ennova®

ANNUAL REPORT 2017

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 7 May 2018

Trine Kristensen
Chairman

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

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MANAGEMENT'S STATE 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 2017.

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 2017 of the Company and Group and of the results of the Company and Groups operations for 2017.

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

Aarhus, 7 May 2018

Executive Board

Thomas Vestergaard

CEO, partner

Supervisory Board

Trine Kristensen	Kai Kristensen	Thomas Vestergaaard
Chairman, partner	*Professor, Dr. Merc.*	*CEO, partner*

INDEPENDENT AUDITORS 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 2017, and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2017 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 2017, 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.

INDEPENDENT AUDITORS 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 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.

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.

INDEPENDENT AUDITORS REPORT

- 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, 7 May 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Lars Østergaard, mne26806
State Authorised Public Accountant

COMPANY INFORMATION

The Company	Ennova A/S Daugbjergvej 26 DK-8000 Aaarhus 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 Vestergaaard
Supervisory Board	Trine Kristensen, Chairman Kai Kristensen Thomas Vestergaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

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				
	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key Figures					
Income Statement					
Gross profit	65.537	65.453	64.236	61.797	64.712
EBITDA	12.960	11.350	13.258	12.919	17.654
Adjusted EBITDA *)	13.560	13.250	13.258	12.919	17.654
EBIT	5.147	3.757	6.219	6.010	11.287
Financials, net	-490	53	-404	-276	-323
EBT	4.657	3.810	5.815	5.734	10.964
Tax	-1.003	-909	-1.215	-1.225	-2.613
Net profit for the year	3.654	2.901	4.600	4.509	8.351
Balance Sheet					
Equity	19.756	21.292	22.985	24.409	19.918
Total assets	51.698	51.648	49.139	48.605	40.916
Average number of employees	**96**	**98**	**92**	**88**	**85**
Ratios					
Return on assets	10,0	7,3	12,7	12,4	27,6
Equity ratio	38,2	41,2	46,8	50,2	48,7
Return on equity	17,8	13,1	19,4	20,3	41,9

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

Satisfactory performance

Due to a high level of loyalty among our clients and a strong sales performance, Ennova achieved an increase in contribution margin compared to previous years. In spite of continuous heavy investments in our future digital client platform, earnings (measured by EBITDA) increased at the same time by 14% to DKK 13 million. Through the activities initiated, we pursue the targets we have defined in our new Strategy plan. Against this background, we look back on 2017 with satisfaction and remain positive toward 2018.

Innovation as core

Our aim is to empower organizations, leaders and employees to improve the employee and customer experience through proven, concise and engaging advisory. In 2017, we have increased our efforts of bringing new digital concepts and solutions to the market and have obtained very positive responses from existing and new clients on all markets. Additionally, we continued our efforts to significantly improve our production platform in order to further streamline our project execution.

External environment

Our activities are not believed to have a negative impact on the external environment.

Developing intellectual capital resources

The Groups activity are predominantly based on competencies and knowledge. Consequently, investments are made on a continuous basis to attract, develop and maintain the best talents in the business. We continued our efforts at specialising employees and their fields of responsibility and realised a number of specific training programmes for our consultants and employees sharing knowledge and best practices.

Risk management

It is the assessment of The Executive Board, that no specific risks affect our operation or balance sheet. Our business is to a limited extent affected by exchange rate movements. Throughout 2017, we have continued to invest in constantly improving the level of Information Security. This work continues with the same intensity in 2018.

Gender composition of Management

In 2017, 12% of Management positions were obtained by women. Our ambition is to increase this number. It is the company's goal for all management positions, that women are at equal terms with men and that the most qualified person therefore holds the position in question.

MANAGEMENT'S REVIEW

Outlook

In 2018, Ennova will continue its efforts to execute on the new strategy plan. We expect contribution margin and earnings at the same level as in 2017.

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, 2017 has been affected by nonrecurring costs amounted to DKK 0.6 million hence the adjusted EBITDA equals DKK 13.6 million (2016: 13.25 million).

Unusual events

The financial position at 31 December 2017 and the results of the activities of the group for the financial year for 2017 have not been affected by any unusual events.

