isoplus Fjernvarmeteknik A/S

Korsholm Allé 20, DK-5500 Middelfart

Annual Report for 1 January - 31 December 2018

CVR No 16 32 14 35

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 9 /5 2019.

Claus Jarlgaard Jensen
Chairman of the General Meeting

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 2018.

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 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

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, 9 May 2019

Executive Board

Bo Olsen	Claus Jarlgaard Jensen

Board of Directors

Roland Hirner Chairman	Thorsten Henss	Gregor Wegerer
Bo Olsen	Claus Jarlgaard Jensen	

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 2018 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 2018 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 2018, 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 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, 9 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lasse Berg	Henrik Junker Andersen
State Authorised Public Accountant	State Authorised Public Accountant
mne35811	mne42818

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	Roland Hirner, Chairman Thorsten Henss Gregor Wegerer Bo Olsen Claus Jarlgaard Jensen
Executive Board	Bo Olsen Claus Jarlgaard Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle
Lawyers	Penta Advokater Buen 12 6000 Kolding
Bankers	Sydbank A/S Kolding Åpark 8B 6000 Kolding

Financial Highlights

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

	Group				
	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	51.315	58.245	58.883	54.740	56.006
Profit/loss before financial income and expenses	2.509	6.843	5.953	6.215	14.915
Net financials	-2.287	-3.089	-2.006	-2.140	-2.830
Net profit/loss for the year	-40	2.800	2.807	2.907	9.031
Balance sheet					
Balance sheet total	154.997	129.241	129.464	111.190	110.348
Equity	37.828	37.894	35.094	32.287	29.380
Cash flows					
Cash flows from:					
- operating activities	3.919	99	-8.363	5.540	-1.599
- investing activities	-3.981	-2.483	-9.767	-4.694	-4.110
including investment in property, plant and equipment	-3.991	-2.652	-9.852	-5.148	-4.282
- financing activities	4.134	680	5.673	-3.113	-3.010
Change in cash and cash equivalents for the year	4.072	-1.704	-12.457	-2.267	-8.719
Number of employees	88	96	95	82	72
Ratios					
Return on assets	1,6%	5,3%	4,6%	5,6%	13,5%
Solvency ratio	24,4%	29,3%	27,1%	29,0%	26,6%
Return on equity	-0,1%	7,7%	8,3%	9,4%	36,3%

For definitions, see under accounting policies.

Management's Review

Key activities

Isoplus Fjernvarmeteknik A/S is selling pre-insulated pipes and related products and services.

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

Further from our branch in Hvidovre, Copenhagen, isoplus jointers service our customers with joints fitting and extruding.

Development in the year

The income statement of the Group for 2018 shows a loss of TDKK 40, and at 31 December 2018 the balance sheet of the Group shows equity of TDKK 37,828.

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

The year 2018 became a challenging year for isoplus, even we experienced growth, investments in our set up in the export markets and our home market have affected the 2018 result, which are seen as unsatisfactory.

Increased focus on profibability and a positive outlook on the markets served will bring results back to an expected and accepted level.

Special risks - operating risks and financial risks

Operating risks

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

IT related surveillance systems have been upgraded during 2018 - all in close co-operation with IT support companies and official crimical precvention authorities.

The financial situation of the company is stable and the plans for the future are supported by the Group and our financial partners. Liquidity for further expansion is secured.

Targets and expectations for the year ahead

Increased focus on profitability and a positive outlook on the markets served will bring results back to minimum 2017 level.

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.

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		**51.315**	**58.245**	**49.759**	**55.570**
Staff expenses	2	-44.400	-46.792	-43.910	-45.037
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-4.406	-4.610	-4.406	-4.610
Profit/loss before financial income and expenses		**2.509**	**6.843**	**1.443**	**5.923**
Income from investments in subsidiaries		0	0	711	668
Financial income	3	41	63	40	-56
Financial expenses	4	-2.328	-3.152	-2.312	-2.921
Profit/loss before tax		**222**	**3.754**	**-118**	**3.614**
Tax on profit/loss for the year	5	-262	-954	78	-814
Net profit/loss for the year		**-40**	**2.800**	**-40**	**2.800**

