

2016

Annual report for 2016

NGF Nature Energy A/S
Ørbækvej 260, 5220 Odense SØ
CVR no 27 11 64 69

Adopted at the annual
general meeting on
9 March 2017



Ole Hvelplund
Chairman

nature
energy

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Statement by Management on the annual report

The Executive and Supervisory Boards have today discussed and approved the annual report of NGF Nature Energy A/S for the financial year 1 January - 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the the Company's operations for the financial year 1 January - 31 December 2016.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's review

We recommend the adoption of the annual report at the annual general meeting.

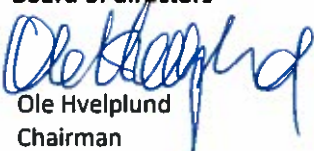
Odense, 9 March 2017

Executive Board



Jonas Clement Gønge Svendsen
CEO

Board of directors



Ole Hvelplund
Chairman



Kim Kragelund



Jonas Clement Gønge Svendsen

Independent auditor's report

To the shareholder of NGF Nature Energy A/S

Opinion

We have audited the financial statements of NGF Nature Energy A/S for the financial year 1 January - 31 December 2016, which comprise a income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1. januar - 31. december 2016 in accordance with the Danish Financial Statements Act.

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 company 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 Financial Statements Act.

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

Independent auditor's report

Management's Responsibilities for the financial Statements

Management is responsible for the preparation of 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 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 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 Consolidated Financial Statements and the Parent Company 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 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 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 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.

Independent auditor's report

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.

Odense, 9 March 2017

PricewaterhouseCoopers
statsautoriseret revisor
CVR-nr. 33 77 12 31



Jesper Lund
State Authorised Accountant



Line Hedam
State Authorised Accountant

Company details

The Company

NGF Nature Energy A/S
Ørbækvej 260
5220 Odense SØ

CVR no.: 27 11 64 69
Reporting period: 1 January - 31 December
Domicile: Odense

Board of directors

Ole Hvelplund
Chairman, General partner
Kim Kragelund, General partner
Joans Clement Gonge Svendsen

Executive Board

Jonas Clement Gonge Svendsen
CEO

Auditors

PricewaterhouseCoopers
statsautoriseret revisor
Rytterkasernen 21
5100 Odense C

Bankers

Danske Bank

Koncernregnskab

The Company is included in the group annual report of NGF Nature Energy Holding A/S, Odense

Financial highlights

5-year summary:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Revenue	625,785	728,060	805,440	1,355,500	1,280,465
Earnings Before Interest Taxes					
Depreciation and Amortization	48,397	43,355	13,498	10,622	49,364
Profit/loss before financial income and expenses	39,844	37,503	4,526	2,864	41,732
Net financials	5,139	11,206	2,361	-140	4,015
Profit/loss for the year	36,240	37,318	1,178	12	33,975
Balance sheet total	1,090,505	1,138,126	957,739	906,066	891,518
Investment in property, plant and equipment	-12,003	-495	-333	-411	0
Equity	559,513	523,274	485,955	484,777	484,764
Number of employees	96	90	87	94	80
Financial ratios					
Gross margin	20.1%	14.8%	8.8%	6.7%	9.3%
EBIT margin	6.4%	5.2%	0.6%	0.2%	3.3%
Return on assets	3.7%	3.3%	0.5%	0.3%	4.7%
Solvency ratio	51.3%	46.0%	50.7%	53.5%	54.4%
Return on equity	6.7%	7.4%	0.2%	0.0%	7.3%
EBITDA margin	7.7%	6.0%	1.7%	0.8%	3.9%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business activities

NGF Nature Energy A/S is a wholly owned subsidiary of the NGF Nature Energy Holding A/S Group, which is owned by the Funen municipalities through the partnership Naturgas Fyn I/S.

NGF Nature Energy A/S holds the three licences in Denmark for supply to gas customers under the terms and conditions of the gas supply obligations up to 30 April 2016. Via the right granted under the gassupply licences, also 2015 showed a material influx of customers in the supply areas outside Funen.

NGF Nature Energy A/S sells natural gas on an arm's length basis to all the customer categories in NGF Nature Energy A/S. Besides the Group's trade in natural gas, NGF Nature Energy A/S is moreover responsible for the service functions of the other group companies. Double functions are thus avoided, and optimised operation of the Group is ensured. A number of intercompany service agreements have been concluded on, among others, the following intercompany services:

- Finance
- Cash management
- Customer service
- IT
- HR
- Employees
- Sourcing
- Engineering
- Buildings
- Rent
- Vehicles
- Energy-saving activities

In 2016, an average of 96 employees were employed by NGF Nature Energy A/S. Except for operating staff of the local biogas enterprises, all the employees of the NGF Nature Energy Group are employed by NGF Nature Energy A/S.

