Ekokem A/S

Lindholmvej 3, DK-5800 Nyborg

Annual Report for 1 January - 31 December 2015

CVR No 34 48 44 14

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 29/04 2016

Karri Kaitue
Chairman

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ekokem A/S for the financial year 1 January - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

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

Nyborg, 27 April 2016

Executive Board

Thomas Haislund Agergaard

Ellen Lindmark Frier

Board of Directors

Karri Kaitue
Chairman

Jani Juhani Lösönen

Hilppa Riikka Sofia Rautpalo

Inge-Lise Ubbesen Andersen
Staff Representative

Allan Rasmussen
Staff Representative

Independent Auditor's Report on the Financial Statements

To the Shareholders of Ekokem A/S

Report on the Financial Statements

We have audited the Financial Statements of Ekokem A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility
Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 27 April 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Kim Füchsel
State Authorised Public Accountant

Line Hedam
State Authorised Public Accountant

Company Information

The Company	Ekokem A/S Lindholmvej 3 DK-5800 Nyborg Telephone: + 45 63317100 Website: www.ekokem.com CVR No: 34 48 44 14 Financial period: 1 January - 31 December Municipality of reg. office: Nyborg
Board of Directors	Karri Kaitue, Chairman Jani Juhani Lösönen Hilppa Riikka Sofia Rautpalo Inge-Lise Ubbesen Andersen Allan Rasmussen
Executive Board	Thomas Haislund Agergaard Ellen Lindmark Frier
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	350.432	407.195	341.147	303.726	316.220
Operating profit/loss	-53.832	-19.745	-18.773	5.349	9.594
Profit/loss before financial income and expenses	-45.640	-11.956	-10.984	15.166	18.086
Net financials	-8.882	-4.898	-6.112	-4.999	-7.624
Net profit/loss for the year	-41.368	-13.778	-10.026	7.715	7.137
Balance sheet					
Balance sheet total	1.055.536	1.303.576	1.340.205	471.994	488.881
Equity	703.428	885.220	898.359	256.850	250.106
Investment in property, plant and equipment	-5.377	-6.163	-6.228	-6.000	-13.000
Number of employees	170	175	175	190	188
Ratios					
Gross margin	31,1%	40,1%	28,8%	54,6%	44,1%
Profit margin	-13,0%	-2,9%	-3,2%	5,0%	5,7%
Return on assets	-4,3%	-0,9%	-0,8%	3,2%	3,7%
Solvency ratio	66,6%	67,9%	67,0%	54,4%	51,2%
Return on equity	-5,2%	-1,5%	-1,7%	3,0%	2,9%

Management's Review

Financial Statements of Ekokem A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

Ekokem A/S main activity is waste incineration at plants complying with all applicable environmental requirements. We convert the energy content of the waste into green electricity and heating to the benefit of society large.

An industrial society produces hazardous waste, which cannot be allowed to pollute the air, water or soil. It is Ekokem A/S's mission to be able to manage the most hazardous and most complex types of waste, which cannot be managed by ordinary waste processing plants and which cannot be recycled.

Market overview

Ekokem A/S is operating in a fully liberalized market, nationally as well as internationally. The market is characterized by heavy competition between the many players in the Danish market for hazardous waste, where Ekokem A/S seeks to create a strong market foothold based on "State-of-the-art" treatment technology that none of the domestic competitors can offer to market.

Development in the year

The income statement of the Company for 2015 shows a loss of DKK'000 41,368, and at 31 December 2015 the balance sheet of the Company shows equity of DKK'000 703,428.

Due to Ekokem bought Nord A/S 29 January 2015, an intensive Integration project TRIO was the new platform to define new development and best practice within the Ekokem Group. The TRIO project ended successfully at the end of 2015.

A new Matrix organization within the Ekokem Group was established in August 2015, and the new structure was implemented by end of 2015.

Management's Review

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

The revenue was significant lower than the budget, mainly due to lower activity in the Norwegian market than budgeted, and due to no new big projects as the Flaminia in 2014, and 19 days unplanned maintenance shutdown on one of the kilns in December.

In June one of the three kilns was shutdown unplanned for 8 weeks due to lack of waste, which beside the lower revenue also had a negative impact on the Operating profit compared to the budget.

