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Better Energy Management A/S

Axeltorv 2 F
1609 Copenhagen V
Business Registration No
36950676

Annual report 2018

The Annual General Meeting adopted the annual report on 26.04.2019

Chairman of the General Meeting

Name: Ho Kei Au

Contents

Entity details

Entity

Better Energy Management A/S

Axeltorv 2 F

1609 Copenhagen V

Central Business Registration No (CVR): 36950676

Registered in: Copenhagen

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Mark Augustenborg Ødum, chairman

Ho Kei Au

Annette Egede Nylander

Executive Board

Rasmus Lildholdt Kjær, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Better Energy Management A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 26.04.2019

Executive Board

Rasmus Lildholdt Kjær
CEO

Board of Directors

Mark Augustenborg Ødum chairman	Ho Kei Au	Annette Egede Nylander

Independent auditor's report

To the shareholders of Better Energy Management A/S

Opinion

We have audited the financial statements of Better Energy Management A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Kolding, 26.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Ørum Nielsen
State Authorised Public Accountant
Identification No (MNE) mne26771

Morten Aamand Lund
State Authorised Public Accountant
Identification No (MNE) mne41365

Management commentary

	2018 DKK'000	2017 DKK'000	2015/16 DKK'000
Financial highlights			
Key figures			
Gross profit	16.215	71.566	11.063
Operating profit/loss	8.269	68.956	10.908
Net financials	18.643	(23)	136
Profit/loss for the year	24.741	53.661	8.542
Total assets	255.547	96.153	13.550
Investments in property, plant and equipment	2.227	769	0
Equity	75.129	59.703	9.042
Ratios			
Return on equity (%)	36,7	156,1	94,5
Equity ratio (%)	29,4	62,1	66,7

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities
The company's activity comprises to conduct business with construction and sale of solar parks, as well as administration and asset management of renewable assets and related activities.

Development in activities and finances
The income statement of the entity for 2018 shows a profit of DKK 24.741k.

Outlook
In 2019, we will continue to drive new renewable energy capacity in Northern Europe and the Nord Pool power markets. To accelerate the green transition in these markets, we will focus on large-scale solar energy capacity where we can make the greatest difference in terms of impact and affordable prices.

To reduce cost and increase scalability, we will further sharpen and advance our integrated business model. We will continue to form partnerships and strengthen relationships with our stakeholders in critical areas to ensure effective operations and scale.

We will continue to form partnerships and positive relationships with local municipalities and communities to achieve local benefit and support for our power plants. We plan to cooperate even closer with national and local grid operators to develop and utilise grid capacity optimally.

Commercial and industrial energy consumers are expected to become leading purchasers of clean energy in the future. We will actively encourage organisations to purchase green energy which will enable us to add more renewable energy in the energy supply.

We expect an increase in activity in 2019 and growth in revenue. Growth in revenue is driven by growth in the deployment of solar energy capacity. We do not expect the same increase in our result/ EBITDA as a natural consequence of our work to drive down the price of solar energy.

Particular risks
Funding and liquidity
Better Energy A/S is an innovative group in a high-growth stage, and as our group expands internationally, we must continue to raise debt and equity capital for activities and access liquid capital. Sufficient capital and liquidity management ensure a healthy financial foundation and successful business operations. Strong growth requires additional funding in the form of corporate debt, equity and non-recourse project debt. The group would miss or delay market or project opportunities if it does not have access to the right amount of capital on acceptable terms at the right time. Delayed projects result in delayed income from the projects, and this in turn affects cash flow.

Exchange rates
Better Energy A/S operates internationally and imports a number of components that are paid in foreign currencies. Through these operations, we are exposed to the variation in currency exchange rates, which can be both negative and positive. In 2018, we expanded our operations in Poland, the Netherlands and Ukraine. In 2018, we used supplier partnership arrangements to pay into fixed rate accounts for major power plant components. We also utilise SPV structures to minimise foreign currency risk on foreign investments.

Management commentary

Interest rates
Large renewable energy projects are capital intensive. The majority of capital raised through project finance is debt, making interest payments a significant expense and an important factor in the cost of renewable energy. We minimise variable rate debt and use debt instruments such as bonds with fixed interest rates to mitigate interest rate risk. Debt is often expensive in rapidly developing markets. Partnering with international development funds, our own capital, and equity partners decrease the need for expensive debt.

