

Metso Denmark A/S

Vejlevej 5, DK-8700 Horsens

CVR no. 45 50 53 16

Annual report 2018

Approved at the Company's annual general meeting on 10 May 2019

Chairman:



Ole Kannerup Rasmussen

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Metso Denmark A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Horsens, 10 May 2019
Executive Board:



Ole Kannerup Rasmussen



Uffe Hansen

Board of Directors:



Eeva-Liisa Virkkunen

Eeva-Liisa Virkkunen
Chairman



Elisa Kristiina Erkkilä

Elisa Kristiina Erkkilä



Uffe Hansen

Uffe Hansen



Ole Kannerup Rasmussen

Ole Kannerup Rasmussen



Lasse Mejer Hansen

Lasse Mejer Hansen



John Naldal

John Naldal

Independent auditor's report

To the shareholders of Metso Denmark A/S

Opinion

We have audited the financial statements of Metso Denmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Aarhus, 10 May 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Jan Mortensen

State Authorised Public Accountant

mne40030

Management's review

Company details

Name	Metso Denmark A/S
Address, Postal code, City	Vejlevej 5, DK-8700 Horsens
CVR no.	45 50 53 16
Registered office	Horsens
Financial year	1 January - 31 December
Website	www.metso.com/recycling
Telephone	+45 76 26 64 00
Board of Directors	Eeva-Liisa Virkkunen, Chairman Elisa Kristiina Erkkilä Uffe Hansen Ole Kannerup Rasmussen Lasse Mejer Hansen John Naldal
Executive Board	Ole Kannerup Rasmussen Uffe Hansen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Gross margin	96,875	78,086	80,764	76,442	70,491
Ordinary operating profit/loss	51,967	35,144	38,691	32,644	36,597
Net financials	-20	-124	-224	-341	-515
Profit/loss for the year	41,148	27,343	29,990	24,663	27,515
Financial ratios					
Total assets	140,483	110,684	116,944	94,883	121,248
Investment in property, plant and equipment	210	401	3,650	3,379	1,110
Equity	55,524	44,076	46,433	38,443	53,780
Return on assets	41.4%	30.9%	36.5%	30.2%	26.7%
Equity ratio	39.5%	39.8%	39.7%	40.5%	44.4%
Return on equity	82.6%	60.4%	70.7%	53.5%	45.8%
Average number of employees	86	91	89	92	92

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

The Company's main activity is development, production and marketing of mobile and stationary waste shredders for industrial use.

Recognition and measurement uncertainties

There are no significant uncertainties by recognition and measurement of the financial values and results.

Unusual matters having affected the financial statements

Nothing to report.

Financial review

The income statement for 2018 shows a profit of DKK 41,148 thousand against a profit of DKK 27,343 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 55,524 thousand. The company has also in 2018 experienced a good market activity which has resulted in satisfactory sales as well as operating profit.

Knowledge resources

During several years the Company has achieved competences within handling and shredding of waste as well as equipment for this purpose. The Company will continue the development within this area.

Special risks

The Company is not exposed to particular operating risks, financial risks, interest risks or credit risks compared to other similar companies within the industry.

Research and development activities

The activities during 2018 has focused on further development of the existing product portfolio.

Events after the balance sheet date

No events have occurred that impacts the assessment of the result and financial position at balance sheet date.

Outlook

We see a continued good level of market activity and further global opportunities for our products. The management expects a satisfactory financial result for 2019.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
	Gross margin	96,875	78,086
13	Distribution costs	-30,595	-28,234
13.3	Administrative expenses	-14,313	-14,678
	Operating profit	51,967	35,174
	Other operating expenses	-347	0
	Profit before net financials	51,620	35,174
4	Financial expenses	-20	-124
	Profit before tax	51,600	35,050
5	Tax for the year	-10,452	-7,707
	Profit for the year	41,148	27,343

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Acquired intangible assets	0	0
		0	0
7	Property, plant and equipment		
	Land and buildings	0	4,103
	Plant and machinery	3,265	4,312
	Other fixtures and fittings, tools and equipment	1,340	1,473
		4,605	9,888
8	Investments		
	Investments in group entities, net asset value	25,000	0
		25,000	0
	Total fixed assets	29,605	9,888
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	43,638	35,953
	Work in progress	6,736	7,989
	Finished goods and goods for resale	6,943	5,040
		57,317	48,982
	Receivables		
	Trade receivables	26,216	26,287
	Receivables from group entities	3,060	2,267
	Income taxes receivable	66	0
	Other receivables	10,689	7,981
		40,031	36,535
	Cash	13,530	15,279
	Total non-fixed assets	110,878	100,796
	TOTAL ASSETS	140,483	110,684

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	6,001	6,001
	Retained earnings	12,223	8,375
	Dividend proposed for the year	37,300	29,700
	Total equity	55,524	44,076
	Provisions		
10	Deferred tax	273	590
	Other provisions	5,807	6,242
11	Total provisions	6,080	6,832
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Prepayments received from customers	20,887	10,560
	Trade payables	32,198	23,432
	Payables to group entities	8,160	2,567
	Income taxes payable	0	1,781
12	Other payables	17,634	21,436
		78,879	59,776
	Total liabilities other than provisions	78,879	59,776
	TOTAL EQUITY AND LIABILITIES	140,483	110,684

