Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
City Tower, Værkmestergade 2
8000 Aarhus C

Telefon 89 41 41 41
Telefax 89 41 42 43
www.deloitte.dk

Anpartsselskabet af 16. november 2015

Avderødvej 27C
2980 Kokkedal
Central Business Registration No 37228850

Annual report 2017/18

The Annual General Meeting adopted the annual report on 05.10.2018

Chairman of the General Meeting

Name: Jacob Østergaard Bergenholtz

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Entity details

Entity
Anpartsselskabet af 16. november 2015
Avderødvej 27C
2980 Kokkedal

Central Business Registration No: 37228850
Registered in: Kokkedal
Financial year: 01.05.2017 - 30.04.2018

Executive Board
Jacob Østergaard Bergenholtz, CEO
Jesper Wadum Nielsen
Esben Bay Jørgensen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Anpartsselskabet af 16. november 2015 for the financial year 01.05.2017 - 30.04.2018.

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 30.04.2018 and of the results of its operations and cash flows for the financial year 01.05.2017 - 30.04.2018.

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.

Kokkedal, 05.10.2018

Executive Board

Jacob Østergaard Bergenholtz CEO	Jesper Wadum Nielsen	Esben Bay Jørgensen

Independent auditor's report

To the shareholders of Anpartsselskabet af 16. november 2015

Opinion

We have audited the consolidated financial statements and the parent financial statements of Anpartsselskabet af 16. november 2015 for the financial year 01.05.2017 - 30.04.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement . The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 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 consolidated financial statements and the parent financial statements section of this auditor’s report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group’s and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the 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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

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

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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.

Aarhus, 05.10.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

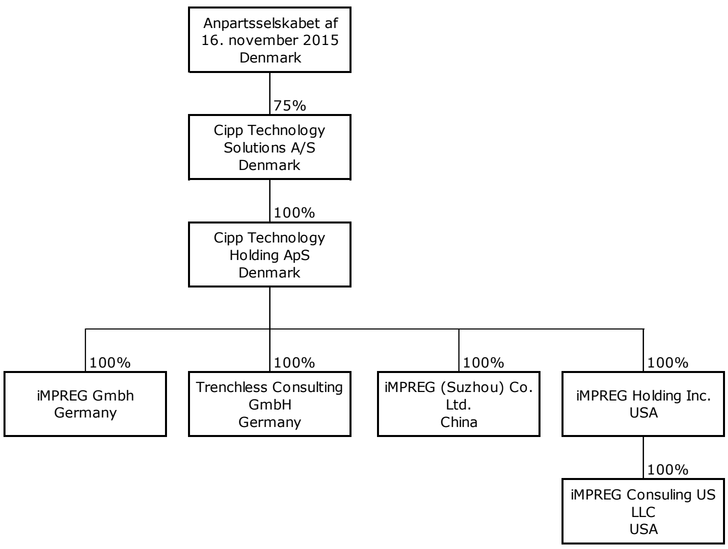
Jacob Nørmark
State Authorised Public Accountant
Identification number (MNE) mne30176

Lars Andersen
State Authorised Public Accountant
Identification number (MNE) mne34506

Management commentary

	2017/18 EUR'000	2016/17 EUR'000	2014/15 EUR'000
Financial highlights			
Key figures			
Gross profit	11.545	11.438	2.699
Operating profit/loss	1.566	1.930	269
Net financials	(1.768)	(1.073)	(308)
Profit/loss for the year	(1.105)	98	(189)
Total assets	52.337	50.678	49.733
Investments in property, plant and equipment	1.319	2.942	5.191
Equity incl minority interests	14.122	14.756	14.681
Ratios			
Return on equity (%)	(7,6)	0,7	(1,3)
Equity ratio (%)	27,0	29,1	29,5

Group Structure



Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Return on equity (%)	Profit/loss for the year x 100 / Average equity incl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity incl minority interests x 100 / Total assets	The financial strength of the entity.

Management commentary

Primary activities
The primary activities of the Group are within the sewer rehabilitation market, which is a growth market driven by the core market in Europe combined with gradually increased penetration in APAC and Americas.

The activities of the Group consist in commercial activities, investments and consultancy activities through active ownership of companies within the sewer rehabilitation industry.

Development in activities and finances
The Group continued to see growth in the core European market. In FY 17/18 the Group also expanded its operational footprint and established a manufacturing unit in China to support the growing APAC market. In FY17/18 the Group also initiated an operational presence in the US for the Americas market, initially primarily North America. The financial results are influenced by our increased activity level and investments in the new markets.

The income statement for the period 01.05.2017 – 30.04.2018 showed a loss of EUR 1.104.564 against a profit of EUR 97.537 for the period 01.05.2016 – 30.04.2017.

Management considers result of the year to be satisfactory.

The Group issued EUR 30m Senior Secured Bonds in April 2018 to ensure capital for the global expansions. The bonds are listed on the Frankfurt Stock Exchange (Ge.: Börse Frankfurt)

Outlook
The Group expects a positive development of the activities and financial performance for the coming financial year.

Our expectation for FY18/19 is an EBITDA range between EUR 5.6m and 6.1m, driven by larger volume and higher efficiency in new markets.

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.

Consolidated income statement for 2017/18

	Notes	2017/18 EUR	2016/17 EUR
Gross profit		**11.545.045**	**11.438.069**
Staff costs	1	(7.230.803)	(7.057.627)
Depreciation, amortisation and impairment losses	2	(2.747.919)	(2.450.913)
Operating profit/loss		**1.566.323**	**1.929.529**
Other financial income		45.599	271.559
Other financial expenses		(1.813.995)	(1.344.808)
Profit/loss before tax		**(202.073)**	**856.280**
Tax on profit/loss for the year	3	(902.491)	(758.743)
Profit/loss for the year	4	**(1.104.564)**	**97.537**

Consolidated balance sheet at 30.04.2018

	Notes	2017/18 EUR	2016/17 EUR
Completed development projects		1.431.701	669.647
Acquired rights		41.287	52.539
Goodwill		29.997.702	31.695.270
Intangible assets	5	**31.470.690**	**32.417.456**
Plant and machinery		5.374.169	6.155.590
Other fixtures and fittings, tools and equipment		1.093.112	430.600
Property, plant and equipment in progress		285.267	191.900
Property, plant and equipment	6	**6.752.548**	**6.778.090**
Fixed assets		**38.223.238**	**39.195.546**
Raw materials and consumables		2.475.478	1.329.563
Work in progress		1.260.454	1.121.124
Manufactured goods and goods for resale		732.386	1.401.740
Inventories		**4.468.318**	**3.852.427**
Trade receivables		6.508.969	5.628.100
Deferred tax		551.837	184.694
Other receivables		961.422	683.063
Income tax receivable		0	519.520
Prepayments		165.719	129.706
Receivables		**8.187.947**	**7.145.083**
Cash		**1.457.103**	**484.641**
Current assets		**14.113.368**	**11.482.151**
Assets		**52.336.606**	**50.677.697**

Consolidated balance sheet at 30.04.2018

	Notes	2017/18 EUR	2016/17 EUR
Contributed capital		17.879	17.879
Retained earnings		10.066.930	11.068.055
Equity attributable to the Parent's owners		**10.084.809**	**11.085.934**
Share of equity attributable to minority interests		**4.036.938**	**3.670.490**
Equity		**14.121.747**	**14.756.424**
Deferred tax		600.420	0
Subordinate loan capital		0	7.339.497
Bank loans		707.844	11.427.342
Loans raised by the issuance of bonds		29.153.477	0
Other payables		1.406.827	0
Non-current liabilities other than provisions	7	**31.868.568**	**18.766.839**
Current portion of long-term liabilities other than provisions	7	258.130	4.033.180
Bank loans		276.192	7.418.322
Trade payables		2.092.444	2.678.786
Payables to group enterprises		2.126.808	0
Income tax payable		1.022.474	543.525
Other payables		558.261	2.480.621
Deferred income		11.982	0
Current liabilities other than provisions		**6.346.291**	**17.154.434**
Liabilities other than provisions		**38.214.859**	**35.921.273**
Equity and liabilities		**52.336.606**	**50.677.697**
Unrecognised rental and lease commitments	9		
Mortgages and securities	10		

Consolidated statement of changes in equity for 2017/18

	Contributed capital EUR	Retained earnings EUR	Share of equity attributable to minority interests EUR	Total EUR
Equity beginning of year	17.879	11.068.055	3.670.490	14.756.424
Increase of capital	0	0	668.971	668.971
Exchange rate adjustments	0	(148.980)	(49.659)	(198.639)
Other equity postings	0	(579)	135	(444)
Profit/loss for the year	0	(851.565)	(252.999)	(1.104.564)
Equity end of year	**17.879**	**10.066.931**	**4.036.938**	**14.121.748**

Consolidated cash flow statement for 2017/18

	Notes	2017/18 EUR	2016/17 EUR
Operating profit/loss		1.566.323	1.929.532
Amortisation, depreciation and impairment losses		2.747.919	2.450.812
Working capital changes	8	(3.004.962)	(1.740.073)
Cash flow from ordinary operating activities		**1.309.280**	**2.640.271**
Financial income received		45.599	271.548
Financial income paid		(1.813.995)	(1.344.753)
Income taxes refunded/(paid)		(714.566)	(2.618.705)
Cash flows from operating activities		**(1.173.682)**	**(1.051.639)**
Acquisition etc of intangible assets		(916.939)	(172.101)
Acquisition etc of property, plant and equipment		(1.318.988)	(2.987.245)
Sale of property, plant and equipment		0	617.367
Cash flows from investing activities		**(2.235.927)**	**(2.541.979)**
Loans raised		29.153.477	498.567
Instalments on loans etc		(20.427.216)	(4.691.738)
Incurrence of debt to group enterprises		2.126.808	0
Cash increase of capital		671.132	0
Cash flows from financing activities		**11.524.201**	**(4.193.171)**
Increase/decrease in cash and cash equivalents		**8.114.592**	**(7.786.789)**
Cash and cash equivalents beginning of year		(6.933.681)	853.416
Cash and cash equivalents end of year		**1.180.911**	**(6.933.373)**
Cash and cash equivalents at year-end are composed of:			
Cash		1.457.103	484.641
Short-term debt to banks		(276.192)	(7.418.013)
Cash and cash equivalents end of year		**1.180.911**	**(6.933.372)**

Notes to consolidated financial statements

	2017/18 EUR	2016/17 EUR
1. Staff costs		
Wages and salaries	6.324.990	6.281.284
Other social security costs	937.453	760.371
Other staff costs	156.301	99.036
Staff costs classified as assets	(187.941)	(83.064)
	7.230.803	**7.057.627**
Average number of employees	**150**	**109**

Referring to section 98b of the Danish Financial Statements Act, Management's remuneration has not been disclosed.

	2017/18 EUR	2016/17 EUR
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.863.706	1.854.792
Depreciation of property, plant and equipment	863.775	639.258
Profit/loss from sale of intangible assets and property, plant and equipment	20.438	(43.137)
	2.747.919	**2.450.913**

	2017/18 EUR	2016/17 EUR
3. Tax on profit/loss for the year		
Tax on current year taxable income	487.866	712.985
Change in deferred tax for the year	414.625	45.758
	902.491	**758.743**

	2017/18 EUR	2016/17 EUR
4. Proposed distribution of profit/loss		
Retained earnings	(851.565)	71.890
Minority interests' share of profit/loss	(252.999)	25.647
	(1.104.564)	**97.537**

Notes to consolidated financial statements

	Completed develop-ment projects EUR	Acquired rights EUR	Goodwill EUR
5. Intangible assets			
Cost beginning of year	829.929	98.095	33.951.363
Additions	916.939	0	0
Cost end of year	**1.746.868**	**98.095**	**33.951.363**
Amortisation and impairment losses beginning of year	(160.282)	(45.556)	(2.256.093)
Exchange rate adjustments	0	1	0
Amortisation for the year	(154.885)	(11.253)	(1.697.568)
Amortisation and impairment losses end of year	**(315.167)**	**(56.808)**	**(3.953.661)**
Carrying amount end of year	**1.431.701**	**41.287**	**29.997.702**

	Plant and machinery EUR	Other fixtures and fittings, tools and equipment EUR	Property, plant and equipment in progress EUR
6. Property, plant and equipment			
Cost beginning of year	6.390.287	493.431	191.900
Exchange rate adjustments	(293.363)	(12.916)	0
Transfers	(130.639)	130.639	0
Additions	344.380	689.341	285.267
Disposals	0	(1.725)	(191.900)
Cost end of year	**6.310.665**	**1.298.770**	**285.267**
Depreciation and impairment losses beginning of the year	(234.697)	(62.831)	0
Exchange rate adjustments	6.832	12.317	0
Depreciation for the year	(708.631)	(155.144)	0
Depreciation and impairment losses end of the year	**(936.496)**	**(205.658)**	**0**
Carrying amount end of year	**5.374.169**	**1.093.112**	**285.267**

Notes to consolidated financial statements

	Instalments within 12 months 2017/18 EUR	Instalments within 12 months 2016/17 EUR	Instalments beyond 12 months 2017/18 EUR
7. Liabilities other than provisions			
Bank loans	258.130	4.033.180	707.844
Loans raised by the issuance of bonds	0	0	29.153.477
Other payables	0	0	1.406.827
	258.130	**4.033.180**	**31.268.148**

	2017/18 EUR	2016/17 EUR
8. Change in working capital		
Increase/decrease in inventories	(615.892)	(958.662)
Increase/decrease in receivables	(1.195.241)	(2.619.062)
Increase/decrease in trade payables etc	(2.496.720)	1.837.651
Other changes	1.302.891	0
	(3.004.962)	**(1.740.073)**

9. Unrecognised rental and lease commitments

2017/18	Payments due 1 year EUR	Payments due between 1-5 years EUR	Outstanding after 5 years EUR
Minimum lease payments	758.551	2.090.962	0

2016/17	Payments due 1 year EUR	Payments due between 1-5 years EUR	Outstanding after 5 years EUR
Minimum lease payments	735.542	963.551	0

10. Mortgages and securities

Bank debt to Sydbank A/S has been secured by a floating charge on unsecured claims in Cipp Technology Holding ApS. The carrying amount of charged claims is EUR 910k. (2016/17 EUR 910k)

Notes to consolidated financial statements

Security

In April 2018, the Company issued a bond for an amount of EUR 30,000k. The company has obtained a loan facility of DKK 7,185k (EUR 964k) and a working capital facility consisting of an overdraft facility limited to DKK 40,000k (EUR 4,027k). The bondholders and the provider of the loan and working capital facilities have entered into an intercreditor agreement sharing the following security:

- A share pledge agreement in respect of the company;
- A share pledge agreement in respect of iMPREG GmbH;
- A share pledge agreement in respect of Cipp Technology Holding ApS;
- An assignment agreement in respect of receivable claims of iMPREG GmbH;
- A pledge agreement in respect of the Danish Floating Charge of Cipp Technology Holding ApS; and
- A pledge agreement in respect of an intra-group loan from the company to Cipp Technology Holding ApS in the nominal amount equivalent to approximately EUR 10,000k.

Parent income statement for 2017/18

	Notes	2017/18 EUR	2016/17 EUR
Gross loss		**(4.846)**	**(6.387)**
Income from investments in group enterprises		(758.997)	76.942
Other financial expenses		(113.831)	(91)
Profit/loss before tax		**(877.674)**	**70.464**
Tax on profit/loss for the year	1	26.109	1.425
Profit/loss for the year	2	**(851.565)**	**71.889**

Parent balance sheet at 30.04.2018

	Notes	2017/18 EUR	2016/17 EUR
Investments in group enterprises		12.116.437	11.011.016
Fixed asset investments	3	**12.116.437**	**11.011.016**
Fixed assets		**12.116.437**	**11.011.016**
Joint taxation contribution receivable		410.472	545.792
Receivables		**410.472**	**545.792**
Cash		**71.488**	**76.623**
Current assets		**481.960**	**622.415**
Assets		**12.598.397**	**11.633.431**

Parent balance sheet at 30.04.2018

	Notes	2017/18 EUR	2016/17 EUR
Contributed capital		17.879	17.879
Retained earnings		10.067.066	11.067.599
Equity		**10.084.945**	**11.085.478**
Trade payables		4.446	4.451
Payables to group enterprises		2.126.808	0
Income tax payable		382.198	543.502
Current liabilities other than provisions		**2.513.452**	**547.953**
Liabilities other than provisions		**2.513.452**	**547.953**
Equity and liabilities		**12.598.397**	**11.633.431**
Contingent liabilities	4		
Mortgages and securities	5		
Related parties with controlling interest	6		

Parent statement of changes in equity for 2017/18

	Contributed capital EUR	Retained earnings EUR	Total EUR
Equity beginning of year	17.879	11.067.599	11.085.478
Exchange rate adjustments	0	(148.968)	(148.968)
Profit/loss for the year	0	(851.565)	(851.565)
Equity end of year	**17.879**	**10.067.066**	**10.084.945**

Notes to parent financial statements

	2017/18 EUR	2016/17 EUR
1. Tax on profit/loss for the year		
Tax on current year taxable income	(26.109)	(1.425)
	(26.109)	**(1.425)**

	2017/18 EUR	2016/17 EUR
2. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	0	16.931
Retained earnings	(851.565)	54.958
	(851.565)	**71.889**

	Investments in group enterprises EUR
3. Fixed asset investments	
Cost beginning of year	11.090.786
Additions	2.013.397
Cost end of year	**13.104.183**
Impairment losses beginning of year	(79.770)
Exchange rate adjustments	(148.979)
Share of profit/loss for the year	(758.997)
Impairment losses end of year	**(987.746)**
Carrying amount end of year	**12.116.437**

4. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

5. Mortgages and securities

Investment in group enterprise are charged as collateral for the Group’s debt to Sydbank A/S is secured for a total of EUR 23,6m. The debt to Sydbank A/S amounts to 0 EUR at 30.04.2018

6. Related parties with controlling interest

BWB Partners I K/S, Fredensborg has controlling interest as BWB Partners I K/S holds the majority of the shares in the Company.

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 (middle).

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

The financial statements are presented in EUR against DKK in previous years. Thus, the comparative figures have been translated into EUR.

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements. Minority interests’ proportionate share of profit or loss is presented as a separate item in Management’s proposal for distribution of profit or loss, and their share of subsidiaries’ net assets is presented as a separate item in group equity.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and 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 internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital gains on transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on transactions in foreign currencies etc.

Accounting policies

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.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is 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. The amortisation period used is 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 10 years.

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, but over no more than 20 years.

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

Accounting policies

Property, plant and equipment

Plant and machinery as well as 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:

Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 years

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 or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is 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. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation period used is 10 years.

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

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 on 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. Financing costs are not included in cost.

Accounting policies

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.

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

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.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.