Human capital risks
Better Energy A/S is highly dependent on recruitment and retention of talent. Our operations require specific skills and expertise, and achieving our growth strategy requires people with matching values and mindset. The right organisation is vital to our current and future success. There is a risk that we may have difficulty hiring the required human capital without diluting the level of talent, and a risk that we may not retain our experienced specialists after using resources to develop them.

Intellectual capital resources
Success in our four business areas - from land to energy - depends on our people. Having the right skills is only a part of it. We look for cultural fit, colleagues who will contribute to the unique culture that makes Better Energy a dynamic, fun, inspiring place to work. We look for individuals who share our entrepreneurial spirit, drive and commitment. Everyone who joins us must be ready to make an impact that matters.

In 2018, we built up our organisation within all functions. We focus on building highly skilled cross functional teams to drive the business across the value chain.

Over the past year, 29 employees joined the Better Energy Group. Although this is a large increase in staff, our strategy is to remain a streamlined, lean and flat organisation. Each individual has a purpose and a special function to make an impact. Operating in diverse markets requires a diverse team of specialists. In 2018, we were joined by international talents with knowledge of the local culture, language and regulations in our target markets. The new faces of Better Energy add diversity in age, gender, culture and educational background. We now speak more than 11 different languages. In 2018, we also increased our share of women in senior positions. A woman was added to our Board of Directors, accounting for 33% of the Board.

Environmental performance
Better Energy Management A/S is part of the reporting presented for the Better Energy Group. Reference is made to the Consolidated Financial Statements 2018 for Better Energy A/S, CVR-no.: 31865883 in whole an particular page 76-83.

Research and development activities
Better Energy Management A/S is part of the reporting presented for the Better Energy Group. Reference is made to the Consolidated Financial Statements 2018 for Better Energy A/S, CVR-no.: 31865883.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	Notes	2018 DKK	2017 DKK
Gross profit		**16.214.873**	**71.565.517**
Staff costs	2	(7.376.506)	(2.478.081)
Depreciation, amortisation and impairment losses	3	(569.830)	(131.422)
Operating profit/loss		**8.268.537**	**68.956.014**
Income from investments in group enterprises		15.563.821	0
Income from investments in associates		1.524.179	0
Other financial income	4	2.750.710	462.567
Other financial expenses	5	(1.195.488)	(485.512)
Profit/loss before tax		**26.911.759**	**68.933.069**
Tax on profit/loss for the year	6	(2.170.796)	(15.272.025)
Profit/loss for the year	7	**24.740.963**	**53.661.044**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Acquired intangible assets		0	387.819
Intangible assets	8	**0**	**387.819**
Other fixtures and fittings, tools and equipment		2.200.020	689.572
Leasehold improvements		190.104	25.327
Property, plant and equipment	9	**2.390.124**	**714.899**
Investments in group enterprises		260.316	4.786.718
Investments in associates		0	0
Deposits		453.345	440.107
Fixed asset investments	10	**713.661**	**5.226.825**
Fixed assets		**3.103.785**	**6.329.543**
Work in progress		6.985.394	3.915.000
Inventories		**6.985.394**	**3.915.000**
Trade receivables		49.660.812	227.757
Contract work in progress	11	12.114.571	0
Receivables from group enterprises		178.480.704	47.100.355
Other receivables		22.019	72.968
Joint taxation contribution receivable		195.861	0
Prepayments	12	232.701	195.607
Receivables		**240.706.668**	**47.596.687**
Cash		**4.751.121**	**38.311.556**
Current assets		**252.443.183**	**89.823.243**
Assets		**255.546.968**	**96.152.786**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital		500.000	500.000
Retained earnings		74.629.239	49.202.898
Proposed dividend		0	10.000.000
Equity		**75.129.239**	**59.702.898**
Deferred tax	13	2.391.401	13.006
Provisions		**2.391.401**	**13.006**
Bank loans		79.750	0
Trade payables		65.509.240	447.647
Payables to group enterprises		55.542.617	1.264.018
Joint taxation contribution payable		0	16.045.996
Other payables	14	56.894.721	18.679.221
Current liabilities other than provisions		**178.026.328**	**36.436.882**
Liabilities other than provisions		**178.026.328**	**36.436.882**
Equity and liabilities		**255.546.968**	**96.152.786**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
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Group relations	19		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	49.202.898	10.000.000	59.702.898
Ordinary dividend paid	0	0	(10.000.000)	(10.000.000)
Exchange rate adjustments	0	4.838	0	4.838
Other entries on equity	0	680.540	0	680.540
Profit/loss for the year	0	24.740.963	0	24.740.963
Equity end of year	**500.000**	**74.629.239**	**0**	**75.129.239**

