

Marius Pedersen A/S
Ørbækvej 851
5863 Ferritslev Fyn
Central Business Registration No
49979517

Annual report 2017

The Annual General Meeting adopted the annual report on 29.05.2018

Chairman of the General Meeting

Name: Søren Borregaard

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Entity details

Entity

Marius Pedersen A/S
Ørbækvej 851
5863 Ferritslev Fyn

Central Business Registration No: 49979517
Registered in: Faaborg-Midtfyn
Financial year: 01.01.2017 - 31.12.2017

Phone: +4563909909
Fax: +4563909910
Website: www.mariuspedersen.dk
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Board of Directors

Finn Junge Andersen, Chairman
Peter Schak Larsen, Deputy Chairman
Jens Flesner Kristiansen
Søren Klarskov Vilby
Birgit Elin Munck-Kampmann
Ib Thrane
Kirsten Almosetoft Kildegaard
Michael Kenneth Andersen

Executive Board

Christian Ørum Madsen, CEO
Simon Hovgaard Clausen
Jeanett Halling Vikkelsøe

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Marius Pedersen A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ferritslev, 29.05.2018

Executive Board

Christian Ørum Madsen
CEO

Simon Hovgaard Clausen

Jeanett Halling Vikkelsøe

Board of Directors

Finn Junge Andersen
Chairman

Peter Schak Larsen
Deputy Chairman

Jens Flesner Kristiansen

Søren Klarskov Vilby

Birgit Elin Munck-Kampmann

Ib Thrane

Kirsten Almosetoft Kildegaard

Michael Kenneth Andersen

Independent auditor's report

To the shareholders of Marius Pedersen A/S

Opinion

We have audited the financial statements of Marius Pedersen A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 the management commentary.

Odense, 29.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Lars Leopold Larsen

State Authorised Public Accountant

Identification number (MNE) mne33229

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	1.070.804	1.039.857	1.005.277	1.049.472	1.027.072
Gross profit/loss	176.278	127.764	98.716	102.724	93.671
Operating profit/loss	125.665	68.785	43.661	43.998	32.746
Net financials	133.943	147.585	132.535	139.489	143.708
Profit/loss for the year	232.312	201.466	169.390	173.392	169.017
Total assets	1.972.008	1.879.357	1.849.135	1.748.502	1.811.622
Investments in property, plant and equipment	174.271	126.369	82.595	87.800	98.828
Equity	1.201.175	1.178.295	1.100.871	915.311	1.598.675
Employees in average	922	955	912	919	853
Ratios					
Return on equity (%)	19,5	17,7	16,8	13,8	10,3
Equity ratio (%)	60,9	62,7	59,5	52,3	88,2
Operating margin %	11,7	6,6	4,3	4,2	3,2
Return on investment %	12,0	6,3	4,2	4,6	3,4

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2017" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Operating margin %	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$	Earnings before financial income and expenses
Return on investment %	$\frac{\text{Operating profit} \times 100}{\text{Average operationally assets}}$	Average operationally assets are defined as balance Sheet total minus cash funds, interest bearing assets (including shares) and investments in associate enterprises.

Management commentary

Primary activities

We consider waste as a potential new resource.

We collect all types of waste, solid as liquid waste, from waste producers, and work constantly to be in control of as much as possible of the value adding chain of waste – from collecting waste to selling secondary resources – with respect of adding value to our customers and our owners.

Group activities include:

- Sorting, treatment and handling a series of different types of recyclable waste at our own waste management facilities.
- Trading of recyclable waste in the context of circular economy.
- Services concerning handling of waste and recyclables from the client to final recycling, utilisation, or disposal – that is consulting, renting of equipment, transport service, sludge service, management reporting and other types of reporting for clients within trade, industrial production, institutions, households and municipal recycling stations.
- In addition the Group executes contractor business and furthermore owns companies in Denmark, the Czech Republic and Slovakia primarily handling environmental activities.