- 1 Accounting policies
- 14 Contractual obligations and contingencies, etc.
- 15 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at				
	1 January 2017	6,001	10,732	29,700	46,433
16	Transfer, see				
	"Appropriation of profit"	0	-2,357	29,700	27,343
	Dividend distributed	0	0	-29,700	-29,700
	Equity at				
	1 January 2018	6,001	8,375	29,700	44,076
16	Transfer, see				
	"Appropriation of profit"	0	3,848	37,300	41,148
	Dividend distributed	0	0	-29,700	-29,700
	Equity at				
	31 December 2018	6,001	12,223	37,300	55,524

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Metso Denmark A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

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

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, allowance is made for gains, losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, cost incurred to generate the year's earnings are recognized, including depreciation, amortization, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognized in the income statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between date and at the date of payment are recognized in the income statement as interest income or expense and similar items.

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Revenue includes sale of finished products, services and spare parts. Revenue is recognised net of VAT and taxes charged on behalf of third parties.

Service sales, which include service and maintenance agreements and extended warranties regarding sold products, are recognized in the income statement over the term of the agreement as the agreed services are provided.

Gross margin

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Production costs

Production expenses comprise the expenses of this year's sale and goods used in the production of the year. The expenses include raw materials, consumables, production staff and production overheads comprise indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment as well as plant administration and management.

Production expenses include development projects and depreciation of development projects recognised in the balance sheet.

Distribution costs

Distribution expenses comprise the expenses of distribution of goods sold and sale and marketing campaigns which includes expenses for staff, advertisement and depreciation.

Administrative expenses

Administration expenses comprise expense of management of the company which includes expenses for staff, office supplies and depreciation.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of fixed assets.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	4-5 years

Land is not depreciated.

Financial expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities and transactions denominated in foreign currencies, surcharges and allowances under the onaccount

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

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

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Development projects comprise expenses, salaries and wages which are directly or indirectly attributable to the company's development activities.

Development projects that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated and where the intention is to produce, market or use the product or the process, are recognised as intangible assets provided that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the total development costs.

Other development costs are recognised in the income statement when incurred.

Intangible assets, which are recognised in the balance sheet, are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over estimated useful life. The amortization period is usually 5 years.

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until such date as the asset is available for use. The cost of selfconstructed assets comprise direct and indirect costs of materials, components, sub suppliers, wages and salaries.

Assets with a total cost of DKK 25,000 or less are recognised in the income statement when incurred.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less cost of disposal and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement under other operating income or expenses.

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write-down is made to such lower value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual impairment test. In case of evidence of impairment, each asset or group of assets is tested for impairment. Assets are written down to the lower of the recoverable amount and the carrying amount.

Inventories

Inventories are measured at cost using the weighted average cost method. If the net realisable value is lower than the cost, inventories are written down to this lower value.

The cost of raw materials and consumables includes the purchase price plus costs of delivery. The cost of finished goods and work in progress includes, consumables, direct labour and production overheads.

Production overheads comprise indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment as well as plant administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales price less cost of completion and expenses incurred to effect the sale and is made up taking into account marketability, obsolescence and developments in the expected sales price.

Receivables

Trade receivables are measured at amortised cost, which usually correspond to the normal value. A provision is made for bad debts based on an individual assessment of each account receivable.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Cash

Cash comprises cash balances and bank balances.

Provisions

Provisions comprise anticipated expenses related to commitments in respect of sold machines. Provisions are recognised when, as a result of past events, the company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Warranties comprise obligations to make good any defects within the warranty period of normally 1-2 years. Provisions for warranties are measured at net realisable value and are recognised based on past experience. The provision made is estimated on a current basis and is adjusted in accordance with the experiential development in costs.

Corporation taxes

Current tax charges and receivables are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Deferred tax assets are measured at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax assets, including the tax base of possible tax loss carry forwards, are recognised at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules at the balance sheet date when the deferred tax is expected to be realized as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities

Financial liabilities are recognised at the time of borrowing at the proceeds received net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost.

Other liabilities are measured at net realisable value.

Cash flow statement

The Company has not prepared a cash flow statement as this is included in the consolidated financial statements of Metso Corporation.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000

2 Other operating income

Other operating income includes gains on the sale of property, plant and equipment, including a gain of DKK'000 21,103 relating to properties and a gain of DKK'000 95 relating to operating equipment.

DKK'000

3 Depreciation of property, plant and equipment

Depreciation of property, plant and equipment

	2018	2017
	1,595	1,859
	1,595	1,859

Amortisation/depreciation of property, plant and equipment are recognised in the income statement under the following items:

Production costs with DKK 1,486 thousand,
Distribution costs with DKK 13 thousand and
Administrative expenses with DKK 96 thousand

4 Financial expenses

Interest expenses, group entities
Other financial expenses

	6	6
	14	118
	20	124

5 Tax for the year

Estimated tax charge for the year
Deferred tax adjustments in the year

	10,769	7,483
	-317	224
	10,452	7,707

Financial statements 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2018	16,170
Cost at 31 December 2018	16,170
Impairment losses and amortisation at 1 January 2018	16,170
Impairment losses and amortisation at 31 December 2018	16,170
Carrying amount at 31 December 2018	0

7 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2018	27,106	22,842	4,883	54,831
Additions in the year	0	91	119	210
Disposals in the year	-27,106	-484	-433	-28,023
Cost at 31 December 2018	0	22,449	4,569	27,018
Impairment losses and depreciation at 1 January 2018	23,003	18,530	3,410	44,943
Amortisation/depreciation in the year	205	1,138	252	1,595
Reversal of amortisation/depreciation and impairment of disposals	-23,208	-484	-433	-24,125
Impairment losses and depreciation at 31 December 2018	0	19,184	3,229	22,413
Carrying amount at 31 December 2018	0	3,265	1,340	4,605
Depreciated over	25 years	5-10 years	4-5 years	

Financial statements 1 January - 31 December

Notes to the financial statements

8 Investments

DKK'000	Investments in group entities, net asset value
Cost at 1 January 2018	0
Additions in the year	25,000
Cost at 31 December 2018	25,000
Carrying amount at 31 December 2018	25,000

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries				
Metso Denmark Properties ApS	Vejlevej 5, 8700 Horsens	100.00%	25,000	0
			<u>2018</u>	<u>2017</u>
DKK'000				
9 Share capital				
Analysis of the share capital:				
6,001 shares of DKK 1,000.00 nominal value each			6,001	6,001
			<u>6,001</u>	<u>6,001</u>

The Company's share capital has remained DKK 6,001 thousand over the past 5 years.

10 Deferred tax

Deferred tax at 1 January	590	366
Change to deferred tax	-317	224
Deferred tax at 31 December	<u>273</u>	<u>590</u>
Deferred tax relates to:		
Property, plant and equipment	298	751
Inventories	285	317
Provisions	-310	-478
	<u>273</u>	<u>590</u>

11 Provisions

The Company provides warranties of 1-2 years on certain products and is obliged to repair or replace the products, which are not satisfactory. Under other provisions an amount of DKK 5,807 thousand (2017: DKK 6,242 thousand) is accrued for expected warranty claims based on experience from historic level for repairs and returned goods.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
12 Other payables		
Other accrued expenses	17,634	21,436
	17,634	21,436

In order to hedge recognised financial transactions, Metso Denmark A/S uses forward exchange contracts.

Signed forward exchange contract for buy of EUR 1,750 thousand at a rate of 746.54 or DKK 13,064 thousand

Signed forward exchange contract for sale of CNH 7,117 thousand at a rate of 90.72 or DKK 6,457 thousand

Signed forward exchange contract for sale of GBP 874 thousand at a rate of 827.93 or DKK 7,236 thousand

Signed forward exchange contract for sale of EUR 10,664 thousand at a rate of 746.37 or DKK 79,592 thousand

DKK'000	2018	2017
13 Staff costs		
Wages/salaries	51,191	51,237
Pensions	4,699	4,757
Other social security costs	196	206
	56,086	56,200

Staff costs are recognised as follows in the financial statements:

Production	29,748	30,383
Distribution	16,410	16,268
Administration	9,928	9,549
	56,086	56,200

Average number of full-time employees	86	91
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Remuneration to members of management:

Executive board	3,678	3,520
	3,678	3,520

Financial statements 1 January - 31 December

Notes to the financial statements

14 Contractual obligations and contingencies, etc.

Other financial obligations

The Company has signed operational leasing contracts with an average annual lease of DKK 736 thousand. The maturity of the contracts is up to 57 months and the total cost is DKK 3,498 thousand.

The Company has entered into a lease contract with a yearly rent of DKK 127 thousand. The lease can be terminated with 3 months' notice to the first in a quarter.

The company has entered into a lease contract with a yearly rent of DKK 2,848 thousand. The lease can be terminated with 2 months' notice to the first in a month.

Warranties to customers and suppliers provided by third parties, the Company's bank and financial connections are totaling DKK 14,177 thousand (2017: DKK 20,961 thousand).

15 Related parties

Metso Denmark A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Metso Minerals OY	Töölönlahdenkatu 2, FI-00100 Helsinki, Finland	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Metso Corporation	Finland	www.metso.com

Related party transactions

Metso Denmark A/S was engaged in the below related party transactions:

<u>DKK'000</u>	<u>2018</u>	<u>2017</u>
Sale of goods	15,983	21,158
Purchase of goods	131	757
Sale of services	6,673	5,408
Purchase of services	15,738	11,107
Interests payables	6	6

16 Appropriation of profit

Recommended appropriation of profit

Proposed dividend recognised under equity	37,300	29,700
Retained earnings/accumulated loss	3,848	-2,357
	<u>41,148</u>	<u>27,343</u>