Notes

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2018 DKK	2017 DKK
2. Staff costs		
Wages and salaries	13.702.689	6.258.114
Pension costs	1.026.830	100.576
Other social security costs	178.019	20.720
Other staff costs	829.808	13.671
Staff costs classified as assets	(8.360.840)	(3.915.000)
	7.376.506	**2.478.081**
Average number of employees	**22**	**5**

	2018 DKK	2017 DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	77.564	77.564
Depreciation of property, plant and equipment	492.266	53.858
	569.830	**131.422**

	2018 DKK	2017 DKK
4. Other financial income		
Financial income arising from group enterprises	2.056.125	441.565
Other interest income	2.414	20.891
Exchange rate adjustments	692.171	111
	2.750.710	**462.567**

	2018 DKK	2017 DKK
5. Other financial expenses		
Financial expenses from group enterprises	286.839	733
Other interest expenses	75.933	482.695
Exchange rate adjustments	832.716	2.084
	1.195.488	**485.512**

Notes

	2018 DKK	2017 DKK
6. Tax on profit/loss for the year		
Current tax	(195.316)	15.563.527
Change in deferred tax	2.366.112	(291.502)
	2.170.796	**15.272.025**

	2018 DKK	2017 DKK
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	10.000.000
Retained earnings	24.740.963	43.661.044
	24.740.963	**53.661.044**

	Acquired intangible assets DKK
8. Intangible assets	
Cost beginning of year	620.510
Disposals	(620.510)
Cost end of year	**0**
Amortisation and impairment losses beginning of year	(232.691)
Amortisation for the year	(77.564)
Reversal regarding disposals	310.255
Amortisation and impairment losses end of year	**0**
Carrying amount end of year	**0**

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
9. Property, plant and equipment		
Cost beginning of year	742.557	26.200
Addition through business combinations etc	339.729	0
Additions	1.687.485	200.020
Cost end of year	**2.769.771**	**226.220**
Depreciation and impairment losses beginning of year	(52.985)	(873)
Transfers	(59.743)	0
Depreciation for the year	(457.023)	(35.243)
Depreciation and impairment losses end of year	**(569.751)**	**(36.116)**
Carrying amount end of year	**2.200.020**	**190.104**

Notes

	Investments in group enterprises DKK	Investments in associates DKK	Deposits DKK
10. Fixed asset investments			
Cost beginning of year	4.786.718	0	440.107
Addition through business combinations etc	3.590.000	0	0
Additions	11.903.979	1.802.627	13.238
Disposals	(19.685.944)	(1.802.627)	0
Cost end of year	**594.753**	**0**	**453.345**
Addition through business combinations etc	5.478.156	0	0
Exchange rate adjustments	4.838	0	0
Amortisation of goodwill	(795.931)	0	0
Share of profit/loss for the year	1.081.025	0	0
Reversal regarding disposals	(6.102.525)	0	0
Revaluations end of year	**(334.437)**	**0**	**0**
Carrying amount end of year	**260.316**	**0**	**453.345**

	Registered in	Corporate form	Equity interest %
Investments in group enterprises comprise:			
Better Energy Ukraine LLC	Ukraine	LLC	95,0
Better Energy Nederland B.V.	Nederland	B.V.	75,0

Notes

11. Contract work in progress

Key accounting estimate and measurement of contract work in progress

Measurement of contract work in progress are based on stage of completion of the individual projects combined with the knowledge of the remaing completion of the contract, hereunder the outcome of future changes to the project. The evaluation of the state of completion and total economy, hereunder possible changes, is evaluated project by project in cooperation between the executive management and the project management.

The evaluation of future possible changes is based on the knowledge obtained on the single projects and accumulated knowledge from other projects completed by the company. The company is also taking advices from extarnal advisors and use this knowledge in the evaluation of the stage of completion.

Estimates attached to the futere development of the projects and the remaining work to be done depends on a number of factors and can change in progress of the completion of projects.

The actual result can therefore deviate significant from the expected result.

12. Prepayments

Prepayments consists of prepaid expenses related to 2019.

