Daugbjergvej 26
DK-8000 Aarhus C
CVR-no. 19 58 73 47

ennova

ANNUAL REPORT 2016

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26 April 2017

Trine Kristensen
Chairman

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Management's Statement on the Annual Report

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Ennova 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 Group and of the results of the Company and Groups operations and cash flows for 2016.

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

Aarhus, 26 April 2017

Executive Board

Thomas Vestergaard
CEO, partner

Supervisory Board

Trine Kristensen
Chairman, partner

Kai Kristensen
Partner, Professor, Dr. Merc.

Søren Brandi

Thomas Vestergaard
CEO, partner

Independent Auditor's Report

To the Shareholder of Ennova 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 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 Ennova 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 ("financial statements").

Basis of 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 Statement Act. We did not identify any material misstatement in Management's Review.

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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Parent 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.

Aarhus, 26 April 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Lars Østergaard
State Authorised Public Accountant

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Company Information

The Company	Ennova A/S Daugbjergvej 26 DK-8000 Aarhus C Telephone: +45 8620 2120 Website: www.ennova.com E-mail: email@ennova.com CVR No: 19 58 73 47 Financial period: 1 January - 31 December Municipality of reg. office: Aarhus
Executive Board	Thomas Vestergaard
Supervisory Board	Trine Kristensen, Chairman Kai Kristensen Søren Brandi Thomas Vestergaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C CVR No: 33 77 12 31

Group overview

Parent

Ennova A/S
Aarhus, Denmark
Nom. TDKK 9.360

Consolidated subsidiaries

Ennova AB
Stockholm, Sweden
Nom. TSEK 100
(100%)

Ennova AS
Oslo, Norway
Nom. TNOK 100
(100%)

Financial Highlights

The following financial highlights are describing the development of the Group over the last 5 years.

	Consolidated				
	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key Figures					
Income Statement					
Gross profit	65.453	64.236	61.797	64.712	64.334
EBITDA	11.350	13.258	12.919	17.654	17.610
Adjusted EBITDA *)	13.250	13.258	12.919	17.654	17.610
EBIT	3.757	6.219	6.010	11.287	11.479
Financials, net	53	-404	-276	-323	-250
EBT	3.810	5.815	5.734	10.964	11.229
Tax	-909	-1.215	-1.225	-2.613	-2.917
Net profit for the year	2.901	4.600	4.509	8.351	8.312
Balance Sheet					
Equity	21.292	22.985	24.409	19.918	19.899
Total assets	51.648	49.139	48.605	40.916	44.286
Average number of employees	98	92	88	85	83
Ratios					
Return on assets	7,3	12,7	12,4	27,6	25,9
Equity ratio	41,2	46,8	50,2	48,7	44,9
Return on equity	13,1	19,4	20,3	41,9	42,6

For definitions of the financial ratios, see the accounting policies.

**) Adjusted EBITDA is defined as normalized EBITDA after adjusting for nonrecurring costs in the year.*

Management's Review

Strategy 2017 Well Underway

Ennova achieved an increase in contribution margin in 2016 to a highest level ever in the history of the Group. Due to heavy investments in our future digital client platform and due to extraordinary nonrecurring costs (primarily related to the acquisition and merger of MSI Research), earnings (measured by EBITDA) decreased at the same time by 14% to DKK 11,4 million. The sum of nonrecurring costs amount to TDKK 1.900 and adjusted EBITDA can thereby be calculated to TDKK 13.250, which is on level with EBITDA in 2015. Through the activities initiated, we pursue the targets we defined in our Strategy 2017. Against this background, we look back on 2016 with satisfaction and remain positive toward 2017.

Focus on further development of services

Ennova's main activity is fact-based advisory services. We aim at empowering organizations and leaders to improve the employee and customer experience through proven, concise and engaging advisory. In 2016, we have continued our efforts of bringing new concepts and solutions to the market and have obtained very positive responses from the projects that have been completed so far. Further, Ennova achieved a significant breakthrough in entering a completely new segment for our solutions and offerings. Our Business Development function has developed a number of improvements of our existing products as well as a brand new digital platform, which we look forward to introducing to both existing and new clients in 2017. Finally, we continued our efforts to improve our production platform in order to further streamline our project execution.

External environment

The Group performs all business areas in an environmentally justifiable way.

Continued focus on developing intellectual capital resources

The continued focus on improving the competence level of our employees was a key in 2016. As part of the Strategy plan, we continued our efforts at specialising our employees and their fields of responsibility. Under the theme "One Ennova" we realised specific training programmes for our consultants and employees throughout 2016 sharing knowledge and best practices across the organisation, which will make us even better at supplying fact-based advisory services in an efficient way to our clients.