Business review

The Company's income statement for the year ended 31. december shows a profit of TDKK 36.240, and the balance sheet at 31 December 2016 shows equity of TDKK 559,513.

Financing

At the end of the year, the Company's cash and cash equivalents total TDKK 616.512. There is a considerable need for cash and working capital for e.g. the financing of timing differences between payments in respect of purchases and sales of natural gas, storage and transmission services. This need has been met through credit facilities raised with the Parent Company and with banks.

Management's review

Special risks apart from generally occurring risks in industry

Operating risks

As a trading company, NGF Nature Energy A/S must currently obtain gas supplies and derivatives on an arm's length basis.

Financial risks

Market risks:

It is decisive for NGF Nature Energy A/S' position in the market that it is always able to offer customers gas at competitive prices and on the terms demanded by customers. Again in 2016, fierce competition was seen between the players in the gas market resulting in considerable pressure on profit margins. The competitive environment is not expected to change in 2017.

Volume risk:

External factors such as the weather, tax changes, and amendments to energy-related legislation may affect the sale of natural gas considerably. Relatively high prices on oil and natural gas may also affect customers' interest in supplementing with or changing to alternative fuels, when possible. NGF Nature Energy A/S covers these risks in a number of different ways including terms of sale and hedging instruments, which are the primary means of risk coverage.

Currency risks

NGF Nature Energy A/S is exposed to fluctuations in exchange rates, gas and oil prices, etc. Efforts are made to eliminate this exposure through tight consistency between the terms of purchases and sales, respectively, of natural gas. Hedging is moreover effected through forwards, futures contracts and gas inventory.

Interest-rate risks

The Company is not exposed to interest rate risks to any significant extent. Excess liquidity is invested at market interest rate.

Credit risks

The Company currently performs credit assessments of its customers, which may result in declined credit, requested advance payment or provision of security. To the extent possible, NGF Nature Energy A/S takes out credit insurance in respect of receivables from business customers. The Company currently performs credit assessments of its customers, which may result in declined credit, requested advance payment or provision of security. To the extent possible, NGF Nature Energy A/S takes out credit insurance in respect of receivables from business customers.

Management's review

Impact on external environment and measures of preventing, reducing or mitigating damage

NGF Nature Energy A/S constantly makes efforts to effect environmental optimisation of gas consumption in Denmark through e.g. production and sale of green gas (upgraded biogas) as well as gas for transport (CNG). The Company moreover provides consulting services on energy efficiency measures.

During day-to-day operations, NGF Nature Energy A/S encourages its employees to green thinking and to limit the consumption of unnecessary resources. Motion detector controlled lighting has been installed in the offices, waste sorting has been implemented, and there is focus on minimising consumption of office supplies etc.

Organic and healthy ingredients are in focus in the staff canteen where a large part of the primary produce is organic.

Statutory report on corporate social responsibility

Report on Corporate Social Responsibility, cf. Section 99 a of the Danish Financial Statements Act

It has been decided that the statutory CSR report will be done on Group level to which we refer.

Report on the gender composition in management, cf. Section 99 b of the Danish Financial Statements Act

It is NGF Nature Energy A/S policy to promote gender equality in all managerial levels. For the statutory statement regarding the underrepresented gender please refer to the Group reporting.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the group's and the parent company's financial position.

Income statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Revenue	1	625,785	728,060
Other operating income		76,395	70,092
Raw materials and consumables		-529,250	-652,646
Other external expenses		-47,415	-37,657
Gross profit		125,515	107,849
Staff costs	2	-66,195	-59,713
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-8,553	-5,852
Other operating costs		-10,923	-4,781
Profit/loss before financial income and expenses		39,844	37,503
Income from investments in associates		-590	0
Financial income	4	12,639	20,741
Financial costs	5	-6,910	-9,535
Profit/loss before tax		44,983	48,709
Tax on profit/loss for the year	6	-8,743	-11,391
Net profit/loss for the year		36,240	37,318
Retained earnings		36,240	37,318
		36,240	37,318

Balance sheet 31 December

	Note	2016 TDKK	2015 TDKK
Assets			
Completed development projects		5,798	2,236
Goodwill		5,648	10,307
Development projects in progress		0	0
Intangible assets	7	11,446	12,543
Other fixtures and fittings, tools and equipment		6,622	1,371
Property, plant and equipment in progress		3,999	0
Tangible assets	8	10,621	1,371
Investments in associates	9	427	0
Other receivables	10	177	0
Fixed asset investments		604	0
Fixed assets total		22,671	13,914
Raw materials and consumables		57,572	47,400
Stocks		57,572	47,400
Trade receivables		132,887	99,906
Receivables from group enterprises		666,661	663,406
Receivables from associates		6,600	488
Other receivables		59,676	90,842
Deferred tax asset	12	6,941	6,574
Prepayments		1,492	16,450
Receivables		874,257	877,666