	2018 DKK	2017 DKK
13. Deferred tax		
Intangible assets	76.140	(12.189)
Property, plant and equipment	0	25.195
Inventories	2.315.261	0
	2.391.401	**13.006**
Changes during the year		
Beginning of year	13.006	
Recognised in the income statement	2.366.112	
Other changes	12.283	
End of year	**2.391.401**	

Notes

	2018 DKK	2017 DKK
14. Other payables		
VAT and duties	44.195.686	17.293.451
Wages and salaries, personal income taxes, social security costs, etc payable	721.251	303.350
Holiday pay obligation	1.477.784	1.066.640
Other costs payable	10.500.000	15.780
	56.894.721	**18.679.221**

	2018 DKK	2017 DKK
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**1.161.855**	**2.057.027**

16. Contingent liabilities

Entity participates in a Danish joint taxation arrangement where Better Energy A/S serves as the administration company. According to the joint taxation provi-sions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Better Energy Management A/S has issued guarantees to the purchaser of solar systems sold in 2017 and 2018. The guarantees cover technical, legal and financial conditions related to the delivered solar system. The guarantees will mailny expire 24 months after closing of the sale of the project. The component frarantees are mainly covered back to back.

The Entity has a repurchase obligation in a sales agreement regarding sale of investments in affiliated company in 2018. The obligation may occur if certain conditions in the agreement cannot be met, and the obligation amounts up to EUR 1,9 million. The repurchase obligation expires at March 31, 2019, and management believes that the repurchase obligation is not updated.

17. Related parties with controlling interest

The following parties have a controlling interest:

Better Energy A/S, Copenhagen, shareholder.

18. Transactions with related parties

Only related party transactions not conducted on an arm’s length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

Notes

19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Better Energy A/S, Copenhagen.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements has been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Business combinations

The uniting-of-interests method is applied on mergers, demergers, contributions of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. As a result, there is no direct comparability with the comparative figures for 2017.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Accounting policies

Revenue

Revenue comprises of sale of solar systems and power plants and sales of service.

Construction contracts for solar systems and power plants are divided in separate performance obligations to the extent that they are considered distinct, i.e. the customer can benefit from the good or service on its own separately from other promises in the contract. This will from contract to contract include an assessment for the following phases, when applicable:

- Development
- Engineering
- Infrastructure
- Procurement
- Construction

The total contract price is then allocated on each identified performance obligation based on their relative stand-alone selling price.

Revenue from performance obligations under construction contracts with a high degree of individual adjustment, i.e. they create an asset with no alternative use, are recognised as revenue over time from the time an unconditional binding agreement with the customer have been obtained and provided that an enforceable right to payment for work performed at any time has been secured. The revenue therefore corresponds to the sales price of work performed during the year (the percentage of completion method). When the outcome of a construction contract cannot be estimated reliably, the revenue is recognised only to the extent that costs incurred are likely to be recoverable.

Revenue from sales of solar systems and power plants that are not sold prior to their completion is recognised in the income statement when control over the electricity or the solar systems and power plants has been transferred to the buyer being at the point the the electricity or the solar systems and power plants are delivered to the customer and it is probably that the income will be received.

Revenue from services that include asset management is recognised concurrently with the supply of those services.

Revenue is measured at the amount the company expects to be entitled to receive excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in the revenue.

Sales to associated companies and sales of solar systems and power plants developed in consolidated project entities that remain associates after the sale are eliminated to extent of the ownership in the associated company.

Accounting policies

Key accounting estimate and judgement on recognition and measurement of revenue
Judgement is performed when determining whether a contract for sale of solar systems and power plants involves one or more performance obligations. This is based on an assessment of whether each performance obligation is distinct, i.e. whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct) and the promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Judgements are made when determining whether a project or service is recognised over time by applying the stage of completion method or at a point in time when control is transferred to the customer. This includes an assessment of whether the project or service have an alternative use to the Group, i.e. can the specific project or service be redirected to another customer, and the Group has an enforceable right to payment throughout the contractual term based on an analyses of the contract wording, legal entitlement and profit estimates.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of intra-group profits or losses.

Accounting policies

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Accounting policies

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these en-terprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in associates.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Accounting policies

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

An expected loss is recognised when it is deemed probable that the total contract cost will exceed the total revenue from individual contracts. The expected loss is recognised immediately as a cos and a provision.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Accounting policies

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement
Reffering to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared.