
isoplus Fjernvarmeteknik A/S

Korsholm Allé 20, DK-5500 Middelfart

Annual Report for 1 January - 31 December 2019

CVR No 16 32 14 35

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
4 /5 2020

Claus Jarlgaard Jensen
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14

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 2019.

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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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, 4 May 2020

Executive Board

Bo Olsen
CEO

Claus Jarlgaard Jensen
Executive Officer

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 2019 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 2019 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 2019, 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, 4 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lasse Berg
State Authorised Public Accountant
mne35811

Henrik Junker Andersen
State Authorised Public Accountant
mne42818

Company Information

The Company

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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

ORATO advokater P/S
Borchsgade 6c
4000 Roskilde

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				
	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Gross profit/loss	58.927	51.315	58.245	58.883	54.740
Profit/loss before financial income and expenses	9.354	2.509	6.843	5.953	6.215
Net financials	-1.262	-2.287	-3.089	-2.006	-2.140
Net profit/loss for the year	5.954	-40	2.800	2.807	2.907
Balance sheet					
Balance sheet total	128.953	154.997	129.241	129.464	111.190
Equity	43.767	37.828	37.894	35.094	32.287
Cash flows					
Cash flows from:					
- operating activities	25.943	3.919	99	-8.363	5.540
- investing activities	-6.175	-3.981	-2.483	-9.767	-4.694
including investment in property, plant and equipment	-6.516	-3.991	-2.652	-9.852	-5.148
- financing activities	-18.083	4.134	680	5.673	-3.113
Change in cash and cash equivalents for the year	1.685	4.072	-1.704	-12.457	-2.267
Number of employees	87	88	96	95	82
Ratios					
Return on assets	7,3%	1,6%	5,3%	4,6%	5,6%
Solvency ratio	33,9%	24,4%	29,3%	27,1%	29,0%
Return on equity	14,6%	-0,1%	7,7%	8,3%	9,4%

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 and United Kingdom.

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 2019 shows a profit of TDKK 5,954, and at 31 December 2019 the balance sheet of the Group shows equity of TDKK 43,767.

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

Increased focus on profitability and a positive development on the markets served brought results back to an expected and accepted level.

The decision to close down activities in North America, Finland and Estonia have had a negative impact on the 2019 result.

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 maintained at a high level during 2019 – all in close co-operation with IT support companies and official criminal prevention authorities.

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

Targets and expectations for the year ahead

Continued focus on profitability and positive outlook for the markets served and combined with the international community's goals of reducing CO2 emissions and increasing focus on green conversion will have a positive impact on isoplus and the results expected.

External environment

Furthermore – being part of the district heating and cooling business – isoplus Fjernvarmeteknik A/S contributes to reducing the CO2 emission and act as an active partner in supporting environmental efforts and green technology as such.

Management's Review

Subsequent events

The consequences of Covid-19, in which many governments around the world have decided to 'lock down the countries', are of great importance to the world economy. Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date of December 31, 2019, and therefore constitutes a non-regulatory event for the company.

If the crisis around the Covid-19 pandemic becomes prolonged, a general slowdown in society must be expected, which will adversely affect the company's result for 2020.

It is not possible at this time to calculate the magnitude of the adverse effect of Covid-19.

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Gross profit/loss		58.927	51.315	59.323	49.759
Staff expenses	2	-44.695	-44.400	-42.340	-43.910
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-4.878	-4.406	-4.733	-4.406
Profit/loss before financial income and expenses		9.354	2.509	12.250	1.443
Income from investments in subsidiaries		0	0	-2.574	711
Financial income	3	351	41	354	40
Financial expenses	4	-1.613	-2.328	-1.632	-2.312
Profit/loss before tax		8.092	222	8.398	-118
Tax on profit/loss for the year	5	-2.138	-262	-2.444	78
Net profit/loss for the year		5.954	-40	5.954	-40