Balance Sheet 31 December

Assets

	Note	Group 2018	Group 2017	Parent 2018	Parent 2017
		TDKK	TDKK	TDKK	TDKK
Land and buildings		31.635	32.282	31.635	32.282
Other fixtures and fittings, tools and equipment		6.956	6.664	6.762	6.526
Property, plant and equipment	6	**38.591**	**38.946**	**38.397**	**38.808**
Investments in subsidiaries	7	0	0	2.179	690
Fixed asset investments		**0**	**0**	**2.179**	**690**
Fixed assets		**38.591**	**38.946**	**40.576**	**39.498**
Inventories		**57.733**	**46.324**	**57.132**	**45.724**
Trade receivables		42.823	34.937	37.785	33.300
Contract work in progress	8	5.061	1.126	0	0
Receivables from group enterprises		0	0	8.826	4.158
Other receivables		755	626	755	446
Corporation tax		0	827	0	827
Prepayments		4.373	4.866	4.369	4.862
Receivables		**53.012**	**42.382**	**51.735**	**43.593**
Cash at bank and in hand		**5.661**	**1.589**	**1.452**	**326**
Currents assets		**116.406**	**90.295**	**110.319**	**89.643**
Assets		**154.997**	**129.241**	**150.895**	**129.141**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent	
	Note	2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Share capital		1.549	1.549	1.549	1.549
Reserve for net revaluation under the equity method		0	0	923	238
Retained earnings		36.279	36.345	35.356	36.107
Equity		**37.828**	**37.894**	**37.828**	**37.894**
Provision for deferred tax	10	2.531	2.840	2.531	2.840
Provisions		**2.531**	**2.840**	**2.531**	**2.840**
Mortgage loans		8.575	9.112	8.575	9.112
Credit institutions		1.765	3.284	1.765	3.284
Lease obligations		2.368	3.643	2.368	3.643
Long-term debt	11	**12.708**	**16.039**	**12.708**	**16.039**
Mortgage loans	11	616	694	616	694
Credit institutions	11	52.043	44.659	52.043	44.659
Lease obligations	11	1.596	1.478	1.596	1.478
Trade payables		20.242	7.212	15.574	7.562
Payables to group enterprises		17.697	10.318	19.076	10.018
Corporation tax		571	140	231	0
Other payables		9.165	7.967	8.692	7.957
Short-term debt		**101.930**	**72.468**	**97.828**	**72.368**
Debt		**114.638**	**88.507**	**110.536**	**88.407**
Liabilities and equity		**154.997**	**129.241**	**150.895**	**129.141**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.549	0	36.345	37.894
Exchange adjustments	0	0	-26	-26
Net profit/loss for the year	0	0	-40	-40
Equity at 31 December	**1.549**	**0**	**36.279**	**37.828**

Parent

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January	1.549	238	36.107	37.894
Exchange adjustments	0	-26	0	-26
Net profit/loss for the year	0	711	-751	-40
Equity at 31 December	**1.549**	**923**	**35.356**	**37.828**

Cash Flow Statement 1 January - 31 December

	Note	Group 2018 TDKK	Group 2017 TDKK
Net profit/loss for the year		-40	2.800
Adjustments	12	6.884	8.482
Change in working capital	13	-1.327	-7.423
Cash flows from operating activities before financial income and expenses		**5.517**	**3.859**
Financial income		42	64
Financial expenses		-2.328	-3.149
Cash flows from ordinary activities		**3.231**	**774**
Corporation tax paid		688	-675
Cash flows from operating activities		**3.919**	**99**
Purchase of property, plant and equipment		-3.991	-2.652
Fixed asset investments made etc		0	-2
Sale of property, plant and equipment		10	171
Cash flows from investing activities		**-3.981**	**-2.483**
Repayment of mortgage loans		-616	-488
Repayment of loans from credit institutions		-2.588	-3.268
Reduction of lease obligations		-2.169	-1.404
Raising of mortgage loans		0	2.563
Raising of loans from credit institutions		8.494	0
Lease obligations incurred		1.013	3.277
Cash flows from financing activities		**4.134**	**680**
Change in cash and cash equivalents		**4.072**	**-1.704**
Cash and cash equivalents at 1 January		1.589	3.293
Cash and cash equivalents at 31 December		**5.661**	**1.589**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		5.661	1.589
Cash and cash equivalents at 31 December		**5.661**	**1.589**

Notes to the Financial Statements

1 Subsequent events

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

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
2 Staff expenses				
Wages and salaries	42.625	44.469	42.154	42.861
Pensions	19	146	0	0
Other social security expenses	510	768	510	768
Other staff expenses	1.246	1.409	1.246	1.408
	44.400	**46.792**	**43.910**	**45.037**
Including remuneration to the Executive Board and Board of Directors	**2.277**	**1.970**	**2.277**	**1.970**
Average number of employees	**88**	**96**	**85**	**94**

3 Financial income

Other financial income	41	63	41	63
Exchange gains	0	0	-1	-119
	41	**63**	**40**	**-56**

4 Financial expenses

Interest paid to group enterprises	0	2	1	2
Other financial expenses	1.883	2.092	1.866	1.980
Exchange loss	445	1.058	445	939
	2.328	**3.152**	**2.312**	**2.921**

Notes to the Financial Statements

5 Tax on profit/loss for the year

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Current tax for the year	571	199	231	59
Deferred tax for the year	-309	755	-309	755
	262	**954**	**-78**	**814**