Another negative impact on the Operating profit was an unplanned maintenance shutdown on one of the kilns in December, where 19 days were lost and the maintenance budget had an over spend of TDKK 5.800.

In addition, provision for post-treatment program of the Klintholm landfill had a negatively impact on the result. See section "Unusual events" for further details.

Capital resources

At year end 2014, the entire share capital in Nordgroup A/S was owned by Duke Infrastructure A/S, which is wholly owned by Duke Infrastructure Holding ApS. The ultimate owner of Duke Infrastructure Holding ApS was EQT Infrastructure 98.35% interest, whereas the members of the board of directors own a total of 1.28%, and the members of the executive management and other senior executives own 0.37%.

With effect from 29 January 2015 all shares in Duke Infrastructure Holding ApS has been acquired by Ekokem OYJ.

Management's Review

Special risks - operating risks and financial risks

Ekokem A/S is exposed to a number of risks that affect the way in which the business is being operated. These risks include:

-Operating risks
-Environmental risks
-Financial risks

Operating risks primarily relate to the operation of incineration plants and other treatment plants, including the Klintholm landfill and Ekokem A/S's other processing activities. The company seeks to minimize these risks through responsible and prudent operational management as well as ongoing follow-up, control and maintenance of its plants.

Environmental risks are inherent in Ekokem A/S's activities and the Environment and Sustainability Report for 2015 provides a detailed description of our activities within this field. Given the nature of our business, this area has top priority at Ekokem A/S, and we aim at the highest possible levels of safety and responsibility.

The financial risks are related to three main areas:

-The first relates to interest rate risks associated with the company's interest-bearing debt. Risks connected with higher interest rates are largely hedged through interest-rate swaps.
-The second relates to the company's financial assets. We try to minimize the risks in this area by means of an investment strategy focusing on low interest rate risks, high liquidity and high repayment certainty as regards our debtors.
-The third relates to Ekokem A/S's operations where the most significant risks relate to currency translation of Sales income from other countries. Foreign sales are mainly made in EUR and NOK. As these contracts are normally shortterm, foreign exchange risks are considered limited.

Market risks

Market risks relate to sales of hazardous waste incineration services end energy as well as the supply of intermediary products. No single costumer or supplier involves a risk that could significantly affect Ekokem A/S's financial position. The most significant market risk is considered to be ratio of treatment capacity to deliveries of hazardous waste from Northern Europe.

-External regulation via EU law and Danish legislation

Ekokem A/S operating conditions are significantly affected by EU law and Danish legislation. Through responsible and reliable communication, we seek to influence future legislation by means of direct and indirect interaction with authorities and other interest groups.

Management's Review

Strategy

The strategic goals have been fulfilled, and Ekokem A/S has consolidated its position in the Danish market and has successfully established a presence in a number of international markets.

Targets and expectations for the year ahead

The profit for 2016 is expected to improve based on higher operating profit, due to the efficiency program that was launched in Q4 2015, and the anticipation of an improved market situation. Furthermore the result for 2015 were negatively affected by one-off costs, which are not expected in 2016.

Uncertainty relating to recognition and measurement

The recognition and measurement of assets and liabilities in the financial statement of 2015 are not subject to any significant uncertainties. The biggest uncertainty relates to the measurement of future obligations in relation to the post-treatment program of Klintholm landfill and the clean-up of the leased land at Prøvestenen. Future obligation calculation is based on rates agreed within the Ekokem Group, and has affected the Financial Statement negatively with KDKK 81.106 (see note 13) which is supported by an external report made by COWI.

Unusual events

The Ekokem Group acquisition of Ekokem A/S (former Nordgroup A/S) resulted in a downward adjustment of the property, plant and equipment of 180 MDKK.

The financial position at 31 December 2015 of the company and the results of the activities of the Company for the financial year for 2015 have been negative affected by the provision of future obligations regarding landfill and leased sites.

Subsequent events

No Subsequent events have occurred that could materially affect the assessment of the company's financial position.

Statutory statement on CSR in accordance with sec. 99 a of the Danish Financial Statements Act

From 2015 it has been decided that the statutory CSR report will be done on Group level to which we refer.