Balance Sheet 31 December

Assets

	Note	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Land and buildings		30.614	31.635	30.614	31.635
Other fixtures and fittings, tools and equipment		9.306	6.956	9.134	6.762
Property, plant and equipment	6	39.920	38.591	39.748	38.397
Investments in subsidiaries	7	0	0	678	2.179
Fixed asset investments		0	0	678	2.179
Fixed assets		39.920	38.591	40.426	40.576
Inventories		40.506	57.733	39.802	57.132
Trade receivables		31.616	42.823	22.349	37.785
Contract work in progress	8	5.494	5.061	0	0
Receivables from group enterprises		1.019	0	19.195	8.826
Other receivables		767	755	107	755
Corporation tax		480	0	0	0
Prepayments		1.805	4.373	1.534	4.369
Receivables		41.181	53.012	43.185	51.735
Cash at bank and in hand		7.346	5.661	1.842	1.452
Currents assets		89.033	116.406	84.829	110.319
Assets		128.953	154.997	125.255	150.895

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Share capital		1.549	1.549	1.549	1.549
Reserve for net revaluation under the equity method		0	0	0	923
Retained earnings		42.218	36.279	42.218	35.356
Equity		43.767	37.828	43.767	37.828
Provision for deferred tax	10	2.107	2.531	2.096	2.531
Provisions		2.107	2.531	2.096	2.531
Mortgage loans		7.955	8.575	7.955	8.575
Credit institutions		223	1.765	1.761	1.765
Lease obligations		3.287	2.368	3.287	2.368
Other payables		874	0	874	0
Long-term debt	11	12.339	12.708	13.877	12.708
Mortgage loans	11	616	616	616	616
Credit institutions	11	35.600	52.043	34.062	52.043
Lease obligations	11	1.198	1.596	1.198	1.596
Trade payables		13.335	20.242	10.912	15.574
Payables to group enterprises		10.519	17.697	10.279	19.076
Corporation tax		2.543	571	2.543	231
Other payables	11	6.929	9.165	5.905	8.692
Short-term debt		70.740	101.930	65.515	97.828
Debt		83.079	114.638	79.392	110.536
Liabilities and equity		128.953	154.997	125.255	150.895
Subsequent events	1				
Distribution of profit	9				
Contingent assets, liabilities and other financial obligations	14				
Accounting Policies	15				

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	36.279	37.828
Exchange adjustments	0	0	-15	-15
Net profit/loss for the year	0	0	5.954	5.954
Equity at 31 December	1.549	0	42.218	43.767

Parent

Equity at 1 January	1.549	923	35.356	37.828
Exchange adjustments	0	-15	0	-15
Net profit/loss for the year	0	-908	6.862	5.954
Equity at 31 December	1.549	0	42.218	43.767

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2019 TDKK	2018 TDKK
Net profit/loss for the year		5.954	-40
Adjustments	12	8.247	6.884
Change in working capital	13	14.090	-1.327
Cash flows from operating activities before financial income and expenses		28.291	5.517
Financial income		351	42
Financial expenses		-1.628	-2.328
Cash flows from ordinary activities		27.014	3.231
Corporation tax paid		-1.071	688
Cash flows from operating activities		25.943	3.919
Purchase of property, plant and equipment		-6.516	-3.991
Sale of property, plant and equipment		341	10
Cash flows from investing activities		-6.175	-3.981
Repayment of mortgage loans		-620	-616
Repayment of loans from credit institutions		-17.984	-2.588
Reduction of lease obligations		-1.780	-2.169
Raising of loans from credit institutions		0	8.494
Lease obligations incurred		2.301	1.013
Cash flows from financing activities		-18.083	4.134
Change in cash and cash equivalents		1.685	4.072
Cash and cash equivalents at 1 January		5.661	1.589
Cash and cash equivalents at 31 December		7.346	5.661
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		7.346	5.661
Cash and cash equivalents at 31 December		7.346	5.661

Notes to the Financial Statements

1 Subsequent events

The consequences of Covid-19, in which many governments around the world have decided to 'lock down the countries', are of great importance to the world economy. Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date of December 31, 2019, and therefore constitutes a non-regulatory event for the company.

If the crisis around the Covid-19 pandemic becomes prolonged, a general slowdown in society must be expected, which will adversely affect the company's result for 2020.

It is not possible at this time to calculate the magnitude of the adverse effect of Covid-19.

