parent 2015 TDKK
Mortgage deeds registered to the mortgagor totalling DKK 8,800k, providing security on land and buildings at a total carrying amount of	32.988	27.136	32.988	27.136

Floating company charge totalling DKK 30,000k, providing security on receivables and inventory

Rental and lease obligations

There have been concluded leases with expiry no later than January 2021. Rental and lease payments are per month DKK 147k.

Other contingent liabilities

The group has at year end issued guarantees through banks, totalling DKK 2,800k. Guarantees relate to ongoing and completed work.

Notes, Accounting Policies

Basis of Preparation

The Annual Report of isoplus Fjernvarmeteknik A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2016 are presented in TDKK.

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 cost 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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, isoplus Fjernvarmeteknik A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company’s investments in the consolidated subsidiaries are set off against the Parent Company’s share of the net asset value of subsidiaries stated at the time of consolidation.

Notes, Accounting Policies

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of

Notes, Accounting Policies

discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprice.

Other external expenses

Other external expenses comprise iexpenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

Notes, Accounting Policies

Balance Sheet

Property, plant and equipment

Property, plant and 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.

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:

Production buildings	20 - 50	years
Other fixtures and fittings, tools and equipment	5	years
Leasehold improvements	3	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of 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, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes, Accounting Policies

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

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, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes, Accounting Policies

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Cash Flow Statement

The cash flow statement shows the Group´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 Group´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, property, plant 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” and ”Overdraft facilities”.

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

Notes, Accounting Policies

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$