INCOME STATEMENT 1 JAN – 31 DEC

	Note	Consolidated 2017 TDKK	Consolidated 2016 TDKK	Parent 2017 TDKK	Parent 2016 TDKK
Gross profit		**65.537**	**65.453**	**67.292**	**67.276**
Staff expenses	1	-52.555	-54.023	-44.759	-46.208
Other operating expenses		-22	-80	-10.889	-10.992
Profit before depreciation, amortisation and impairment and financial income and expenses		**12.960**	**11.350**	**11.644**	**10.076**
Amortisation, depreciation and impairment	2	-7.813	-7.593	-7.785	-7.542
Profit before financial income and expenses		**5.147**	**3.757**	**3.859**	**2.534**
Income from investments in subsidiaries		0	0	1.079	878
Financial income	3	97	236	97	255
Financial expenses	4	-587	-183	-649	-195
Profit before tax		**4.657**	**3.810**	**4.386**	**3.472**
Tax on profit for the year	5	-1.003	-909	-732	-571
Net profit for the year		**3.654**	**2.901**	**3.654**	**2.901**

BALANCE SHEET AT 31 DECEMBER

Assets

	Note	Consolidated 2017 TDKK	Consolidated 2016 TDKK	Parent 2017 TDKK	Parent 2016 TDKK
Completed development projects		13.733	14.100	13.733	14.100
Intangible assets	6	**13.733**	**14.100**	**13.733**	**14.100**
Fixtures and fittings, tools and equipment		1.176	1.386	1.140	1.335
Leasehold improvements		264	383	210	370
Property, plant and equipment	7	**1.440**	**1.769**	**1.350**	**1.705**
Investments in subsidiaries	8	0	0	2.133	1.137
Deposits	9	996	977	996	977
Fixed asset investments		**996**	**977**	**3.129**	**2.114**
Fixed assets		**16.169**	**16.846**	**18.212**	**17.919**
Trade receivables		20.247	22.465	20.247	22.465
Contract work in progress	10	1.570	2.560	1.570	2.560
Receivables from group enterprises		7.842	4.137	7.842	4.137
Other receivables		49	367	49	134
Deferred tax asset	11	25	0	0	0
Corporation tax		121	316	0	268
Prepayments	12	5.098	4.609	4.817	4.277
Receivables		**34.952**	**34.454**	**34.525**	**33.841**
Cash at bank and in hand		**577**	**348**	**0**	**0**
Current assets		**35.529**	**34.802**	**34.525**	**33.841**
Assets		**51.698**	**51.648**	**52.737**	**51.760**

BALANCE SHEET AT 31 DECEMBER

Equity and Liabilities

	Note	Consolidated 2017 TDKK	Consolidated 2016 TDKK	Parent 2017 TDKK	Parent 2016 TDKK
Share capital		9.360	9.360	9.360	9.360
Reserve for net revaluation under the equity method		0	0	1.911	915
Reserve for completed development projects		0	0	8.918	5.772
Retained earnings		10.396	6.732	-433	45
Proposed dividend for the year		0	5.200	0	5.200
Equity		**19.756**	**21.292**	**19.756**	**21.292**
Provision for deferred tax	11	3.796	4.023	3.796	4.023
Provisions		**3.796**	**4.023**	**3.796**	**4.023**
Credit institutions		5.842	2.626	5.842	2.626
Prepayments received from customers	10	4.053	6.136	4.053	6.136
Trade payables		6.592	5.540	6.224	5.408
Payables to group enterprises		0	0	2.906	1.819
Corporation tax		657	83	486	0
Other payables		11.002	11.948	9.674	10.456
Short-term liabilities		**28.146**	**26.333**	**29.185**	**26.445**
Liabilities		**28.146**	**26.333**	**29.185**	**26.445**
Equity and Liabilities		**51.698**	**51.648**	**52.737**	**51.760**

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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	6.732	5.200	21.292
Dividend paid	0	0	-5.200	-5.200
Exchange adjustments relating to subsidiaries	0	-83	0	-83
Exchange adjustments relating to loan to subsidiaries	0	119	0	119
Tax on exchange adjustments relating to loan to subsidiaries for the year	0	-26	0	-26
Net profit for the year	0	3.654	0	3.654
Equity at 31 December	**9.360**	**10.396**	**0**	**19.756**

