

**CIPP Technology
Solutions A/S**
Avderødvej 27C
2980 Kokkedal
Central Business Registration
No 37228869

Annual report 2016/17

The Annual General Meeting adopted the annual report on 05.10.2017

Chairman of the General Meeting

Name: Jacob Østergaard Bergenholtz

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Entity details

Entity

CIPP Technology Solutions A/S
Avderødvej 27C
2980 Kokkedal

Central Business Registration No: 37228869
Registered in: Kokkedal
Financial year: 01.05.2016 - 30.04.2017

Board of Directors

John Staunbjerg Dueholm, Chairman
Jesper Wadum Nielsen
Jacob Østergaard Bergenholtz
Ivan Bjerg-Larsen
Petra Margareta Ellegaard Helfferich

Executive Board

Jacob Østergaard Bergenholtz, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of CIPP Technology Solutions A/S for the financial year 01.05.2016 - 30.04.2017.

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 30.04.2017 and of the results of its operations and cash flows for the financial year 01.05.2016 - 30.04.2017.

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, 05.10.2017

Executive Board

Jacob Østergaard Bergenholtz
CEO

Board of Directors

John Staunbjerg Dueholm
Chairman

Jesper Wadum Nielsen

Jacob Østergaard Bergenholtz

Ivan Bjerg-Larsen

Petra Margareta Ellegaard
Helfferich

Independent auditor's report

To the shareholders of CIPP Technology Solutions A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of CIPP Technology Solutions A/S for the financial year 01.05.2016 - 30.04.2017, 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 30.04.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2016 - 30.04.2017 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, 05.10.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

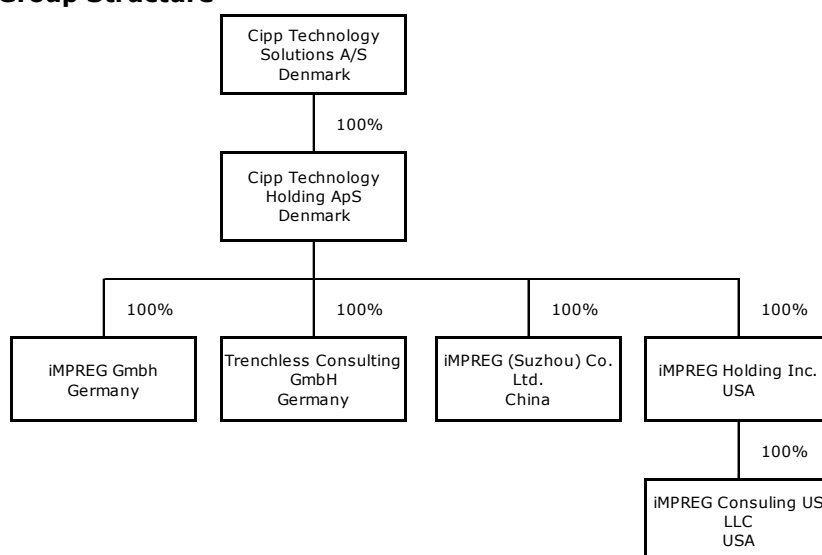
Jacob Nørmark
statsautoriseret revisor

Lars Andersen
statsautoriseret revisor

Management commentary

	2016/17 DKK'000	2015/16 DKK'000
Financial highlights		
Key figures		
Gross profit	85.127	20.167
Operating profit/loss	14.400	2.094
Net financials	(7.982)	(2.288)
Profit/loss for the year	763	(1.322)
Total assets	376.386	369.320
Investments in property, plant and equipment	21.881	38.613
Equity	109.209	108.614
Cash flows from (used in) operating activities	(7.782)	373
Cash flows from (used in) investing activities	(18.909)	(305.420)
Cash flows from (used in) financing activities	(31.191)	310.285
Ratios		
Return on equity (%)	0,7	(1,2)
Equity ratio (%)	29,0	29,4

Group Structure



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

Ratios

Return on equity (%)

Equity ratio (%)

Calculation formula

$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

Ratios

The entity's return on capital invested in the entity by the owners.

The financial strength of the entity.

Management commentary

Primary activities

The activities of the Company consist in commercial, investment and consultancy activities. The activities can be exercised either directly or through capital investments in other enterprises.

