METSO DENMARK A/S

VEJLEVEJ 5, 8700 HORSENS

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2019

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 21 August 2020

John Møller Terkelsen

CVR NO. 45 50 53 16

CONTENTS

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 Naldal	
Board of Executives	Uffe Hansen John Møller Terkelsen	
Auditor	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330 8100 Aarhus	

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Metso Denmark A/S for the financial year 1 January - 31 December 2019.

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 financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

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

Horsens, 21 August 2020

Board of Executives

Uffe Hansen	John Møller Terkelsen

Board of Directors

Minna Marita Helppi Chairman	Mathias Noll	Uffe Hansen
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 2019, 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 assets, liabilities and financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 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 requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 estimates and related disclosures made by Management.

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 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, 21 August 2020

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jan Mortensen State Authorised Public Accountant MNE no. mne40030	Simon M. Laursen State Authorised Public Accountant MNE no. mne45894

FINANCIAL HIGHLIGHTS

	2019 DKK '000	2018* DKK '000	2017* DKK '000	2016* DKK '000	2015* DKK '000
Income statement					
Gross profit	96,400	96,875	78,086	80,764	76,442
Operating profit	43,408	51,967	35,144	38,691	32,644
Financial income and expenses, net	-18	-20	-124	-224	-341
Profit for the year	33,795	41,148	27,343	29,990	24,663
Balance sheet					
Balance sheet total	168,950	140,483	110,684	116,944	94,883
Equity	52,019	55,524	44,076	46,433	38,443
Investment in Property, plant and equipment	218	210	401	3,650	3,379
Average number of employees	**91**	**86**	**91**	**89**	**92**
Ratios					
Rate of return	25.8	41.4	30.9	36.5	30.2
Solvency ratio	30.8	39.5	39.8	39.7	40.5
Return on equity	62.8	82.6	60.4	70.7	53.5

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

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

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

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

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.

MANAGEMENT'S REVIEW

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 position
The income statement for 2019 shows a profit of DKK 33,795 thousand against a profit of DKK 41,148 thousand last year, and the balance sheet at 31 december 2019 shows equity of DKK 52,019 thousand. The company has also in 2019 experienced a good market activity which has resulted in satisfactory sales as well as operating profit.

In 2019, the Company implemented IFRS 16 using modified retrospective method without adjusting the comparatives for 2018. The impact on the profit for the year is specified in note 16.

Profit/loss for the year compared to future expectations
The outlook for 2019 was an expectation of a satisfactory financial result for 2019. As mentioned above 2019 has resulted in a satisfactory operating profit.

Significant events after the end of the financial year
The outcome and potential impact on the Company's activity and financial impact on the business due to coronavirus outbreak is as of the date of the approval of the annual report uncertain given the rapid day-to-day development. Management currently expects the coronavirus outbreak to have a negative impact of 5-10 mDKK on the 2020 financial performance. As of the date of the approval of the annual report Metso Denmark A/S continues to work with its clients and the financial short-term impact has been limited. The Board of Directors and Executive Board follows the situation closely.

There are no other events after the reporting period to be disclosed

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 serveral years the company has achieved competences within handling and shredding af waste as well as equipment for this purpose. The company will continue the development within this area.

Research and development activities
The activities during 2019 has focused on further development of the existing product portfolio.

Outlook
We see a continued good level of market activity and further global opportunities for our products. The management expects a financial result for 2020 in the range of 45 to 50 mDKK.

This is slightly below initial expectations due to Covid-19, which is expected to impact with 5 to 10 mDKK.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2019 DKK '000	2018 DKK '000
GROSS PROFIT		**96,400**	**96,875**
Distribution costs	1	-36,884	-30,595
Administrative expenses	1, 2	-16,108	-14,313
OPERATING PROFIT		**43,408**	**51,967**
Other operating expenses		0	-347
OPERATING PROFIT		**43,408**	**51,620**
Financial expenses	3	-18	-20
PROFIT BEFORE TAX		**43,390**	**51,600**
Tax on profit for the year	4	-9,595	-10,452
PROFIT FOR THE YEAR	5	**33,795**	**41,148**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2019 DKK '000	2018 DKK '000
Production plant and machinery		2,273	3,264
Other plant, machinery tools and equipment		1,158	1,341
Right-of-use assets		2,552	0
Tangible fixed assets	6	**5,983**	**4,605**
Equity investments in group enterprises		25,000	25,000
Fixed asset investments	7	**25,000**	**25,000**
FIXED ASSETS		**30,983**	**29,605**
Raw materials and consumables		61,765	43,638
Work in progress		15,558	6,736
Finished goods and goods for resale		3,400	6,943
Inventories		**80,723**	**57,317**
Trade receivables		30,352	26,216
Receivables from group enterprises		11,147	3,060
Other receivables		15,569	10,689
Corporation tax receivable		176	66
Receivables		**57,244**	**40,031**
Cash		**0**	**13,530**
CURRENT ASSETS		**137,967**	**110,878**
ASSETS		**168,950**	**140,483**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2019 DKK '000	2018 DKK '000
Share capital	8	6,001	6,001
Retained earnings		34,818	12,223
Proposed dividend		11,200	37,300
EQUITY		**52,019**	**55,524**
Provision for deferred tax	9	696	273
Other provisions for liabilities	10	5,527	5,807
PROVISION FOR LIABILITIES		**6,223**	**6,080**
Other liabilities		2,210	0
Lease liabilities		1,311	0
Long-term liabilities	11	**3,521**	**0**
Short-term portion of long-term liabilities	11	1,250	0
Prepayments received from customers		30,485	20,887
Trade payables		43,535	32,198
Debt to group enterprises		14,683	8,160
Other liabilities	12	17,234	17,634
Current liabilities		**107,187**	**78,879**
LIABILITIES		**110,708**	**78,879**
EQUITY AND LIABILITIES		**168,950**	**140,483**

Contingencies etc.	13
Related parties	14
Consolidated financial statements	15

EQUITY

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	6,001	12,223	37,300	55,524
Dividend paid			-37,300	-37,300
Proposed distribution of profit		22,595	11,200	33,795
Equity at 31 December 2019	**6,001**	**34,818**	**11,200**	**52,019**

NOTES

	2019 DKK '000	2018 DKK '000	Note
Staff costs			**1**
Average number of employees			
91 (2018: 86)			
Wages and salaries	56,194	51,191	
Pensions	5,109	4,699	
Social security costs	206	196	
	61,509	**56,086**	
Remuneration of Executive Board	3,966	3,678	
	3,966	**3,678**	

Staff costs are recognised in the income statement under the following items:

Production costs with DKK 34,109 thousand,
Distrubution costs with DKK 17,541 thousand and
Administrative expenses with DKK 9,859 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 1,706 thousand,
Distrubution costs with DKK 656 thousand and
Administrative expenses with DKK 442 thousand

	2019 DKK '000	2018 DKK '000
Depreciation of property, plant and equipment	1,393	1,595
Depreciation of right-of-use assets	1,411	0
	2,804	**1,595**

Financial expenses			**3**
Group enterprises	9	6	
Other interest expenses	9	14	
	18	**20**	
Tax on profit for the year			**4**
Calculated tax on taxable income of the year	9,167	10,769	
Adjustment of tax for previous years	5	0	
Adjustment of deferred tax	423	-317	
	9,595	**10,452**	

NOTES

	2019 DKK '000	2018 DKK '000	Note
Proposed distribution of profit			5
Proposed dividend for the year	11,200	37,300	
Retained earnings	22,595	3,848	
	33,795	**41,148**	

Tangible fixed assets

6

	Production plant and machinery	Other plant, machinery tools and equipment	Right-of-use assets
Cost at 1 January 2019	22,449	4,569	0
Change of policy	0	0	3,997
Additions	163	56	0
Disposals	-3,021	0	-54
Cost at 31 December 2019	**19,591**	**4,625**	**3,943**
Depreciation and impairment losses at 1 January 2019	19,184	3,229	0
Reversal of depreciation of assets disposed of	-3,021	0	-20
Depreciation for the year	1,155	238	1,411
Depreciation and impairment losses at 31 December 2019	**17,318**	**3,467**	**1,391**
Carrying amount at 31 December 2019	**2,273**	**1,158**	**2,552**

Fixed asset investments

7

	Equity investments in group enterprises
Cost at 1 January 2019	25,000
Cost at 31 December 2019	**25,000**
Carrying amount at 31 December 2019	**25,000**

Investments in subsidiaries (DKK '000)

Name and registered office	Equity	Profit/loss for the year	Ownership
Metso Denmark Properties ApS, Horsens	27,362	2,362	100 %

NOTES

	2019 DKK '000	2018 DKK '000	Note
Share capital			8
Specification of the share capital:			
Shares, 6,001 in the denomination of 1,000 DKK	6,001	6,001	
	6,001	**6,001**	

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

Provision for deferred tax 9

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

	2019 DKK '000	2018 DKK '000
Deferred tax, beginning of year	-273	-590
Deferred tax of the year, income statement	-423	317
Provision for deferred tax 31 December 2019	**-696**	**-273**

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.

Other provisions for liabilities 10

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 5,527 thousand (2018: DKK 5,807 thousand) as accrued for expected warranty claims based on experience from historic level for repairs and returned goods.

Long-term liabilities 11

	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Other liabilities	2,210	0	0	0	0
Lease liabilities	2,561	1,250	0	0	0
	4,771	**1,250**	**0**	**0**	**0**

NOTES

Note

Other liabilities 12

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

Signed forward exchange contract for buy of EUR 650 thousand at a rate of 747.00 or DKK 4,856 thousand

Signed forward exchange contract for sale of CNH 6,000 thousand at a rate of 94.91 or DKK 5,694 thousand

Signed forward exchange contract for sale of GBP 500 thousand at a rate of 878.02 or DKK 4,390 thousand

Signed forward exchange contract for sale of USD 719 thousand at a rate of 664.82 or DKK 4,781 thousand

Signed forward exchange contract for sale of EUR 13,217 thousand at a rate of 746.99 or DKK 98.731 thousand

Contingencies etc. 13

Other financial obligations

The Company has signes operational leasing contracts with an average annual lease of DKK 485 thousand. The maturity of the contracts is up to 9 months and the total cost is DKK 485 thousand.

Warranties to customers and suppliers provided by third parties, the Company's bank and financial conntections are totaling DKK 36,485 thousand (2018: DKK 14,177 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) 112 at the balance sheet date.

Related parties 14

The Company's related parties include:

Controlling interest

Metso Minerals OY, Töölönlahdenkatu 2, FI-00100 Helsinki, Finland as participating interest.

Transactions with related parties

The company´s transactions with related parties:

DKK'000	**2019**	**2018**
Sale of goods	56.025	15.983
Purchase of goods	0	131
Sale of services	6.343	6.673
Purchase of services	20.838	15.738
Intrests receivable	0	0
Intrests payables	9	6

NOTES

	Note
Consolidated financial statements	**15**

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

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

ACCOUNTING POLICIES

The Annual Report of Metso Denmark A/S for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The Annual Report is prepared consistently with the accounting principles applied last year, except for the following changes.

Change in accounting policies and classification
The accounting policies have been changed in the following areas:

- Adopting IFRS 16 *Leases* (IFRS 16)

IFRS 16 – Leasing
Effective from 1 January 2019, the Company has implemented IFRS 16 for purposes of interpreting the provisions of the Danish Financial Statements Act on leases. When implementing the standard, the modified retrospective transition method was used. Leased assets and lease commitments have been recognised in the balance sheet at 1 January 2020, and comparative figures have not been re-stated but are still presented in accordance with the current accounting policies based on IAS 17. The current accounting policy for leases is described separately.

In future, the Company must recognise all leases in the balance sheet with a few exceptions. This means that the Company must recognise a lease commitment measured at the present value of the future lease payments as described below and a corresponding lease asset adjusted for payments that have been made to the lessor prior to the commencement of the lease and incentive payments received from the lessor.

In accordance with the transition options of IFRS16, when implementing IFRS 16, the Company has chosen:

- Not to reassess whether a contract is or comprises a lease.
- Not to recognise leases with a term of less than 12 months or of low value.
- Not to recognise leases with a remaining term of less than 12 months at 1 January 2019.
- Not to recognise direct costs related to recognised leased assets.
- To determine a discount rate on a portfolio of leases with similar characteristics.

When assessing the future lease payments, the Company reviewed its operating leases and identified the lease payments related to a lease component that are fixed or variable but change in line with changes in an index or an interest rate. The Company has chosen not to recognise payments related to service components as part of the lease payments.

When assessing the expected lease term, the Company identified a non-cancellable lease term in the lease plus periods covered by an extension option that Management is reasonably likely to exercise and plus periods covered by a termination option that Management is reasonably unlikely to exercise.

For leases on equipment, Management assessed that the expected lease term is the non-cancellable lease term in the leases, as the Company has not historically exercised the extension options in similar leases.

When discounting the lease payments to present value, the Company used its incremental borrowing rate, which is the costs of obtaining external financing for a corresponding asset with a financing period corresponding to the term of the lease denominated in the currencies in which lease payments are settled. The Company has documented the incremental borrowing rate of each portfolio of leases with similar characteristics.

ACCOUNTING POLICIES

When assessing the incremental borrowing rate, the Company determined the incremental borrowing rate for its leases on properties based on a mortgage credit bond yield with a term corresponding to the lease term and denominated in the same currency in which the lease payments are settled. The interest rate of the financing of the share for which a mortgage loan cannot be used is estimated based on a reference rate plus a credit margin derived from the Company's current credit facilities. The Company has corrected the credit margin for the lessor's right to take back the asset in case of default on lease payments (secured debt).

When implementing IFRS 16 at 1 January 2020, the Company recognised a leased asset of DKK 3,637 thousand and a lease commitment of DKK 3,637 thousand. The equity effect was thus DKK 0 thousand at January 2019. Profit for the year decreased by DKK 9 thousand in 2019. Other external expenses decreased by DKK 1,423 thousand, whereas depreciation/amortisation and financial expenses increased by DKK 1,411 thousand and DKK 21 thousand, respectively.

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.

ACCOUNTING POLICIES

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.

Investments 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 fixed 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.

Tangible fixed assets
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 revognised 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
- Fixed payments.
- Variable payments that change concurrently with changes to an index and an interest rate based on said index or interest rate
- Payments overdue subject to a residual value guarantee.
- Exercise price of call options that it is highly probable that Management will exercise.
- Payments subject to an extension option that it is highly probable that the Group will exercise.
- Penalty related to a termination option unless it is highly probable that the Group will not exercise the option.

The lease commitment is measured at amortised cost according to the effective interest method. The lease commitment is recalculated when the underlying contractual cash flows change due to changes in index or interest rate if the Company's estimate of a residual value guarantee changes or if the Company changes its assessment of whether call options, extension options or termination options can reasonably be expected to be exercised.

On initial recognition, the leased asset is measured at cost, which corresponds to the value of the lease commitment adjusted for prepaid lease payments plus directly related costs and estimated costs for demolition, repairs or the like less discounts received or other types of incentive payments from the lessor.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The leased asset is depreciated over the shorter of the lease term and the useful life of the leased asset. Depreciation charges are recognised on a straight-line basis in profit or loss.

The leased asset is adjusted for changes to the lease commitment due to changes to the terms of the lease or changes to the cash flows of the lease concurrently with changes to an index or an interest rate.

Leased assets are depreciated on a straight-line basis over the expected lease term, which is:

- Operating equipment 3-10 years
- Production properties 3-5 years
- Sales and administration properties 3-5 years.

ACCOUNTING POLICIES

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 cost 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.

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

Impairment of fixed assets
The carrying amount of 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.

ACCOUNTING POLICIES

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.

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.

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.