Development in activities and finances

Development in activities

The waste and recycling market for Marius Pedersen A/S in Denmark is mature and competitive. The market is grounded on the waste management act from EU and Denmark. New business opportunities arise from changes in waste law and change in the focus or numbers of the market players.

In 2017 result in Marius Pedersen A/S has been better than budget and significantly better than 2016 due to actions taken during 2016 to improve result in several of our business lines on the Danish market. Among others we had focus on value adding sales activities in each business line, focus on productivity and efficiency and change of strategic focus from offering all services to offering the profitable services. Also we had focus to slim the organization and cutting costs.

In the markets in Czech Republic and Slovakia the activities and volumes in 2017 have been stable and the development has been satisfactory. During 2017 we experienced big increase in wages and salaries in Czech Republic and Slovakia both driven by government desire to raise minimum wages and salaries and also driven by high employment as well as high demand for employees in the two countries. These influences have led to more than 10% increase in wages and salaries in 2017 in Czech Republic and Slovakia and we haven't fully been able to pass on increase in these costs to our customers.

Development in finances

The company has chosen not to publish independent audited consolidated accounts. We refer to the consolidated accounts of MPWM 2014 A/S in which Marius Pedersen A/S is included.

Profit for the year after tax is 232,3 MDKK which is an increase of 30,8 MDKK compared to 2016.

Operating profit is 125,7 MDKK in 2017 which is 56,9 MDKK higher than 2016.

Management commentary

Revenue is 1.070,8 MDKK in 2017 which is 30,9 MDKK higher than 2016.

Profit/loss for the year in relation to expected developments

Profit for the year has been better than expected in budget for 2017.

Profit for the year is considered satisfactory.

Outlook

The Company expects a positive development in the activities, revenue and result. We expect revenue to be in the range of MDKK 1.075 to 1.175 and operating profit in the range of MDKK 127 to 135 in 2018. In first quarter of 2018 result is above budget.

Investment in Denmark in 2017 has been on a historical high level and amounts to MDKK 174,3. In 2018 our expectations for our Danish activities are that re- and new investments without acquisitions will remain on a relative high level and be around MDKK 163.

In the past we have made several acquisitions on Danish market and we still are interested in and aware of potential acquisition opportunities.

Particular risks

Financial risks and interest risks

The company has a financial policy which operates with a low risk profile. This means that currency, interest and credit risk only occur based on commercial conditions.

The company's use of derivative financial instruments is regulated by a written policy approved by the board of directors and internal procedures which among other things set maximum amounts allowed and which derivative financial instrument that can be used.

Currency risks

The company's result from group enterprises is dependent on changes in exchange rates (CZK, EUR), due to the fact that the foreign group enterprises' results and equity at the end of the year are being converted into Danish kroner based on the average rate and the rate of the balance sheet date.

Business risks

The company's most significant risks are linked to the ability of being strongly positioned on the activity areas on which the company's services are directed. The company continuously invests in new materials to secure optimum utilisation and efficiency.

Environmental performance

The company acts in accordance with current environmental and safety legislation which helps to create a healthy and safe environment.

Management commentary

The company continuously evaluates the total activities in order to constantly reduce the environmental impact. Business relations are also encouraged to choose systems or products that secure the highest possible amount of recycling or reduction in the use of natural resources.

The company has ISO-14001 certifications covering all environmental activities of the company. The company is also ISO-9001 certified.

In order to promote environmental and safety conscience in general the company is educating and creating awareness among its employees for them to take responsibility for environment, health and safety.

Research and development activities

The company is continuously developing products and service concepts. These are charged to the profit and loss account.

Statutory report on corporate social responsibility

Referring to § 99a of the Danish Financial Statements Act the company has not published an independent statement concerning Corporate Social Responsibility. The statement is included in the annual consolidated report of MPWM 2014 A/S.

Statutory report on the underrepresented gender

Referring to § 99b of the Danish Financial Statements Act the company has not published an independent statement concerning gender composition in the top management body. The statement is included in the annual consolidated report of MPWM 2014 A/S.

Events after the balance sheet date

To this date no events have occurred after the balance sheet date which influences the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue	1	1.070.804	1.039.857
Production costs	3, 4	<u>(894.526)</u>	<u>(912.093)</u>
Gross profit/loss		176.278	127.764
Distribution costs	3, 4	(30.461)	(36.680)
Administrative costs	2, 3, 4	(28.863)	(29.469)
Other operating income	5	<u>8.711</u>	<u>7.170</u>
Operating profit/loss		125.665	68.785
Income from investments in group enterprises		140.698	150.192
Income from other fixed assets investments		12	11
Other financial income	6	2.255	3.699
Other financial expenses	7	<u>(9.022)</u>	<u>(6.317)</u>
Profit/loss before tax		259.608	216.370
Tax on profit/loss for the year	8	<u>(27.296)</u>	<u>(14.904)</u>
Profit/loss for the year	9	<u>232.312</u>	<u>201.466</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Goodwill		143.725	158.764
Intangible assets	10	<u>143.725</u>	<u>158.764</u>
Land and buildings		151.709	151.881
Plant and machinery		366.358	313.334
Other fixtures and fittings, tools and equipment		3.948	3.487
Property, plant and equipment in progress		10.871	11.819
Property, plant and equipment	11	<u>532.886</u>	<u>480.521</u>
Investments in group enterprises		969.468	792.387
Other investments		278	265
Fixed asset investments	12	<u>969.746</u>	<u>792.652</u>
Fixed assets		<u>1.646.357</u>	<u>1.431.937</u>
Raw materials and consumables		7.108	7.317
Manufactured goods and goods for resale		1.297	861
Inventories		<u>8.405</u>	<u>8.178</u>
Trade receivables		205.701	211.293
Receivables from group enterprises	13	103.429	221.927
Other receivables		3.822	4.154
Joint taxation contribution receivable		518	0
Prepayments	14	2.582	1.643
Receivables		<u>316.052</u>	<u>439.017</u>
Cash		<u>1.194</u>	<u>225</u>
Current assets		<u>325.651</u>	<u>447.420</u>
Assets		<u>1.972.008</u>	<u>1.879.357</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital	15	68.880	68.880
Reserve for net revaluation according to the equity method		914.457	737.376
Retained earnings		67.838	137.039
Proposed dividend		<u>150.000</u>	<u>235.000</u>
Equity		<u>1.201.175</u>	<u>1.178.295</u>
Deferred tax	16	33.405	30.125
Other provisions	17	<u>600</u>	<u>300</u>
Provisions		<u>34.005</u>	<u>30.425</u>
Bank loans		516.959	441.423
Prepayments received from customers		3.494	1.215
Trade payables		125.126	117.723
Payables to group enterprises		1.514	9.549
Income tax payable		0	20
Other payables	18	<u>89.735</u>	<u>100.707</u>
Current liabilities other than provisions		<u>736.828</u>	<u>670.637</u>
Liabilities other than provisions		<u>736.828</u>	<u>670.637</u>
Equity and liabilities		<u>1.972.008</u>	<u>1.879.357</u>
Mortgages and securities	19		
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Group relations	21		

Statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	68.880	737.376	137.039	235.000
Ordinary dividend paid	0	0	0	(235.000)
Exchange rate adjustments	0	36.383	(13.865)	0
Tax of equity postings	0	0	3.050	0
Profit/loss for the year	0	140.698	(58.386)	150.000
Equity end of year	68.880	914.457	67.838	150.000
				Total DKK'000
Equity beginning of year				1.178.295
Ordinary dividend paid				(235.000)
Exchange rate adjustments				22.518
Tax of equity postings				3.050
Profit/loss for the year				232.312
Equity end of year				1.201.175

Notes

	2017	2016
	DKK'000	DKK'000
1. Revenue		
Collection, sorting, recycling and trading activities	998.139	983.522
Contracting activities etc	72.665	56.335
	1.070.804	1.039.857

	2017	2016
	DKK'000	DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	335	335
Tax services	40	40
Other services	75	35
	450	410

	2017	2016
	DKK'000	DKK'000
3. Staff costs		
Wages and salaries	389.563	405.831
Pension costs	33.415	34.914
Other social security costs	14.377	16.305
	437.355	457.050
Average number of employees	922	955

	Remunera- tion of manage- ment 2017 DKK'000	Remunera- tion of manage- ment 2016 DKK'000
Executive Board	5.885	11.190
Board of Directors	1.050	4.783
	6.935	15.973

The remuneration are partly expensed in other Group Companies.

The remuneration of 2016 are influenced by the chances in management in 2016.

Notes

	2017	2016
	DKK'000	DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	15.039	15.620
Depreciation on property, plant and equipment	106.951	93.881
	121.990	109.501
Depreciation, amortisation and impairment are distributed as follows:		
Other production cost:	121.350	108.525
Distribution cost:	266	508
Administrative cost:	374	468
	2017	2016
	DKK'000	DKK'000
5. Other operating income		
Gains from disposal of tangible assets	5.318	4.759
Other operating income	3.393	2.411
	8.711	7.170
	2017	2016
	DKK'000	DKK'000
6. Other financial income		
Financial income arising from group enterprises	1.151	1.872
Interest income	1.104	1.827
	2.255	3.699
	2017	2016
	DKK'000	DKK'000
7. Other financial expenses		
Financial expenses from group enterprises	4	259
Interest expenses	9.018	6.058
	9.022	6.317
	2017	2016
	DKK'000	DKK'000
8. Tax on profit/loss for the year		
Tax on current year taxable income	24.032	9.599
Change in deferred tax for the year	3.284	5.101
Adjustment concerning previous years	(20)	204
	27.296	14.904

Notes

	2017	2016
	DKK'000	DKK'000
9. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	150.000	235.000
Transferred to reserve for net revaluation according to the equity method	140.698	150.192
Retained earnings	<u>(58.386)</u>	<u>(183.726)</u>
	<u>232.312</u>	<u>201.466</u>

	Goodwill
	DKK'000
10. Intangible assets	
Cost beginning of year	<u>334.505</u>
Cost end of year	<u>334.505</u>
Amortisation and impairment losses beginning of year	(175.741)
Amortisation for the year	<u>(15.039)</u>
Amortisation and impairment losses end of year	<u>(190.780)</u>
Carrying amount end of year	<u>143.725</u>

Intangible assets are determined as the difference between purchase price and the fair value of acquired assets.

Notes

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
11. Property, plant and equipment				
Cost beginning of year	309.349	1.416.519	51.422	11.819
Additions	12.250	149.056	2.094	10.871
Disposals	(2.091)	(79.041)	(495)	(11.819)
Cost end of year	319.508	1.486.534	53.021	10.871
Depreciation and impairment losses beginning of the year	(157.468)	(1.103.185)	(47.935)	0
Depreciation for the year	(12.044)	(93.392)	(1.515)	0
Reversal regarding disposals	1.713	76.401	377	0
Depreciation and impairment losses end of the year	(167.799)	(1.120.176)	(49.073)	0
Carrying amount end of year	151.709	366.358	3.948	10.871
12. Fixed asset investments				
Cost beginning of year			55.011	56
Cost end of year			55.011	56
Revaluations beginning of year			737.376	209
Exchange rate adjustments			36.383	0
Share of profit/loss for the year			140.698	0
Revaluations for the year			0	13
Revaluations end of year			914.457	222
Carrying amount end of year			969.468	278

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
Odense Affaldssortering A/S	Odense, Denmark	A/S	50,2
Marius Pedersen a.s	Hradec Kralove, Czech Republic	a.s	100,0
Marius Pedersen a.s	Trencin, Slovakia	a.s	100,0

13. Receivables from group enterprises

Receivables from group enterprises due after 1 year: 48.385 (66.909 DKK'000 in 2016)

14. Prepayments

Prepayments consist of rent, contracts, subscriptions etc.

	<u>Number</u>	<u>Nominal value DKK'000</u>
15. Contributed capital		
A-share capital	756.000	15.120
B-share capital	2.688.000	53.760
	3.444.000	68.880

There has not been any changes in share capital for 5 years.

	<u>2017 DKK'000</u>
16. Deferred tax	
Changes during the year	
Beginning of year	30.121
Recognised in the income statement	3.284
End of year	33.405

17. Other provisions

Consist of guarantee and re-establishment commitments.

Notes

	2017	2016
	<u>DKK'000</u>	<u>DKK'000</u>
18. Other payables		
VAT and duties	6.704	7.510
Wages and salaries, personal income taxes, social security costs, etc payable	58.463	61.097
Other costs payable	<u>24.568</u>	<u>32.100</u>
	<u>89.735</u>	<u>100.707</u>

19. Mortgages and securities

To provide security for the groups drawing facilities in banks etc., including performance guarantees and other guarantees given by the bank, are places on deposit on the following items.

	2017	2016
	<u>DKK'000</u>	<u>DKK'000</u>
Mortgage deed, not pledged as security	16.250	16.250
Carrying amount of mortgage properties	37.624	39.362

Guarantees

The company guarantees as follows:

Groups enterprises' outstanding accounts with banks etc.	87.300	82.530
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Contigent liabilities

Obligations according to rent and operating lease contracts	35.070	52.683
Recourse obligations concerning contract guarantees etc.	75.692	63.829

Company holds properties on rented premises

Joint taxation

Marius Pedersen A/S and its Danish subsidiaries are jointly taxed with MPWM 2014 A/S. The company thus has secondary liability with respect to income taxes etc. and any obligations to withhold taxes on interest, royalties and dividends applying to the jointly taxed companies. Such secondary liability is, however, capped at an amount equal to the portion of the share capital in the company held directly or indirectly by the ultimate parent.

Notes

20. Related parties with controlling interest

Related parties with controlling interest in Marius Pedersen A/S:

Marius Pedersen Holding A/S, Faaborg-Midtfyn

Ultimate shareholder: Entreprenør Marius Pedersens Fond, Faaborg-Midtfyn

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

MPWM 2014 A/S, Ørbækvej 851, 5863 Ferritslev Fyn, CVR 35846735

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (Large).

The accounting policies applied to these financial statements are consistent with those applied last year. Reclassification have been made. Comparative figures have been modified.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of

Accounting policies

income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and costs for materials, wages, and operation of rolling fleet are included.

Other production costs comprise indirect costs including salaries and depreciation concerning the production of the year.

Production costs concerning contract work in progress are recognised as they incur.

Distribution costs

Cost of sales comprises costs for sales staff, marketing expenses and depreciation.

Administrative costs

Administrative costs comprise costs incurred for management and administration of the company, including costs for the administrative staff and management, stationery and office supplies as well as depreciation and amortisation.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Accounting policies

Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc on fixed asset investments which are not investments in group enterprises or associates.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 to 20 years.

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

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Accounting policies

Buildings	25-50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	5-8 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity investments measured at cost. Unlisted equity investments are written down to any lower net realisable value.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Accounting policies

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise loss on contract work in progress, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period of 1-5 years.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

Referring to § 86 (4) of the Danish Financial Statements Act there has not been made any cash flow statement. The company's cash flow is included in the cash flow statement of the consolidated annual accounts of MPWM 2014 A/S.