6 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	38.246	28.979
Additions for the year	401	3.590
Cost at 31 December	38.647	32.569
Impairment losses and depreciation at 1 January	5.964	22.315
Depreciation for the year	1.048	3.298
Impairment losses and depreciation at 31 December	7.012	25.613
Carrying amount at 31 December	**31.635**	**6.956**
Including assets under finance leases amounting to	0	1.908

Notes to the Financial Statements

	Parent 2018	Parent 2017
	TDKK	TDKK

7 Investments in subsidiaries

	2018 TDKK	2017 TDKK
Cost at 1 January	1	0
Additions for the year	0	1
Cost at 31 December	1	1
Value adjustments at 1 January	238	-430
Exchange adjustment	-26	0
Net profit/loss for the year	711	668
Value adjustments at 31 December	923	238
Equity investments with negative net asset value amortised over receivables	1.255	451
Carrying amount at 31 December	**2.179**	**690**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
isoplus Piping Systems Inc.	Toronto, Canada	CAD 0	100%
isoplus Piping Systems Ltd.	Doncaster, United Kingdom	GBP 100	100%
isoplus Piping Systems Inc.	Chicago, USA	USD 0	100%

8 Contract work in progress

	Group 2018	Group 2017	Parent 2018	Parent 2017
	TDKK	TDKK	TDKK	TDKK
Selling price of work in progress	27.361	6.412	0	0
Payments received on account	-22.300	-5.286	0	0
	5.061	**1.126**	**0**	**0**

Notes to the Financial Statements

	Parent	
	2018	2017
	TDKK	TDKK
9 Distribution of profit		
Reserve for net revaluation under the equity method	711	238
Retained earnings	-751	2.562
	-40	**2.800**

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
10 Provision for deferred tax				
Provision for deferred tax at 1 January	2.840	2.085	2.840	2.085
Amounts recognised in the income statement for the year	-309	755	-309	755
Provision for deferred tax at 31 December	**2.531**	**2.840**	**2.531**	**2.840**

11 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	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	5.496	6.289	5.496	6.289
Between 1 and 5 years	3.079	2.823	3.079	2.823
Long-term part	8.575	9.112	8.575	9.112
Within 1 year	616	694	616	694
	9.191	**9.806**	**9.191**	**9.806**

Notes to the Financial Statements

11 Long-term debt (continued)

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Credit institutions				
Between 1 and 5 years	1.765	3.284	1.765	3.284
Long-term part	1.765	3.284	1.765	3.284
Within 1 year	1.527	2.596	1.527	2.596
Other short-term debt to credit institutions	50.516	42.063	50.516	42.063
Short-term part	52.043	44.659	52.043	44.659
	53.808	**47.943**	**53.808**	**47.943**
Lease obligations				
Between 1 and 5 years	2.368	3.643	2.368	3.643
Long-term part	2.368	3.643	2.368	3.643
Within 1 year	1.596	1.478	1.596	1.478
	3.964	**5.121**	**3.964**	**5.121**

Notes to the Financial Statements

	Group	
	2018	2017
	TDKK	TDKK

12 Cash flow statement - adjustments

	2018 TDKK	2017 TDKK
Financial income	-41	-63
Financial expenses	2.328	3.152
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.335	4.439
Tax on profit/loss for the year	262	954
	6.884	**8.482**

13 Cash flow statement - change in working capital

	2018 TDKK	2017 TDKK
Change in inventories	-11.407	-4.401
Change in receivables	-11.456	1.576
Change in trade payables, etc	21.536	-4.598
	-1.327	**-7.423**

14 Contingent assets, liabilities and other financial obligations

	Group		Parent	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

Charges and security

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

Land and buildings at a total carrying amount of	31.635	32.282	31.635	32.282

The following assets have been placed as security with bankers:

Mortgage deeds registered to the mortgagor totalling DKK 8,800k, providing security on land and buildings at a total carrying amount of	31.635	32.282	31.635	32.282

Floating company charge totalling DKK 40,000k, providing security on receivables and inventory

Rental and lease obligations

There have been concluded leases with expiry no later than January 2023. Rental and lease payments are per month DKK 188k.

Other contingent liabilities

The group has at year end issued guarantees through banks, totalling DKK 3,084k. Guarantees relate to ongoing and completed work.

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of isoplus Fjernvarmeteknik A/S for 2018 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.

The Consolidated and Parent Company Financial Statements for 2018 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 to the Financial Statements

15 Accounting Policies (continued)

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

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 discounts relating to sales.

Notes to the Financial Statements

15 Accounting Policies (continued)

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

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.

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

Notes to the Financial Statements

15 Accounting Policies (continued)

“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.

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.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Notes to the Financial Statements

15 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Deferred income

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

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.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$

Notes to the Financial Statements

15 Accounting Policies (continued)

Return on equity $\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$