Development in activities and finances

The income statement for the period 01.05.2016 – 30.04.2017 showed a profit of DKK 763.092 against a loss of DKK (1.321.585) for the period 15.11.2015 – 30.04.2016.

Management considers result of the year to be satisfactory.

Outlook

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

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 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Gross profit		85.127.302	20.166.946
Staff costs	1	(52.496.752)	(12.163.110)
Depreciation, amortisation and impairment losses	2	(18.230.628)	(5.910.195)
Operating profit/loss		14.399.922	2.093.641
Other financial income		2.019.938	296.248
Other financial expenses		(10.002.412)	(2.584.061)
Profit/loss before tax		6.417.448	(194.172)
Tax on profit/loss for the year	3	(5.654.356)	(1.127.413)
Profit/loss for the year	4	763.092	(1.321.585)

Consolidated balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Completed development projects		4.981.036	4.794.482
Acquired rights		390.804	470.179
Goodwill		235.758.928	248.385.949
Intangible assets	5	<u>241.130.768</u>	<u>253.650.610</u>
Plant and machinery		45.787.120	31.076.515
Other fixtures and fittings, tools and equipment		3.202.931	3.158.884
Property, plant and equipment in progress		1.427.409	2.984.058
Property, plant and equipment	6	<u>50.417.460</u>	<u>37.219.457</u>
Fixed assets		<u>291.548.228</u>	<u>290.870.067</u>
Raw materials and consumables		9.889.689	9.432.246
Work in progress		8.339.253	7.929.757
Manufactured goods and goods for resale		10.426.564	4.162.403
Inventories		<u>28.655.506</u>	<u>21.524.406</u>
Trade receivables		41.863.497	24.703.112
Deferred tax		1.373.809	1.714.168
Other receivables		5.080.831	3.289.469
Income tax receivable		3.864.344	0
Prepayments		964.780	434.822
Receivables		<u>53.147.261</u>	<u>30.141.571</u>
Cash		<u>3.034.928</u>	<u>26.784.342</u>
Current assets		<u>84.837.695</u>	<u>78.450.319</u>
Assets		<u>376.385.923</u>	<u>369.320.386</u>

Consolidated balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Contributed capital		1.000.000	1.000.000
Retained earnings		108.208.839	107.613.667
Equity		109.208.839	108.613.667
Subordinate loan capital		54.593.379	50.884.722
Bank loans		85.000.000	149.900.000
Non-current liabilities other than provisions	7	139.593.379	200.784.722
Current portion of long-term liabilities other than provisions	7	30.000.000	0
Bank loans		55.179.686	21.047.046
Trade payables		19.925.611	5.630.764
Income tax payable		4.059.934	14.361.108
Other payables		18.418.474	17.963.002
Deferred income		0	920.077
Current liabilities other than provisions		127.583.705	59.921.997
Liabilities other than provisions		267.177.084	260.706.719
Equity and liabilities		376.385.923	369.320.386
Unrecognised rental and lease commitments	9		
Mortgages and securities	10		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	107.613.667	108.613.667
Exchange rate adjustments	0	(167.920)	(167.920)
Profit/loss for the year	0	763.092	763.092
Equity end of year	1.000.000	108.208.839	109.208.839

Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Operating profit/loss		14.399.922	2.093.641
Amortisation, depreciation and impairment losses		18.230.628	5.910.195
Working capital changes	8	(12.950.483)	(4.495.818)
Cash flow from ordinary operating activities		19.680.067	3.508.018
Financial income received		2.019.938	296.248
Financial income paid		(10.002.412)	(2.584.061)
Income taxes refunded/(paid)		(19.479.515)	(847.426)
Cash flows from operating activities		(7.781.922)	372.779
Acquisition etc of intangible assets		(1.280.192)	(754.979)
Acquisition etc of property, plant and equipment		(22.220.944)	(1.725.866)
Sale of property, plant and equipment		4.592.347	0
Acquisition of enterprises		0	(302.939.360)
Cash flows from investing activities		(18.908.789)	(305.420.205)
Loans raised		3.708.657	200.784.722
Instalments on loans etc		(34.900.000)	0
Cash increase of capital		0	109.500.000
Cash flows from financing activities		(31.191.343)	310.284.722
Increase/decrease in cash and cash equivalents		(57.882.054)	5.237.296
Cash and cash equivalents beginning of year		5.737.296	500.000
Cash and cash equivalents end of year		(52.144.758)	5.737.296
Cash and cash equivalents at year-end are composed of:			
Cash		3.034.928	26.784.342
Short-term debt to banks		(55.179.686)	(21.047.046)
Cash and cash equivalents end of year		(52.144.758)	5.737.296

Notes to consolidated financial statements

	2016/17 DKK	2015/16 DKK
1. Staff costs		
Wages and salaries	46.722.074	11.713.397
Other social security costs	5.655.867	1.780.619
Other staff costs	736.663	336.282
Staff costs classified as assets	(617.852)	(1.667.188)
	52.496.752	12.163.110
Average number of employees	108	102

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

	2016/17 DKK	2015/16 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	13.796.496	1.394.010
Depreciation of property, plant and equipment	4.754.996	4.516.185
Profit/loss from sale of intangible assets and property, plant and equipment	(320.864)	0
	18.230.628	5.910.195

	2016/17 DKK	2015/16 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	5.313.997	992.586
Change in deferred tax for the year	340.359	134.827
	5.654.356	1.127.413

	2016/17 DKK	2015/16 DKK
4. Proposed distribution of profit/loss		
Retained earnings	763.092	(1.321.585)
	763.092	(1.321.585)

Notes to consolidated financial statements

	Completed develop- ment projects DKK	Acquired rights DKK	Goodwill DKK
5. Intangible assets			
Cost beginning of year	5.077.055	549.312	252.540.428
Additions	1.096.203	183.989	0
Disposals	0	(3.640)	0
Cost end of year	6.173.258	729.661	252.540.428
Amortisation and impairment losses beginning of year	(282.573)	(79.133)	(4.154.479)
Amortisation for the year	(909.649)	(259.826)	(12.627.021)
Reversal regarding disposals	0	102	0
Amortisation and impairment losses end of year	(1.192.222)	(338.857)	(16.781.500)
Carrying amount end of year	4.981.036	390.804	235.758.928
	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
6. Property, plant and equipment			
Cost beginning of year	32.241.527	3.387.882	2.984.058
Additions	20.932.875	948.589	0
Disposals	(5.641.537)	(666.186)	(1.556.649)
Cost end of year	47.532.865	3.670.285	1.427.409
Depreciation and impairment losses beginning of the year	(1.165.012)	(228.998)	0
Depreciation for the year	(3.914.507)	(840.489)	0
Reversal regarding disposals	3.333.774	602.133	0
Depreciation and impairment losses end of the year	(1.745.745)	(467.354)	0
Carrying amount end of year	45.787.120	3.202.931	1.427.409
		Instalments within 12 months 2016/17 DKK	Instalments beyond 12 months 2016/17 DKK
7. Liabilities other than provisions			
Subordinate loan capital		0	54.593.379
Bank loans		30.000.000	85.000.000
		30.000.000	139.593.379

Notes to consolidated financial statements

	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
8. Change in working capital		
Increase/decrease in inventories	(7.131.100)	(7.923.585)
Increase/decrease in receivables	(19.481.705)	(11.760.108)
Increase/decrease in trade payables etc	13.662.322	15.187.875
	<u>(12.950.483)</u>	<u>(4.495.818)</u>

	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	<u>229.520</u>	<u>374.480</u>

10. Mortgages and securities

Bank debt to Sydbank A/S has been secured by a floating charge on unsecured claims in Cippe Technology Holding ApS. The carrying amount of charged claims is DKK 5.651.570.