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	5.772	915	45	5.200	21.292
Dividend paid	0	0	0	0	-5.200	-5.200
Exchange adjustments relating to subsidiaries	0	0	-83	0	0	-83
Exchange adjustments relating to loan to subsidiaries	0	0	0	119	0	119
Tax on exchange adjustments relating to loan to subsidiaries for the year	0	0	0	-26	0	-26
Transferred to/from retained earnings	0	3.146	0	-3.146	0	0
Net profit for the year	0	0	1.079	2.575	0	3.654
Equity at 31 December	**9.360**	**8.918**	**1.911**	**-433**	**0**	**19.756**

NOTES TO ANNUAL REPORT

	Consolidated 2017 TDKK	Consolidated 2016 TDKK	Parent 2017 TDKK	Parent 2016 TDKK
1 Staff expenses				
Wages and salaries	43.945	44.395	36.919	37.348
Pensions	5.417	5.404	4.896	4.921
Other social security expenses	646	700	563	624
Other staff expenses	2.547	3.524	2.381	3.315
	52.555	**54.023**	**44.759**	**46.208**
Including remuneration to the Executive Board (2 persons) and Supervisory Board	0	2.778	0	2.778

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

	Consolidated 2017 TDKK	Consolidated 2016 TDKK	Parent 2017 TDKK	Parent 2016 TDKK
Average number of employees	96	98	85	87
2 Amortisation, depreciation and impairment				
Completed development projects	6.867	6.467	6.867	6.467
Other fixtures and fittings, tools and equipment	806	988	780	941
Leasehold improvements	140	138	138	134
	7.813	**7.593**	**7.785**	**7.542**
3 Financial income				
Interest received from group enterprises	0	102	0	122
Other financial income	97	0	97	0
Exchange rate gains	0	134	0	133
	97	**236**	**97**	**255**

NOTES TO ANNUAL REPORT

	Consolidated		Parent	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
4 Financial expenses				
Interest paid to group enterprises	31	0	95	13
Other financial expenses	317	183	315	182
Exchange rate losses	239	0	239	0
	587	**183**	**649**	**195**
5 Tax on profit for the year				
Current tax for the year	1.286	627	985	344
Deferred tax for the year	-252	287	-227	232
Adjustment of tax concerning previous years	-5	0	0	0
	1.029	**914**	**758**	**576**
which breaks down as follows:				
Tax on profit for the year	1.003	909	732	571
Tax on changes in equity	26	5	26	5
	1.029	**914**	**758**	**576**

NOTES TO ANNUAL REPORT

6 Intangible assets

	Completed development projects TDKK
Cost at 1 January	45.905
Additions	6.500
Disposals	-22.462
Cost at 31 December	29.943
Amortisation and impairment losses at 1 January	31.805
Amortisation for the year	6.867
Depreciation on disposals for the year	-22.462
Amortisation and impairment losses at 31 December	16.210
Carrying amount at 31 December	**13.733**
Amortised over	3 years

Development projects relate to development and improvement of the production platform and concepts. The production platform will support the Company's operation in the years ahead as the improved and new concepts will be the basis for the Company's earnings in the years ahead. The development projects have been recognised at cost and is amortised on a current basis in accordance with the Company's accounting policies. Based on the nature of the items, recognition and measurement of the expenses are not assessed to be subject to any special conditions.

NOTES TO ANNUAL REPORT

7 Property, plant and equipment

Consolidated

	Fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 January	5.800	1.552
Transferred	347	-347
Adjustment to end exhange rates	-29	-25
Additions	585	57
Disposals	-2.036	-52
Cost at 31 December	4.667	1.185
Depreciation and impairment losses at 1 January	4.414	1.169
Transferred	334	-334
Adjustment to end exhange rates	-27	-24
Depreciation for the year	806	140
Depreciation on disposals for the year	-2.036	-30
Depreciation and impairment losses at 31 December	3.491	921
Carrying amount at 31 December	**1.176**	**264**
Amortised over	3-5 years	5 years

NOTES TO ANNUAL REPORT

7 Property, plant and equipment (continued)

Parent

	Fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 January	5.461	1.193
Additions	585	0
Disposals	-1.934	-40
Cost at 31 December	4.112	1.153
Depreciation and impairment losses at 1 January	4.126	823
Depreciation for the year	780	138
Depreciation on disposals for the year	-1.934	-18
Depreciation and impairment losses at 31 December	2.972	943
Carrying amount at 31 December	**1.140**	**210**
Amortised over	3-5 years	5 years