The Group sustainability report for 2015 provides among other things a detailed description of our eco and safety management efforts. This report can be downloaded at http://sustainability2015.ekokem.com

Corporate governance

The board of directors and executive management of Ekokem A/S constantly strive to ensure that the company's management structures and control systems are appropriate and work satisfactorily.

The framework for the planning of management's duties comprise the Danish Companies Act, the Danish Financial Statements Act, the company's articles of association and good practice for enterprises of the same size as Ekokem A/S.

The members of the board of directors meet at least 4 times a year according to a fixed schedule. In between board meetings, the board of directors receives written updates on the company's results of operation and financial position.

Statutory statement regarding the underrepresented gender in accordance with section 99 b of the Danish Financial Statements Act

It is Ekokem A/S policy to promote gender equality in all managerial levels.

The company pursues to develop and ensure diversity. This objective is also valid for the managerial positions. In the recruitment process, HR has to ensure that candidates from the underrepresented gender are represented to the hiring manager, if possible. The professional qualifications and educational background are always essential in order to ensure the right competences are in place, though.

In 2015, the senior management group of Ekokem A/S consists of 16 individuals of which five (31%) are female managers and eleven (69%) are male managers.

Ekokem A/S's Board of Directors comprises five members, of which three (two male members and one female member) are selected by the shareholders and two by the employees. Therefore, Ekokem has equal representation on the Board of Directors, and is not obliged to set nor report on a target for the underrepresented gender.

Income Statement 1 January - 31 December

	Note	2015 DKK'000	2014 DKK'000
Revenue	1	**350.432**	**407.195**
Other operating income		8.192	7.789
Expenses for raw materials and consumables		-110.155	-88.321
Other external expenses		-139.452	-163.378
Gross profit/loss		**109.017**	**163.285**
Staff expenses	2	-87.621	-94.039
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-67.036	-81.202
Profit/loss before financial income and expenses		**-45.640**	**-11.956**
Income from investments in subsidiaries		-5.532	-1.873
Financial income	4	2.327	3.432
Financial expenses	5	-5.677	-6.457
Profit/loss before tax		**-54.522**	**-16.854**
Tax on profit/loss for the year	6	13.154	3.076
Net profit/loss for the year		**-41.368**	**-13.778**

Distribution of profit

Proposed distribution of profit

Retained earnings	-41.368	-13.778
	-41.368	**-13.778**

Balance Sheet 31 December

Assets

	Note	2015	2014
		DKK'000	DKK'000
Acquired intangible assets		2.806	4.022
Intangible assets	7	**2.806**	**4.022**
Land and buildings		29.334	30.703
Plant and machinery		725.035	965.114
Property, plant and equipment in progress		3.121	2.649
Property, plant and equipment	8	**757.490**	**998.466**
Investments in subsidiaries	9	104	0
Receivables from group enterprises		0	130.420
Other investments	10	105	105
Fixed asset investments		**209**	**130.525**
Fixed assets		**760.505**	**1.133.013**
Inventories		**13.997**	**21.435**
Trade receivables		42.579	115.702
Receivables from group enterprises		148.973	1.992
Other receivables		11.456	14.181
Prepayments		1.994	1.757
Receivables		**205.002**	**133.632**
Cash at bank and in hand		**76.032**	**15.496**
Currents assets		**295.031**	**170.563**
Assets		**1.055.536**	**1.303.576**

Balance Sheet 31 December

Liabilities and equity

	Note	2015 DKK'000	2014 DKK'000
Share capital		3.150	3.150
Rerserve for revaluation		509.179	649.962
Retained earnings		191.099	232.108
Equity	11	**703.428**	**885.220**
Provision for deferred tax	12	144.073	195.186
Other provisions	13	81.106	30.729
Provisions		**225.179**	**225.915**
Mortgage loans		0	28.022
Long-term debt	14	**0**	**28.022**
Current portion of long-term libilities	14	0	3.462
Trade payables		25.499	29.799
Prepayments received from customers		0	1.117
Payables to group enterprises		25.901	30.278
Corporation tax		12.066	14.945
Other payables		27.044	37.576
Deferred income	15	36.419	47.242
Short-term debt		**126.929**	**164.419**
Debt		**126.929**	**192.441**
Liabilities and equity		**1.055.536**	**1.303.576**
Contingent assets, liabilities and other financial obligations	16		
Related parties and ownership	17		