Balance sheet 31 December (continued)

	Note	2016 TDKK	2015 TDKK
Assets			
Current asset investments		98,675	98,625
Current asset investments		98,675	98,625
Cash at bank and in hand		37,330	100,521
Currents assets total		1,067,834	1,124,212
Assets total		1,090,505	1,138,126

Balance sheet 31 December

	Note	2016 TDKK	2015 TDKK
Liabilities and equity			
Share capital		167,500	167,500
Retained earnings		<u>392,013</u>	<u>355,774</u>
Equity	11	<u>559,513</u>	<u>523,274</u>
Other credit institutions		242,871	198,528
Prepayments received from customers		31,797	60,016
Trade payables		75,461	41,116
Payables to group enterprises		10,036	173,011
Corporation tax		9,111	5,231
Other payables		161,580	135,069
Deferred income		<u>136</u>	<u>1,881</u>
Short-term debt		<u>530,992</u>	<u>614,852</u>
Debt total		<u>530,992</u>	<u>614,852</u>
Liabilities and equity total		<u>1,090,505</u>	<u>1,138,126</u>
Rental agreements and lease commitments	13		
Contingent assets, liabilities and other financial obligations	14		
Charges and securities	15		
Financial instruments	16		
Related parties and ownership	17		

Equity

	Share capital	Retained earnings	Total
Equity at 1 January 2016	167,500	355,773	523,273
Net profit/loss for the year	0	36,240	36,240
Equity at 31 December 2016	167,500	392,013	559,513

Noter

	2016	2015
	TDKK	TDKK
1 Revenue		
Gas sales, private	192,636	206,245
Gas sales, business	362,634	491,969
Gas sales, CNG	4,455	229
Energy saving activities	44,767	29,230
Service	1,565	383
Certificates	19,728	4
Total revenue	625,785	728,060
2 Staff costs		
Wages and salaries	59,051	54,203
Pensions	6,329	4,658
Other social security costs	815	852
	66,195	59,713
 Average number of employees	 96	 90
According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.		
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	5,866	4,658
Depreciation tangible assets	2,687	1,194
	8,553	5,852
4 Financial income		
Interest received from subsidiaries	10,491	14,716
Other financial income	2,148	6,025
	12,639	20,741

Noter

	<u>2016</u>	<u>2015</u>
	TDKK.	TDKK.
5 Financial costs		
Financial expenses, group entities	2,390	3,809
Other financial costs	<u>4,520</u>	<u>5,726</u>
	<u>6,910</u>	<u>9,535</u>
 6 Tax on profit/loss for the year		
Current tax for the year	9,110	5,295
Deferred tax for the year	-367	6,140
Adjustment of tax concerning previous years	0	126
Adjustment of deferred tax concerning previous years	<u>0</u>	<u>-170</u>
	<u>8,743</u>	<u>11,391</u>

Noter

7 Intangible assets

	Completed development projects	Goodwill	Development projects in progress	Total
Cost at 1 January 2016	18,055	69,871	0	87,926
Additions for the year	0	0	4,768	4,768
Transfers for the year	4,768	0	-4,768	0
Cost at 31 December 2016	22,823	69,871	0	92,694
Impairment losses and amortisation at 1 January 2016	15,817	59,565	0	75,382
Amortisation for the year	1,208	4,658	0	5,866
Impairment losses and amortisation at 31 December 2016	17,025	64,223	0	81,248
Carrying amount at 31 December 2016	5,798	5,648	0	11,446

Noter

8 Tangible assets

	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
Cost at 1 January 2016	139,959	0
Additions for the year	1,558	10,445
Disposals for the year	-438	0
Transfers for the year	6,446	-6,446
Cost at 31 December 2016	147,525	3,999
Impairment losses and depreciation at 1 January 2016	138,588	0
Depreciation for the year	2,687	0
Reversal of impairment and depreciation of sold assets	-372	0
Impairment losses and depreciation at 31 December 2016	140,903	0
Carrying amount at 31 December 2016	6,622	3,999

9 Investments in associates

Cost at 1 January 2016	0	0
Additions for the year	1,017	0
Cost at 31 December 2016	1,017	0
Revaluations at 1 January 2016	0	0
Net profit/loss for the year	-590	0
Revaluations at 31 December 2016	-590	0
Carrying amount at 31 December 2016	427	0

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
Nordliq A/S	Aarhus N	25%

Noter

10 Fixed asset investments

	Other receiv- ables
Cost at 1 January 2016	0
Additions for the year	289
Disposals for the year	-112
Cost at 31 December 2016	177
Impairment losses at 1 January 2016	0
Impairment losses at 31 December 2016	0
Carrying amount at 31 December 2016	177

11 Equity

The share capital consists of 16,750 shares of a nominal value of TDKK. 10. No shares carry any special rights. There have been no changes in the share capital during the last 5 years.