Risk management

Risk analyses are integrated as a natural part of our operations as well as our product development. Our business is to a limited extent affected by exchange rate movements. Throughout 2016 we have invested heavily in constantly improving the level of Information Security. This work continues with the same intensity in 2017.

Prospects

In 2017, Ennova will continue its efforts to execute the action plans underlying Strategy 2017. Based on the positive response we have received on our new offerings, we strongly believe that our initiatives towards clients are the right ones and will support continued, further reinforcement of our market position. In 2017, Ennova will develop new business areas naturally linked to our existing solutions which we believe will further benefit our customers. Against this background, we expect to achieve higher growth rates in the contribution margin and in earnings in 2017 as compared to 2016.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Adjusted EBITDA

Compared to previous years, 2016 has been affected by nonrecurring costs amounted to TDKK 1.900, primarily related to the acquisition and merger of MSI Research ApS. It's the management view, that adjusted EBITDA of TDKK 13.250 is the relevant key figure to look at, when evaluating earnings of the year.

Management's Review

Unusual events
The financial position at 31 December 2016 and the results of the activities of the group for the financial year for 2016 have not been affected by any unusual events.

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	Consolidated 2016 TDKK	Consolidated 2015 TDKK	Parent 2016 TDKK	Parent 2015 TDKK
Gross profit		**65.453**	**64.236**	**67.276**	**66.292**
Staff expenses	1	-54.023	-50.978	-46.208	-41.344
Other operating expenses		-80	0	-10.992	-12.909
Profit before depreciation, amortisation and impairment and financial income and expenses		**11.350**	**13.258**	**10.076**	**12.039**
Amortisation, depreciation and impairment	2	-7.593	-7.039	-7.542	-6.990
Profit before financial income and expenses		**3.757**	**6.219**	**2.534**	**5.049**
Income from investments in subsidiaries		0	0	878	807
Financial income	3	236	459	255	534
Financial expenses	4	-183	-863	-195	-862
Profit before tax		**3.810**	**5.815**	**3.472**	**5.528**
Tax on profit for the year	5	-909	-1.215	-571	-928
Net profit for the year		**2.901**	**4.600**	**2.901**	**4.600**

Balance Sheet at 31 December

Assets	Note	Consolidated		Parent	
		2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
Completed development projects		14.100	13.167	14.100	13.167
Intangible assets	6	**14.100**	**13.167**	**14.100**	**13.167**
Fixtures and fittings, tools and equipment		1.386	1.589	1.335	1.529
Leasehold improvements		383	436	370	417
Property, plant and equipment	7	**1.769**	**2.025**	**1.705**	**1.946**
Investments in subsidiaries	8	0	0	1.137	271
Deposits	9	977	988	977	988
Fixed asset investments		**977**	**988**	**2.114**	**1.259**
Fixed assets		**16.846**	**16.180**	**17.919**	**16.372**
Trade receivables		22.465	17.119	22.465	17.119
Contract work in progress	10	2.560	2.583	2.560	2.583
Receivables from group enterprises		4.137	3.902	4.137	3.902
Other receivables		367	332	134	0
Deferred tax asset	11	0	52	0	0
Corporation tax		316	0	268	0
Prepayments		4.609	4.054	4.277	3.725
Receivables		**34.454**	**28.042**	**33.841**	**27.329**
Cash at bank and in hand		**348**	**4.917**	**0**	**4.613**
Current assets		**34.802**	**32.959**	**33.841**	**31.942**
Assets		**51.648**	**49.139**	**51.760**	**48.314**

Balance Sheet at 31 December

Equity and Liabilities	Note	Consolidated 2016 TDKK	Consolidated 2015 TDKK	Parent 2016 TDKK	Parent 2015 TDKK
Share capital		9.360	9.360	9.360	9.360
Reserve for net revaluation under the equity method		0	0	915	49
Reserve for completed development projects		0	0	5.772	0
Retained earnings		6.732	9.025	45	8.976
Proposed dividend for the year		5.200	4.600	5.200	4.600
Equity		**21.292**	**22.985**	**21.292**	**22.985**
Provision for deferred tax	11	4.023	3.804	4.023	3.804
Provisions		**4.023**	**3.804**	**4.023**	**3.804**
Credit institutions		2.626	0	2.626	0
Prepayments received from customers	10	6.136	8.316	6.136	8.316
Trade payables		5.540	2.860	5.408	2.742
Payables to group enterprises		0	0	1.819	1.065
Corporation tax		83	213	0	213
Other payables		11.948	10.961	10.456	9.189
Short-term liabilities		**26.333**	**22.350**	**26.445**	**21.525**
Liabilities		**26.333**	**22.350**	**26.445**	**21.525**
Equity and Liabilities		**51.648**	**49.139**	**51.760**	**48.314**

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Equity

Consolidated

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	9.360	9.025	4.600	22.985
Dividend paid	0	0	-4.600	-4.600
Exchange adjustments relating to subsidiaries	0	23	0	23
Exchange adjustments relating to loan to subsidiaries	0	-12	0	-12
Tax on exchange adjustments relating to loan to subsidiaries for the year	0	-5	0	-5
Net profit for the year	0	-2.299	5.200	2.901
Equity at 31 December	**9.360**	**6.732**	**5.200**	**21.292**

Parent

	Share capital	Reserve for completed develop-ment projects	Reserve for net reva-luation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	9.360	0	49	8.976	4.600	22.985
Dividend paid	0	0	0	0	-4.600	-4.600
Exchange adjustments relating to subsidiaries	0	0	23	0	0	23
Exchange adjustments relating to loan to subsidiaries	0	0	0	-12	0	-12
Tax on exchange adjustments relating to loan to subsidiaries for the year	0	0	0	-5	0	-5
Transferred to/from retained earnings	0	5.772	0	-5.772	0	0
Net profit for the year	0	0	843	-3.142	5.200	2.901
Equity at 31 December	**9.360**	**5.772**	**915**	**45**	**5.200**	**21.292**

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Notes to the Annual Report

		Consolidated		Parent	
		2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
1	**Staff expenses**				
	Wages and salaries	44.395	42.363	37.348	33.597
	Pensions	5.404	4.811	4.921	4.300
	Other social security expenses	700	651	624	570
	Other staff expenses	3.524	3.153	3.315	2.877
		54.023	**50.978**	**46.208**	**41.344**
	Including remuneration to the Executive Board (2 persons) and Supervisory Board	2.778	2.904	2.778	2.904
	Average number of employees	98	92	87	80
2	**Amortisation, depreciation and impairment**				
	Completed development projects	6.467	6.033	6.467	6.033
	Other fixtures and fittings, tools and equipment	988	915	941	868
	Leasehold improvements	138	95	134	93
	(Gain)/loss on fixed assets disposal	0	-4	0	-4
		7.593	**7.039**	**7.542**	**6.990**
3	**Financial income**				
	Interest received from group enterprises	102	101	122	177
	Other financial income	0	4	0	3
	Exchange rate gains	134	354	133	354
		236	**459**	**255**	**534**
4	**Financial expenses**				
	Interest paid to group enterprises	0	0	13	0
	Other financial expenses	183	231	182	230
	Exchange rate losses	0	632	0	632
		183	**863**	**195**	**862**

Notes to the Annual Report

	Consolidated		Parent	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
5 Tax on profit for the year				
Current tax for the year	627	924	344	901
Deferred tax for the year	287	285	232	21
	914	**1.209**	**576**	**922**
which breaks down as follows:				
Tax on profit for the year	909	1.215	571	928
Tax on changes in equity	5	-6	5	-6
	914	**1.209**	**576**	**922**

6 Intangible assets

	Completed development projects
	TDKK
Cost at 1 January	38.505
Additions	7.400
Disposals	0
Cost at 31 December	45.905
Amortisation and impairment losses at 1 January	25.338
Amortisation for the year	6.467
Depreciation on disposals for the year	0
Amortisation and impairment losses at 31 December	31.805
Carrying amount at 31 December	**14.100**
Amortised over	3 years

Notes to the Annual Report

7 Property, plant and equipment

Consolidated

	Fixtures and fittings, tools and equipment	Leasehold improve-ments
	TDKK	TDKK
Cost at 1 January	5.520	1.482
Adjustment to end exhange rates	12	-17
Net effect from merger	133	0
Additions	759	87
Disposals	-624	0
Cost at 31 December	5.800	1.552
Depreciation and impairment losses at 1 January	3.931	1.046
Adjustment to end exhange rates	9	-15
Depreciation for the year	988	138
Depreciation on disposals for the year	-514	0
Depreciation and impairment losses at 31 December	4.414	1.169
Carrying amount at 31 December	**1.386**	**383**
Amortised over	3-5 years	5 years

Parent

	Fixtures and fittings, tools and equipment	Leasehold improve-ments
	TDKK	TDKK
Cost at 1 January	5.228	1.106
Net effect from merger	133	0
Additions	724	87
Disposals	-624	0
Cost at 31 December	5.461	1.193
Depreciation and impairment losses at 1 January	3.699	689
Depreciation for the year	941	134
Depreciation on disposals for the year	-514	0
Depreciation and impairment losses at 31 December	4.126	823
Carrying amount at 31 December	**1.335**	**370**
Amortised over	3-5 years	5 years

Notes to the Annual Report

	Parent 2016 TDKK	Parent 2015 TDKK
8 Investments in subsidiaries		
Cost at 1 January	222	222
Additions	0	0
Cost at 31 december	222	222
Value adjustments 1 January	49	-222
Changes in equity in subsidiaries	-12	-4
Net profit/(loss) for the year	878	807
Dividend	0	0
Provision for investments with negative equity	0	-532
Value adjustments 31 December	915	49
Carrying amount at 31 December	**1.137**	**271**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity TDKK	Net profit/(loss) for the year TDKK
Ennova AB	Stockholm, Sweden	TSEK 100	100%	898	677
Ennova AS	Oslo, Norway	TNOK 100	100%	239	201

	Consolidated 2016 TDKK	Consolidated 2015 TDKK	Parent 2016 TDKK	Parent 2015 TDKK
9 Deposits				
Cost at 1 January	988	964	988	964
Additions	0	24	0	24
Disposals	-11	0	-11	0
Carrying amount at 31 December	**977**	**988**	**977**	**988**

Notes to the Annual Report

	Consolidated		Parent	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
10 Contract work in progress				
Selling price of production for the period	20.700	19.651	20.700	19.651
Payments received on account	-24.276	-25.384	-24.276	-25.384
	-3.576	**-5.733**	**-3.576**	**-5.733**
Recognised in the balance sheet:				
Contract work in progress	2.560	2.583	2.560	2.583
Prepayments received from customers	-6.136	-8.316	-6.136	-8.316
	-3.576	**-5.733**	**-3.576**	**-5.733**

	Consolidated		Parent	
11 Provision for deferred tax				
Provision for deferred tax at 1 January	3.752	3.467	3.804	3.783
Adjustment to end exhange rates	-3	0	0	0
Acquisition	-13	0	-13	0
Provision for deferred tax in income statement	287	285	232	21
Provision for deferred tax at 31 December	**4.023**	**3.752**	**4.023**	**3.804**

Deferred tax has been provided at 22% corresponding to the current tax rate.

	Consolidated		Parent	
Deferred tax asset	0	52	0	0
Provision for deferred tax	4.023	3.804	4.023	3.804
	4.023	**3.752**	**4.023**	**3.804**

	Consolidated		Parent	
12 Distribution of profit				
Proposed dividend for the year			5.200	4.600
Reserve for net revaluation under the equity method			843	49
Transferred to/from retained earnings			-3.142	-49
			2.901	**4.600**

Notes to the Annual Report

	Consolidated		Parent	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
13 Contingent assets, liabilities and other financial obligations				
Rental obligations				
Within 1 year	2.622	3.017	2.022	1.986
Between 1 and 5 years	625	340	0	0
	3.247	3.357	2.022	1.986
Lease obligations				
Within 1 year	387	1.053	387	1.053
Between 1 and 5 years	189	367	189	367
	576	1.420	576	1.420

The Company provided guarantees for bank debt in the subsidiaries Ennova AB and Ennova AS.

Group taxation

The Danish group companies are jointly and severally liable for tax on the jointly taxed income etc of the Group. Kai Kristensen Holding ApS (CVR No 26 00 79 17) is the management company of the joint taxation. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

14 Related parties and ownership

	Basis
Controlling interest	
Ennova Holding A/S, Daugbjergvej 26, DK-8000 Aarhus C	Parent company
Other related parties	
Søren Brandi, Bjerne Langgyde 11, 5600 Faaborg	Board member

Transactions

Referring to section 98 C, subsection 7 of the Danish Financial Statements Act, no information describing related parties is provided.

Consolidated accounts

The Company is consolidated into the group accounts of Kai Kristensen Holding ApS, CVR No 26 00 79 17. The consolidated accounts can be recovered at Ennova A/S.

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Ennova Holding A/S, Daugbjergvej 26, DK-8000 Aarhus C

Accounting Policies

Basis of preparation

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

The accounting policies remain unchanged from last year.

The Financial Statements and the Consolidated Financial Statements for 2016 is presented in DKK thousands.

Cash Flow Statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Kai Kristensen Holding ApS , the Company ha not prepared a cash flow statement.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Ennova 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 realized and unrealized 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.

Accounting Policies

Basis of consolidation (continued)
On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). This includes allowing for any restructuring provisions etermined in relation to the enterprise acquired. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life, but not exceeding 20 years. Any remaining negative differences are recognised in deferred income in the balance sheet as negative goodwill. Amounts at tributable to expected losses or expenses are recognised as income in the income statement as the affairs and conditions to which the amounts relate materialise. Negative goodwill not related to expected losses or expenses is recognised at an amount equal to the fair value of non-monetary assets in the income statement over the average useful life of the non-monetary assets.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Translation policies
Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement.

The financial statements of foreign undertakings are translated into Danish kroner using the exchange rates at the balance sheet date for balance sheet items, and using the transaction date rates or approximate average exchange rates for income statement items. The difference between the exchange rates at the balance sheet date and the transaction date rates is taken directly to the equity. Exchange differences as a result of translating the equity of foreign undertakings at the beginning of the year to the exchange rates at the balance sheet date are taken to the equity.

Foreign exchange adjustments of inter group balances with foreign subsidiaries, which are considered an addition to or a reduction from the subsidiaries' capital, and exchange differences from the hedging of foreign subsidiaries' equity are recognised directly in the equity.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting
Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Accounting Policies

Hedge accounting (continued)
Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of expected future transactions are recognised directly in equity. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

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 and services is recognised in the income statement when the sale is considered effected based on the following criteria;

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT, taxes and net of discounts relating to sales.

For contract work in progress, the percentage-of-completion method is used. Accordingly, the value of the performed part of the orders is recognised as revenue at the estimated sales value of the work performed. This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

Other external expenses
Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expense
Staff expenses comprise wages and salaries as well as employee related expenses.

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

Other operating income and expenses
Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the Company, as well as gains and losses from current replacement of fixed assets.

Income from investments in subsidiaries
The proportionate share of the profits/(losses) after taxes of the individual subsidiaries for the year less goodwill amortisation is recognised in the income statement.

Financial income and expenses
Financial income and expenses comprise interest income and expenses, realised and unrealised exchange rate gains and losses regarding receivables and payables denominated in foreign currencies as well as extra payments and repayment under the on-account taxation scheme.

Accounting Policies

Tax on profit/(loss) for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/(loss) for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/(loss) for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/(loss) for the year from ordinary activities.

Ennova A/S is jointly taxed with Danish group enterprises. The current Danish corporation tax is allocated between the jointly taxed Danish enterprises in proportion to their taxable income (full absorption with refunds for tax losses). The jointly taxed enterprises are taxed under the on-account tax scheme.

Balance Sheet

Intangible assets

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the development activities of the Company. Borrowing costs are not recognised.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work, but not exceeding 3 years. An amount equal to the capitalized development costs incurred after January 1, 2016 are recognized as "reserve for development costs" under equity. The reserve reduced because of depreciation and deferred tax.

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. Borrowing costs are not recognised.

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:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and 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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.

Accounting Policies

Impairment of fixed assets (continued)
The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Fixed asset investments
Investments in subsidiaries are measured according to the equity method. This means that the investments are recognised in the balance sheet at the proportionate share of their net asset value with addition of group goodwill and less amortisation of group goodwill.

Subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the share of the negative net asset value. Where the negative net asset value exceeds the amount owed, and the Parent Company has a legal or constructive obligation to cover the negative balance of the enterprise, the remaining amount is recognised under "Provisions".

Other investments are valued at cost less any write-downs.

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.

Contract work in progress
Contract work in progress is measured at the sales value of the work performed calculated on the basis of the stage of completion (the percentage-of-completion method). The stage of completion is measured by the proportion of contract expenses incurred to date to the estimated total contract expenses. Provisions are made for loss-making orders.

Payments received on account from customers are set off against contract work in progress to the extent that these payments on account correspond to the value of work in progress. 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.

Prepayments
Prepayments comprise costs incurred concerning subsequent financial years.

Proposed dividend for the year
Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions
Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities
Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities, measured on the basis of the intended use of the asset and settlement of the liability, respectively.

However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit/(loss) for the year or the taxable income.

Accounting Policies

Deferred tax assets and liabilities (continued)
Deferred tax is measured on the basis of the tax rules and at tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are set off within the same legal tax entity.

Current tax receivables and liabilities
Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are set off if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Liabilities
Fixed-interest 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.

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

Explanation of financial ratios

Return on assets = $$\frac{EBIT \times 100}{Total\ assets}$$

Equity ratio = $$\frac{Equity \times 100}{Total\ equity\ and\ liabilities}$$

Return on equity = $$\frac{Net\ profit\ for\ the\ year \times 100}{Average\ equity}$$