Statement of Changes in Equity

	Share capital	Rerserve for re-valuation	Retained earnings	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	3.150	649.962	232.108	885.220
Exchange adjustments	0	0	359	359
Revaluation for the year	0	-180.490	0	-180.490
Tax on revaluation for the year	0	39.707	0	39.707
Net profit/loss for the year	0	0	-41.368	-41.368
Equity at 31 December	**3.150**	**509.179**	**191.099**	**703.428**

Notes to the Financial Statements

		2015	2014
		DKK'000	DKK'000
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	297.876	316.929
	Revenue, exports	52.556	90.266
		350.432	**407.195**
	Business segments		
	Sales income, waste treatment	295.326	352.827
	Sales heat	41.247	39.096
	Sales of electricity	13.859	15.272
		350.432	**407.195**
2	**Staff expenses**		
	Wages and salaries	81.344	87.615
	Pensions	5.910	6.047
	Other social security costs	367	377
		87.621	**94.039**
	Including remuneration to the Executive Board and Board of Directors of:		
	Executive Board	4.404	6.183
	Board of Directors	60	313
		4.464	**6.496**
	Average number of employees	**170**	**175**
3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	1.173	1.357
	Depreciation of property, plant and equipment	65.863	79.845
		67.036	**81.202**

Notes to the Financial Statements

		2015	2014
		DKK'000	DKK'000
4	**Financial income**		
	Interest received from group enterprises	1.656	3.039
	Other financial income	671	393
		2.327	**3.432**

5	**Financial expenses**		
	Interest paid to group enterprises	354	532
	Other financial expenses	5.323	5.925
		5.677	**6.457**

6	**Tax on profit/loss for the year**		
	Current tax for the year	13.315	14.945
	Deferred tax adjustments in the year	-11.406	-18.616
	Adjustment of deferred tax concerning previous years	-15.063	595
		-13.154	**-3.076**

		Acquired intangible assets
7	**Intangible assets**	DKK'000
	Cost at 1 January	11.730
	Disposals for the year	-43
	Cost at 31 December	11.687
	Impairment losses and amortisation at 1 January	7.708
	Amortisation for the year	1.173
	Impairment losses and amortisation at 31 December	8.881
	Carrying amount at 31 December	**2.806**

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Plant and machinery	Property, plant and equipment in progress
	DKK'000	DKK'000	DKK'000
Cost at 1 January	125.542	1.176.231	2.649
Additions for the year	0	4.905	472
Cost at 31 December	125.542	1.181.136	3.121
Net effect from change of accounting policy	0	836.425	0
Revaluations for the year	0	-180.490	0
Revaluations at 31 December	0	655.935	0
Impairment losses and depreciation at 1 January	94.839	1.047.542	0
Depreciation for the year	1.369	64.494	0
Impairment losses and depreciation at 31 December	96.208	1.112.036	0
Carrying amount at 31 December	**29.334**	**725.035**	**3.121**

According to the official property assessment at 1 October 2014, the value of the Danish land and buildings amounts to TDKK 58.000.

Notes to the Financial Statements

		2015	2014
		DKK'000	DKK'000
9	**Investments in subsidiaries**		
	Cost at 1 January	1.341	1.341
	Transfers for the year	5.636	0
	Cost at 31 December	6.977	1.341
	Value adjustments at 1 January	-1.341	-907
	Net profit/loss for the year	-5.532	-1.873
	Value adjustments at 31 December	-6.873	-2.780
	Equity investments with negative net asset value amortised over receivables	0	1.439
	Carrying amount at 31 December	**104**	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Nordgroup Waste management AB	SE	81	100%	104	-4.434

10 Other fixed asset investments

	Other investments
	DKK'000
Cost at 1 January	105
Cost at 31 December	105
Carrying amount at 31 December	**105**

Notes to the Financial Statements

11 Equity

The share capital is broken down as follow:

	Number	Nominal value
		DKK'000
100 shares of DKK 10,000.00 each	100	1.000
1 share of DKK 1,850,000.00 each	1	1.850
1 share of DKK 265,000.00 each	1	265
D-shares	1	35
		3.150

There have been no changes in the share capital during the last 5 years.