Parent income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Gross profit		2.976	(82.949)
Income from investments in group enterprises		7.779.291	726.532
Other financial expenses		(8.998.274)	(2.542.842)
Profit/loss before tax		(1.216.007)	(1.899.259)
Tax on profit/loss for the year	1	1.979.099	577.674
Profit/loss for the year	2	763.092	(1.321.585)

Parent balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Investments in group enterprises		287.558.563	314.947.192
Fixed asset investments	3	<u>287.558.563</u>	<u>314.947.192</u>
Fixed assets		<u>287.558.563</u>	<u>314.947.192</u>
Receivables from group enterprises		5.406.888	0
Deferred tax		17.000	0
Other receivables		300.311	879.320
Income tax receivable		2.539.773	577.674
Receivables		<u>8.263.972</u>	<u>1.456.994</u>
Cash		<u>0</u>	<u>7.176.395</u>
Current assets		<u>8.263.972</u>	<u>8.633.389</u>
Assets		<u>295.822.535</u>	<u>323.580.581</u>

Parent balance sheet at 30.04.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Contributed capital		1.000.000	1.000.000
Reserve for net revaluation according to the equity method		0	661.784
Retained earnings		108.208.839	106.951.883
Equity		109.208.839	108.613.667
Subordinate loan capital		54.593.379	50.884.722
Bank loans		85.000.000	149.900.000
Non-current liabilities other than provisions	4	139.593.379	200.784.722
Current portion of long-term liabilities other than provisions	4	30.000.000	0
Bank loans		164.537	0
Trade payables		25.000	13.750
Other payables		16.830.780	14.168.442
Current liabilities other than provisions		47.020.317	14.182.192
Liabilities other than provisions		186.613.696	214.966.914
Equity and liabilities		295.822.535	323.580.581
Contingent liabilities	5		
Mortgages and securities	6		
Related parties with controlling interest	7		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	661.784	106.951.883	108.613.667
Exchange rate adjustments	0	(167.920)	0	(167.920)
Profit/loss for the year	0	(493.864)	1.256.956	763.092
Equity end of year	1.000.000	0	108.208.839	109.208.839

Notes to parent financial statements

	2016/17 DKK	2015/16 DKK
1. Tax on profit/loss for the year		
Tax on current year taxable income	(1.962.099)	(577.674)
Change in deferred tax for the year	(17.000)	0
	(1.979.099)	(577.674)
	2016/17 DKK	2015/16 DKK
2. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	(493.864)	726.532
Retained earnings	1.256.956	(2.048.117)
	763.092	(1.321.585)
		Investments in group enterprises DKK
3. Fixed asset investments		
Cost beginning of year		314.285.408
Disposals		(26.726.845)
Cost end of year		287.558.563
Revaluations beginning of year		661.784
Exchange rate adjustments		(167.920)
Amortisation of goodwill		(12.627.021)
Share of profit/loss for the year		20.406.312
Dividend		(8.273.155)
Revaluations end of year		0
Carrying amount end of year		287.558.563
	Instalments within 12 months 2016/17 DKK	Instalments beyond 12 months 2016/17 DKK
4. Liabilities other than provisions		
Subordinate loan capital	0	54.593.379
Bank loans	30.000.000	85.000.000
	30.000.000	139.593.379

Notes to parent financial statements

5. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Anpartsselskabet af 16. November 2015 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore alternatively liable from the financial year 2015 for income taxes etc for the jointly taxed entities, but only for the share by which the Entity is included in the Group, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Company is jointly registered of VAT with Cipp Technology Holding ApS and thus jointly and severally liable for payment of VAT, cf. the Danish VAT Act.

6. Mortgages and securities

Investment in group enterprise are charged as collateral for debt to Sydbank A/S. The carrying amount of charged investments is DKK 287.558.563.

Collateral securities provided for subsidiaries and group enterprises

The Entity has guaranteed Cipp Technology Holding ApS' debt to Sydbank A/S. The subsidiary's bank loans amount to DKK 19.879.476.

7. Related parties with controlling interest

Anpartsselskabet af 16. November 2015, Fredensborg has controlling interest as Anpartsselskabet af 16. November 2015 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.

Non-comparability

The Company was established on 15.11.2015, and as a result, the comparative figures cover a shortened financial period from 15.11.2015 to 30.04.2016. For 2016/17, the financial period covers 12 months.

Due to the above, the comparative figures in the income statement are not directly comparable with this year's figures.

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.

Accounting policies

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

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

Accounting policies

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.

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.

Accounting policies

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.

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 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. If the useful life cannot

Accounting policies

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.

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.

Accounting policies

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.

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.