NOTES TO ANNUAL REPORT

	Parent 2017 TDKK	Parent 2016 TDKK
8 Investments in subsidiaries		
Cost at 1 January	222	222
Additions	0	0
Cost at 31 december	222	222
Value adjustments 1 January	915	49
Exchange adjustment	-83	-12
Net profit/(loss) for the year	1.079	878
Dividend	0	0
Provision for investments with negative equity	0	0
Value adjustments 31 December	1.911	915
Carrying amount at 31 December	**2.133**	**1.137**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Ennova AB	Stockholm, Sweden	TSEK 100	100%
Ennova AS	Oslo, Norway	TNOK 100	100%

	Consolidated 2017 TDKK	Consolidated 2016 TDKK	Parent 2017 TDKK	Parent 2016 TDKK
9 Deposits				
Cost at 1 January	977	988	977	988
Additions	19	0	19	0
Disposals	0	-11	0	-11
Carrying amount at 31 December	**996**	**977**	**996**	**977**

NOTES TO ANNUAL REPORT

	Consolidated		Parent	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK

10 Contract work in progress

Selling price of production for the period	22.497	20.700	22.497	20.700
Payments received on account	-24.980	-24.276	-24.980	-24.276
	-2.483	**-3.576**	**-2.483**	**-3.576**
Recognised in the balance sheet:				
Contract work in progress	1.570	2.560	1.570	2.560
Prepayments received from customers	-4.053	-6.136	-4.053	-6.136
	-2.483	**-3.576**	**-2.483**	**-3.576**

11 Provision for deferred tax

Provision for deferred tax at 1 January	4.023	3.752	4.023	3.804
Adjustment to end exhange rates	0	-3	0	0
Acquisition	0	-13	0	-13
Provision for deferred tax in income statement	-252	287	-227	232
Provision for deferred tax at 31 December	**3.771**	**4.023**	**3.796**	**4.023**

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

Deferred tax asset	25	0	0	0
Provision for deferred tax	3.796	4.023	3.796	4.023
	3.771	**4.023**	**3.796**	**4.023**

12 Prepayments

Prepayments relates to prepayt cost to office rent, insurances, licenses and subscriptions.

13 Distribution of profit

Proposed dividend for the year			0	5.200
Reserve for net revaluation under the equity method			1.079	843
Transferred to/from retained earnings			2.575	-3.142
			3.654	**2.901**

NOTES TO ANNUAL REPORT

	Consolidated		Parent	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
14 Contingent assets, liabilities and other financial obligations				
Rental obligations				
Within 1 year	2.927	2.622	2.061	2.022
Between 1 and 5 years	1.757	625	0	0
	4.684	3.247	2.061	2.022
Lease obligations				
Within 1 year	162	387	162	387
Between 1 and 5 years	27	189	27	189
	189	576	189	576

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.

15 Related parties

	Basis
Controlling interest	
Ennova Holding A/S, Daugbjergvej 26, DK-8000 Aarhus C	Parent company

Transactions

Referring to section 98 C, subsection 7 of the Danish Financial Statements Act, no information describing transactions with 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.

NOTES TO ANNUAL REPORT

16 Accounting Policies

The Annual Report of Ennova A/S for 2017 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 2017 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.

NOTES TO ANNUAL REPORT

16 Accounting Policies (continued)

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.

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.

NOTES TO ANNUAL REPORT

16 Accounting Policies (continued)

Translation policies (continued)

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.

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.

NOTES TO ANNUAL REPORT

16 Accounting Policies (continued)

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.

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.

NOTES TO ANNUAL REPORT

16 Accounting Policies (continued)

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 13,200 are expensed in the year of acquisition.

NOTES TO ANNUAL REPORT

16 Accounting Policies (continued)

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.

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.

NOTES TO ANNUAL REPORT

16 Accounting Policies (continued)

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.

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.

NOTES TO ANNUAL REPORT

16 Accounting Policies (continued)

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	=	(EBIT x 100) / Total assets
Equity ratio	=	(Equity x 100) / Total equity and liabilities
Return on equity	=	(Net profit for the year x 100) / Average equity