12 Provision for deferred tax

	2015	2014
	DKK'000	DKK'000
Intangible assets	617	885
Property, plant and equipment	149.797	200.351
Inventories	-573	2.362
Provisions	-17.843	-8.395
Other	12.075	-17
	144.073	**195.186**

13 Other provisions

Provisions at 31 December 2015 amount to DKK 81,106k and constitute Management's judgment and assessment of anticipated costs for purification of Klintholm and Prøvestenen. Management's assessment is supported by an external report prepared by Cowi.

Other provisions	81.106	30.729
	81.106	**30.729**

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2015	2014
	DKK'000	DKK'000
After 5 years	0	8.655
Between 1 and 5 years	0	19.367
Long-term part	0	28.022
Within 1 year	0	3.462
	0	**31.484**

15 Deferred income

Deferred income comprises waste received, but not treated, which will not be recognised as income until recognition criteria are satisfied, DKK 36,419 thousand.

Total waste stored in tons: 18,060

Notes to the Financial Statements

	2015	2014
	DKK'000	DKK'000
16 Contingent assets, liabilities and other financial obligations		
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2.922	3.460
Between 1 and 5 years	7.806	7.512
After 5 years	17.658	19.375
	28.386	**30.347**
Security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with af book value of	29.334	30.703
The security are realeased afterwards.		
The following guarantees in insurence company have been placed as security with bankers:		
Guarantees in insurance company have been put up as security vis-á-vis the Danish Environmental Agency	26.569	17.525
Guarantees in insurance company have been put up as security to rental liabilities: Prøvestenen and Klintholm	9.995	9.995

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Duke Infrastructure Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

17 Related parties and ownership

	Basis
Controlling interest	
Parent Company:	Reg. office:
Duke Infrastructure A/S	Nyborg, Denmark
Duke Infrastructure Holding A/S	Nyborg, Denmark
Ekokem Oyj	Riihimäki, Finland

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:

Duke Infrastructure A/S, Lindholmvej 3, DK-5800 Nyborg

Accounting Policies

Basis of Preparation

The Annual Report of Ekokem A/S for 2015 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 remain unchanged from last year.

Financial Statements for 2015 are presented in DKK'000.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Ekokem Oyj, the Company has not prepared consolidated financial statements.

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 Ekokem Oyj, the Company has not prepared a cash flow statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured 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.

Income Statement

Revenue

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). 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. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service 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. The stage of completion is determined

Accounting Policies

on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Expenses for raw materials and consumables

Freight charges include the cost of own transportation and waste collection expenses. Expenses relating to raw materials and consumables include expenses relating to ordinary operations. This item also includes expenses relating to exernal treatment.

Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advatising, administration, premises, bad debts, payments under operating leases, etc.

Staff expenses

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

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses 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 onaccount taxation scheme.

Accounting Policies

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company. .

Balance Sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losse.

Acquired IP rights

Software is amortised over a period longer than 5 years, as management finds that the investment can support the use of the ERP system for 10 years. This assumption is based on analysis and expectations as to the sustainability of the system functionalities in the long run.

Property, plant and equipment

On acquisition property, plant and equipment are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed property, plant and equipment comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and supsuppliers up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

After the initial recognition property, plant and equipment are measured at fair value.

Fair value is the amount for which property, plant and equipment could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

The estimates applied are based on historical information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material. The assumptions applied are disclosed in the notes.

Other property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost added revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	5-20	years
Plant and machinery	5-36	years
Acquired IP rigths	10	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

Every year, intangible assets and property, plant and equipment as well as investments in subsidiaries and associates are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flow. The assets are written down to the higher of the value in use and the net selling price og the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rate basis

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

Accounting Policies

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries and associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

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.

Equity

Dividend

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.

Other provisions include warranty obligations in respect of repair work within the warranty period of 30-60 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Accounting Policies

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 within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Deferred income

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

Segment information

Segment information is disclosed on buisness areas. The segmentation is in accordance with the enterprise's internal reporting and fields of responsibility.

Accounting Policies

Financial Highlights

Explanation of financial ratios

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