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
2 Staff expenses				
Wages and salaries	42.953	42.625	40.683	42.154
Pensions	85	19	0	0
Other social security expenses	628	510	628	510
Other staff expenses	1.029	1.246	1.029	1.246
	44.695	44.400	42.340	43.910
Including remuneration to the Executive Board and Board of Directors	2.422	2.277	2.422	2.277
Average number of employees	87	88	84	85
3 Financial income				
Other financial income	6	41	6	41
Exchange gains	345	0	348	-1
	351	41	354	40

Notes to the Financial Statements

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
4 Financial expenses				
Interest paid to group enterprises	0	0	117	1
Other financial expenses	1.613	1.883	1.515	1.866
Exchange loss	0	445	0	445
	1.613	2.328	1.632	2.312
5 Tax on profit/loss for the year				
Current tax for the year	2.586	571	2.903	231
Deferred tax for the year	-424	-309	-435	-309
Adjustment of tax concerning previous years	-24	0	-24	0
	2.138	262	2.444	-78
6 Property, plant and equipment				
Group				
			Land and buildings TDKK	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 January			38.647	32.569
Additions for the year			43	6.471
Disposals for the year			0	-952
Cost at 31 December			38.690	38.088
Impairment losses and depreciation at 1 January			7.012	25.613
Depreciation for the year			1.064	3.809
Reversal of impairment and depreciation of sold assets			0	-640
Impairment losses and depreciation at 31 December			8.076	28.782
Carrying amount at 31 December			30.614	9.306

Notes to the Financial Statements

	Parent	
	2019 TDKK	2018 TDKK
7 Investments in subsidiaries		
Cost at 1 January	1	1
Cost at 31 December	1	1
Value adjustments at 1 January	923	238
Exchange adjustment	-15	-26
Net profit/loss for the year	-2.574	711
Value adjustments at 31 December	-1.666	923
Equity investments with negative net asset value amortised over receivables	2.343	1.255
Carrying amount at 31 December	678	2.179

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%

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
8 Contract work in progress				
Selling price of work in progress	14.917	27.361	0	0
Payments received on account	-9.423	-22.300	0	0
	5.494	5.061	0	0

Notes to the Financial Statements

	Parent	
	2019	2018
	TDKK	TDKK
9 Distribution of profit		
Reserve for net revaluation under the equity method	-908	711
Retained earnings	6.862	-751
	5.954	-40

	Group		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
10 Provision for deferred tax				
Provision for deferred tax at 1 January	2.531	2.840	2.531	2.840
Amounts recognised in the income statement for the year	-424	-309	-435	-309
Provision for deferred tax at 31 December	2.107	2.531	2.096	2.531

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	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	5.490	5.496	5.490	5.496
Between 1 and 5 years	2.465	3.079	2.465	3.079
Long-term part	7.955	8.575	7.955	8.575
Within 1 year	616	616	616	616
	8.571	9.191	8.571	9.191

Notes to the Financial Statements

11 Long-term debt (continued)

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Credit institutions				
Between 1 and 5 years	223	1.765	1.761	1.765
Long-term part	223	1.765	1.761	1.765
Within 1 year	1.538	1.527	0	1.527
Other short-term debt to credit institutions	34.062	50.516	34.062	50.516
Short-term part	35.600	52.043	34.062	52.043
	35.823	53.808	35.823	53.808
Lease obligations				
Between 1 and 5 years	3.287	2.368	3.287	2.368
Long-term part	3.287	2.368	3.287	2.368
Within 1 year	1.198	1.596	1.198	1.596
	4.485	3.964	4.485	3.964
Other payables				
Between 1 and 5 years	874	0	874	0
Long-term part	874	0	874	0
Other short-term payables	6.929	9.165	5.905	8.692
	7.803	9.165	6.779	8.692

Notes to the Financial Statements

	Group	
	2019	2018
	TDKK	TDKK
12 Cash flow statement - adjustments		
Financial income	-351	-41
Financial expenses	1.613	2.328
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.847	4.335
Tax on profit/loss for the year	2.138	262
	8.247	6.884
13 Cash flow statement - change in working capital		
Change in inventories	17.226	-11.631
Change in receivables	12.311	-11.232
Change in trade payables, etc	-15.447	21.536
	14.090	-1.327

Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations	Group		Parent	
	2019	2018	2019	2018
	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	30.614	31.635	30.614	31.635
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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	30.614	31.635	30.614	31.635
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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 155k.

Other contingent liabilities

The group has at year end issued guarantees through banks, totalling DKK 2,999k. Guarantees relate to ongoing and completed work.

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of isoplus Fjernvarmeteknik A/S for 2019 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 2019 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)

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