

METSO DENMARK A/S
VEJLEVEJ 5, 8700 HORSENS
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2020

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 31 May 2021**

John Møller Terkelsen

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COMPANY DETAILS

Company	Metso Denmark A/S Vejlevej 5 8700 Horsens Telephone: +45 76 26 64 00 Website: www.metso.com/recycling CVR No.: 45 50 53 16 Registered Office: Horsens Financial Year: 1 January - 31 December
Board of Directors	Minna Marita Helppi, chairman Mathias Noll Uffe Hansen John Møller Terkelsen Kim Frandsen John Naldal
Executive Board	John Møller Terkelsen Uffe Hansen
Auditor	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330 8100 Aarhus

BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Metso Denmark A/S for the financial year 1 January - 31 December 2020.

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 Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Horsens, 31 May 2021

Executive Board

John Møller Terkelsen

Uffe Hansen

Board of Directors

Minna Marita Helppi
Chairman

Mathias Noll

Uffe Hansen

John Møller Terkelsen

Kim Frandsen

John Naldal

INDEPENDENT AUDITOR'S REPORT

To the Shareholder 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 2020, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of 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 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 about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and 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.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

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

Aarhus, 31 May 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jan Mortensen
State Authorised Public Accountant
MNE no. mne40030

FINANCIAL HIGHLIGHTS

	2020 DKK '000	2019 DKK '000	2018* DKK '000	2017* DKK '000	2016* DKK '000
Income statement					
Gross profit.....	104,122	96,400	96,875	78,086	80,764
Operating profit.....	51,963	43,408	51,967	35,144	38,691
Financial income and expenses, net.....	-279	-18	-20	-124	-224
Profit for the year.....	40,580	33,795	41,148	27,343	29,990
Balance sheet					
Total assets.....	188,977	168,950	140,483	110,684	116,944
Equity.....	81,399	52,019	55,524	44,076	46,433
Investment in property, plant and equipment.....	609	218	210	401	3,650
Average number of employees.....	98	91	86	91	89
Key ratios					
Rate of return:.....	25.2	28.1	41.4	30.9	36.5
Solvency ratio:	43.1	30.8	39.5	39.8	39.7
Return on equity.....	60.8	62.8	82.6	60.4	70.7

The ratios follow in all material respects the recommendations of the Danish Finance Society.

* The figures have not been restated for the effect of the implementation of IFRS 15 in 2018 and IFRS 16 in 2019 and are therefore not comparable.

The ratios stated in the list of key figures and ratios have been calculated as follows:

Rate of return:
$$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average assets}}$$

Solvency ratio:
$$\frac{\text{Equity, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$$

Return on equity:
$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

MANAGEMENT COMMENTARY

Principal activities

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

Development in activities and financial and economic position

The income statement for 2020 shows a profit of 40,6 mDKK against a profit of 33,8 mDKK last year, and the balance sheet at 31 december 2020 shows equity of 81,4 mDKK.

In 2020 the company has experienced challenging market conditions due to Covid-19, particularly in the Service business segment.

Cost avoidance initiatives was implemented during the year, and the Company has not been receiving public subsidies due to Covid-19.

Negative impact is estimated to approx.8-10 mDKK in lost profit, and hence the annual result for the year below our expectations. However we have demonstrated a good ability to adapt to and manage the covid-19 crisis.

Profit/loss for the year compared to the expected development

The business performance for 2020 was expected to be at a stronger level than realized. Performance gap is mainly attributable to Covid-19.

Significant events after the end of the financial year

Metso Outotec has announced plans to divest its recycling business, and these plans are being executed as intended.

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.

Knowledge resources

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

Research and development activities

Constant development of products and technologies is a strategic priority for the company. The activities during 2020 has focused on further development of the existing product portfolio as well as extending the technological platforms.

Outlook

We see a continued strong level of market growth and very good opportunities for our products. However Covid-19 impacts are not over yet, and we expect to see impacts reducing over 2021 and possibly part of 2022.

The management expects a financial result for 2021 in the range of 45 to 50 mDKK.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2020 DKK '000	2019 DKK '000
GROSS PROFIT		104,122	96,400
Distribution costs.....	1	-33,692	-36,884
Administrative expenses.....	1, 2	-18,467	-16,108
OPERATING PROFIT		51,963	43,408
Financial expenses.....	3	-279	-18
PROFIT BEFORE TAX		51,684	43,390
Tax on profit for the year.....	4	-11,104	-9,595
PROFIT FOR THE YEAR	5	40,580	33,795

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2020 DKK '000	2019 DKK '000
Development projects.....		4,021	0
Patents.....		0	0
Intangible fixed assets acquired.....		74	0
Intangible assets.....	6	4,095	0
Production plant and machinery.....		1,374	2,273
Other plant, machinery tools and equipment.....		935	1,158
Right-of-usage assets.....		2,201	2,552
Property, plant and equipment.....	7	4,510	5,983
Equity investments in group enterprises.....		25,000	25,000
Financial non-current assets.....	8	25,000	25,000
NON-CURRENT ASSETS.....		33,605	30,983
Raw materials and consumables.....		56,378	61,765
Work in progress.....		13,734	15,558
Finished goods and goods for resale.....		2,119	3,400
Inventories.....		72,231	80,723
Trade receivables.....		45,589	30,352
Receivables from group enterprises.....		6,976	11,147
Other receivables.....		30,576	15,569
Corporation tax receivable.....		0	176
Receivables.....		83,141	57,244
CURRENT ASSETS.....		155,372	137,967
ASSETS.....		188,977	168,950

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2020 DKK '000	2019 DKK '000
Share capital.....	10	6,001	6,001
Reserve for development costs.....		4,021	0
Retained earnings.....		71,377	34,818
Proposed dividend.....		0	11,200
EQUITY.....		81,399	52,019
Provision for deferred tax.....	9	1,030	696
Other provisions for liabilities.....	11	5,989	5,527
PROVISIONS.....		7,019	6,223
Lease liabilities.....		1,189	1,311
Other liabilities.....		5,520	2,210
Non-current liabilities.....	12	6,709	3,521
Short-term portion of long-term liabilities.....		1,025	1,250
Prepayments received from customers.....		24,540	30,485
Trade payables.....		36,062	43,535
Debt to group enterprises.....		8,158	14,683
Corporation tax.....		6,675	0
Other liabilities.....	13	17,390	17,234
Current liabilities.....		93,850	107,187
LIABILITIES.....		100,559	110,708
EQUITY AND LIABILITIES.....		188,977	168,950
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EQUITY

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020.....	6,001	0	34,818	11,200	52,019
Proposed profit allocation, note 5.....			40,580		40,580
Transactions with owners					
Dividend paid.....				-11,200	-11,200
Other legal bindings					
Capitalized development costs.....		4,021	-4,021		0
Equity at 31 December 2020.....	6,001	4,021	71,377	0	81,399

NOTES

	2020	2019	Note
	DKK '000	DKK '000	
Staff costs			1
Average number of employees	98	91	
Wages and salaries.....	57,785	56,194	
Pensions.....	5,187	5,109	
Social security costs.....	222	206	
	63,194	61,509	
Remuneration of Executive Board.....	3,812	3,966	
	3,812	3,966	
Staff costs are recognised in the income statement under the following items:			
Production costs with DKK 38,052 thousand, Distribution costs with DKK 17,840 thousand and Administrative expenses with DKK 7,302 thousand			
Depreciation of property, plant and equipment			2
Amortisation/depreciation of property, plant and equipment and right-of-usage assets are recognised in the income statement under the following items:			
Production costs with DKK 1,793 thousand, Distribution costs with DKK 613 thousand and Administrative expenses with DKK 473 thousand			
	2020	2019	
	DKK '000	DKK '000	
Intangible assets.....	68	0	
Depreciation of property, plant and equipment.....	1,482	1,393	
Depreciation of right-of-use assets.....	1,327	1,411	
	2,877	2,804	
Financial expenses			3
Group enterprises.....	67	9	
Other interest expenses.....	212	9	
	279	18	
Tax on profit for the year			4
Calculated tax on taxable income of the year.....	10,562	9,167	
Adjustment of tax for previous years.....	208	5	
Adjustment of deferred tax.....	334	423	
	11,104	9,595	

NOTES

	2020 DKK '000		2019 DKK '000		Note
Proposed distribution of profit					
Proposed dividend for the year.....		0		11,200	5
Retained earnings.....		40,580		22,595	
		40,580		33,795	
Intangible assets					6
	Development projects	Patents	Intangible fixed assets acquired		
Cost at 1 January 2020.....	0	16,170	0		
Additions.....	4,089	0	75		
Cost at 31 December 2020.....	4,089	16,170	75		
Amortisation at 1 January 2020.....	0	16,170	0		
Amortisation for the year.....	68	0	1		
Amortisation at 31 December 2020.....	68	16,170	1		
Carrying amount at 31 December 2020.....	4,021	0	74		
In 2020 the company has capitalized costs incl IPO for a new prototype, which has been launched for production tests at 2 customer locations. The costs are depreciated over the assets useful life, which is estimated to 5 years					
Property, plant and equipment					7
	Production plant and machinery	Other plant, machinery tools and equipment	Right-of-usage assets		
Cost at 1 January 2020.....	19,591	4,625	3,943		
Additions.....	360	0	1,165		
Disposals.....	0	0	-1,294		
Cost at 31 December 2020.....	19,951	4,625	3,814		
Depreciation and impairment losses at 1 January 2020.....	17,318	3,467	1,391		
Reversal of depreciation of assets disposed of..	0	0	-1,105		
Depreciation for the year.....	1,259	223	1,327		
Depreciation and impairment losses at 31 December 2020.....	18,577	3,690	1,613		
Carrying amount at 31 December 2020.....	1,374	935	2,201		

NOTES

	Note
Financial non-current assets	8

	Equity investments in group enterprises
Cost at 1 January 2020.....	25,000
Cost at 31 December 2020.....	25,000
Carrying amount at 31 December 2020.....	25,000

Investments in subsidiaries (DKK '000)

Name and domicil	Equity	Profit/loss for the year	Ownership
Metso Denmark Properties ApS, Horsens.....	28,847	1,485	100 %

Provision for deferred tax

Provision for deferred tax comprises deferred tax on provisions, inventory and intangible and tangible fixed assets.

	2020 DKK '000	2019 DKK '000
Deferred tax, beginning of year.....	-696	-273
Deferred tax of the year, income statement.....	-334	-423
Provision for deferred tax 31 December 2020.....	-1,030	-696

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

	2020 DKK '000	2019 DKK '000
Share capital		
Allocation of share capital:		
Shares, 6,001 in the denomination of 1,000 DKK.....	6,001	6,001
	6,001	6,001

Other provisions for liabilities

The Company provides warranties of 1 year on certain products and is obliged to repair or replace the products, which are not satisfactory. Other provisions for liabilities consists of DKK 5,989 thousand (2019: DKK 5,527 thousand) as accrued for expected warranty claims based on experience from historic level for repairs and returned goods.

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Note

Long-term liabilities

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	31/12 2020 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities
Lease liabilities.....	2,214	1,025	0	1,311
Other liabilities.....	5,520	0	0	2,210
	7,734	1,025	0	3,521

Other liabilities

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

Signed forward exchange contract for buy of EUR 4,300 thousand at a rate of 744.14 or DKK 31,998 thousand

Signed forward exchange contract for sale of CNH 1,748 thousand at a rate of 93.38 or DKK 1,633 thousand

Signed forward exchange contract for sale of GBP 444 thousand at a rate of 819.22 or DKK 3,633 thousand

Signed forward exchange contract for sale of EUR 14,304 thousand at a rate of 744.14 or DKK 106,455 thousand

Contingencies etc.

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Contingent liabilities

The Company has signed operational leasing contracts with an average annual lease of DKK 475 thousand. The maturity of the contracts is up to 2 months and the total cost is DKK 475 thousand.

Warranties to customers and suppliers provided by third parties, the Company's bank and financial connections are totaling DKK 35,844 thousand (2019: DKK 36,485 thousand).

Joint liabilities

The Danish companies of the group is jointly and severally liable for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income amounts to DKK ('000) 6,675 at the balance sheet date.

NOTES

Note

Related parties

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The Company's related parties include:

Controlling interest

Metso Minerals Oy, registration no. 1094259-5, Fabianin-katu 9 A, 00130 Helsinki, Finland as participating interest.

Transactions with related parties

The company's transactions with related parties:

DKK'000	<u>2020</u>	<u>2019</u>
Sale of goods	26.306	56.025
Purchase of goods	15.286	0
Sale of services	11.569	6.343
Purchase of services	6.526	20.838
Interests receivables	1.424	0
Interests payables	1.567	9

Consolidated Financial Statements

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The company is included in the consolidated financial statements of Metso Corporation.

Requisitioning of the parent company's consolidated financial statements: www.mogroup.com

ACCOUNTING POLICIES

The Annual Report of Metso Denmark A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated Financial Statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Metso Corporation.

The Annual Report is presented in Danish kroner (DKK'000).

INCOME STATEMENT

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Revenue from sale of services, spare parts and finished goods is recognised in the income statement if supply and control transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

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.

Production costs

Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. This includes direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

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.

Distribution costs

The costs incurred for distribution of goods sold during the year and for sales campaigns carried out during the year are recognised in distribution costs. The costs of the sales personnel, advertising, exhibition costs, amortisation and depreciation are also recognised in distribution costs.

Administrative expenses

Administrative expenses recognise costs incurred during the year regarding management and administration of the group, inclusive of costs relating to the administrative staff, office supplies and depreciation.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

ACCOUNTING POLICIES

Income from equity interests in subsidiaries

Dividend from subsidiary is recognised in the financial year when the dividend is declared.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible assets

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Property, plant and equipment

Production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life
Production plant and machinery.....	5-10 years
Other plant, fixtures and equipment.....	4-5 years

ACCOUNTING POLICIES

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

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Lease contracts

Leases from 1 January 2019.

The Company has chosen to use IFRS 16 as interpretation basis for the provisions of the Danish Financial Statements Act on recognition of leases.

Leased assets and lease commitments are recognised in the balance sheet when the leased asset under a lease entered into regarding a specific identifiable asset is made available to the Company in the lease term, and when the Company in this connection obtains the right to almost all economic benefits from the use of the identified asset and the right to control the use of the identified asset.

On initial recognition, lease commitments are measured at the present value of the future lease payments discounted by an incremental borrowing rate. The following lease payments are recognised as part of the lease commitment:

- Operating equipment 3-10 years

The Company has chosen to present leased assets and lease commitments as separate line items in the balance sheet.

The Company has generally chosen to apply the practical exemptions IFRS 16 so that leased assets of low value and short-term leases are not recognised in the balance sheet. Instead, related lease payments are recognised on a straight-line basis as other external costs in profit or loss. The Company has also chosen not to recognise service elements in the capitalised value of lease commitments and leased assets. Service elements are therefore recognised as other external costs in profit or loss on an ongoing basis.

Leases before 1 January 2019.

Leases are accounted for as finance and operating lease obligations. The lease agreement is classified as a finance lease when the main risks and benefits of owning the leased asset are transferred to the lessee. Other lease agreements are classified as operating leases.

For assets held under finance lease, the price is measured at the lowest value of the fair value of assets or the present value of future minimum lease payments. For the calculation of the present value, the intra-rate of the lease agreement or the group's alternative loan rate shall be used as a discount factor.

Lease services relating to operating leases are recognized on a straight line basis in the income statement over the lease period.

Financial non-current assets

Equity investments in are measured at cost. If the cost exceeds the net realisable value, this is written down to the lower value.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

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

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

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

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Cash

Cash comprises cash balances and bank balances.

Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 year. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated for the contract. The provision is recognised as a cost under production costs.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.