12 Provision for deferred tax

	2016 TDKK	2015 TDKK
Intangible assets	2,517	2,760
Property, plant and equipment	-2,360	-2,979
Financial instruments	-1,864	-2,120
Allocations	-5,235	-4,235
Transferred to deferred tax asset	6,941	6,574
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	<u>6,941</u>	<u>6,574</u>
Carrying amount	<u>6,941</u>	<u>6,574</u>

Noter

	<u>2016</u>	<u>2015</u>
	TDKK.	TDKK.
13 Rental agreements and lease commitments		
Rental and lease commitments		
Operating lease commitments.		
Total future lease payments:		
Within 1 year	1,382	1,067
Between 1 and 5 years	<u>1,387</u>	<u>1,282</u>
	<u>2,769</u>	<u>2,349</u>
 Ground and rental agreements and commitments		
Ground and rental commitments.		
Total future payments:		
Within 1 year	1,456	0
Between 1 and 5 years	500	0
After 5 years	<u>1,323</u>	<u>0</u>
	<u>3,279</u>	<u>0</u>

Noter

14 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has issued a guarantee in favor of a bank regarding customers' bank debt. The guarantee amounts to TDKK 5,000. The actual debt amounts to TDKK 439.

The Group's Danish companies are jointly and severally liable for tax on the Group's co-taxed income, etc. The total amount of due corporate tax can be seen from the Annual Report of NGF Nature Energy Holding A/S, which is the company that administers co-taxation. Furthermore, the Group's Danish companies are jointly and severally liable for Danish taxes in the form of dividend tax and interest tax. Any subsequent corrections to corporate taxes may increase the Company's commitment.

The company is committed to at the earliest in 2026 to buy back CNG plant to an amount of TDKK 1,500.

Cashpool

The Company has provided unlimited guarantee for credit institutions regarding the group cash pool.

	2016 TDKK.	2015 TDKK.
15 Charges and securities		
The following assets have been placed as security with bankers:		
Investments in listed bonds with an accounting value of	98,675	98,528
Bank accounts regarding gas and oil trades	16,386	12,190
	115,061	110,718

Noter

16 Financial instruments

The extend and kind of financial instruments appears in the income statement and the balance sheet, inline with the used accounting policies.

The company make financial contracts to secure the price and currency risk, which is connected to natural gas trading, which are not eliminated in accordance to terms for purchase and sales of natural gas.

The company have signed financial contracts and delivery agreements, which by end of year has the value described below.

Recognised transactions

Hedging of recognised transactions primarily includes receivables and payables.

Currency	Netposition
	TDKK
Hedging derivatives, gas (assets)	29,961
Hedging derivatives, gas (liabilities)	-24,100
Hedging derivatives, oil (liabilities)	-1,656
Hedging derivatives, currency (liabilities)	-590
Other derivatives (assets)	15,656
Other derivatives (liabilities)	-18,017
	<u>1,254</u>

17 Related parties and ownership

Controlling interest

Natargas Fyn I/S
NGF Nature Energy Holding A/S

Accounting policies

The annual report of NGF Nature Energy A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2016 is presented in TDKK.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Accounting policies

Segment information

Segment information is provided about business areas. The segment division is in line with the Company's internal reporting and fields of responsibility. The segment figures have been prepared using the same policies as for the Consolidated Accounts.

Revenue is divided into Distribution, Sale of natural gas, Sale of biomass, Energy conservation and Adjustment of excess cover / shortfall. These business areas constitute the main activities of the Group.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

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

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans 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 consists of current tax for the year and 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. The tax recognised in the income statement is classified as tax on ordinary activities and tax on extraordinary items, respectively.

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Balance sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed to be max. 15 years. The amortisation period is based on an assessment of the acquiree's market position and earnings capacity.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence term, however not exceeding 3 years.

Accounting policies

Tangible assets

Items of Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Production buildings	3	years
Other fixtures and fittings, tools and equipment	3-5	years

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. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

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.

Investments in subsidiaries and associates

Investment in subsidiaries and associates are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Accounting policies

Stocks

Stocks are measured using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

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

The carrying amount of inventories whose fair value is hedged through derivative financial instruments is adjusted for changes in fair value attributable to the hedged risk.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

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

Current asset and investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Equity

Dividend

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

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, reconstructions, etc. Provisions are recognised as a result of a past event the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Accounting policies

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous 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.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carrying forward are measured at the value to which the asset is expected to be realised, either by elimination in tax on future income or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

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.

Liabilities

Liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

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

Accounting policies

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables or other payables, respectively.

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

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

Cash flow statement

The cash flow statement has not been prepared with reference to ÅRL § 86, stk. 4.

Financial Highlights

Definitions of financial ratios.

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