DANISH TECHNOLOGICAL INSTITUTE

DANISH TECHNOLOGICAL INSTITUTE

Annual report 2017

REG. no. 56 97 61 16

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2630 Taastrup

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Fax:	72 20 20 19
Website:	www.dti.dk
E-mail:	info@teknologisk.dk
Reg. no.:	56 97 61 16
Founded:	1906
Registered office:	Taastrup
Financial year:	1 January to 31 December

Management's statement and auditor's report

Management's statement

The Board of Trustees and Executive Board have today reviewed and approved the annual report for 2017 for the Danish Technological Institute.

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

It is our opinion that the consolidated financial statements and the Institute's own financial statement give a true and fair view of the group and institute's assets, liabilities and financial standing as of 31 December 2017, the results of the group's and institute's activities and of the group's cash flow for the financial year of 1 January – 31 December 2017.

It is furthermore our opinion that the management's review gives an accurate description of the group's and institute's activities and financial standing, net profit or loss for the period and the financial position of the group and institute.

Taastrup, 15 March 2018

Executive Board:

Søren Stjernqvist
CEO

Board of Trustees:

Clas Nylandsted Andersen Chairman	Søren F. Eriksen Deputy Chairman	Anders Bjarklev
Mikael Bay Hansen	Connie Hedegaard	Eva Bak Jacobsen
Carsten Jensen	Kim Lind Larsen	Niels Techen Nielsen

The independent auditor's report

To the Board of Trustees of Danish Technological Institute

Conclusion

It is our opinion that the consolidated and financial statements give a true and fair view of the group and company's assets, liabilities and financial standing as of 31 December 2017, the results of the group's and institute's activities and of the group's cash flow for the financial year of 1 January – 31 December 2017.

We have audited the consolidated and financial statements for the Danish Technological Institute for the financial year 1 of January – 31 of December 2017, which includes the income statement, balance sheet, statement of changes in equity and notes – including the accounting policies used for both the group and the company, in addition to the cash flow for the group ('the financial statements').

Basis for conclusion

We have conducted our audit in accordance with the international standards on audits and the additional requirements that apply in Denmark. Our responsibility according to those standards and requirements is described in more detail in the section entitled *Auditor's responsibility for auditing the financial statements.* We are independent from the group in accordance with the international ethical standards for auditors (IESBA Code of Ethics) and the requirements that apply in Denmark, and have fulfilled our ethical obligations in relation to these standards and requirements. It is our view that the audit evidence is sufficient and suitable to serve as the basis of our conclusion.

Statement on the management's review

The management is responsible for the management's review.

Our conclusion on the financial statements does not include the management's review, and we express no form of conclusion with certainty about the management's review.

In connection with our audit of the financial statements, it is our duty to read the management's review and to consider whether it is significantly at odds with the financial statements or our knowledge gained during the audit, or could in any other way contain significant misinformation.

Our duty is furthermore to consider whether the management's review contains the information required in accordance with the Danish Financial Statements Act.

Based on the work done, it is our opinion that the management's review is in accordance with the consolidated and financial statements, and was compiled in accordance with the requirements of the Danish Financial Statements Act. We have found no significant misinformation in the management's review.

Management's responsibility for the financial statements

The management is responsible for compiling consolidated and financial statements that provide a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for the internal controls that it may deem necessary to prepare financial statements without significant misinformation, regardless of whether due to fraud or error.

In preparing the financial statements, the management is responsible for evaluating the group and company's ability to continue operating, to inform about factors concerning future operations where relevant, and to prepare the financial statements on the basis of the accounting principle of going concern – unless the management either intends to liquidate the group or the company, cease operations or have no realistic alternative to doing so.

The auditor's responsibility for auditing the financial statement

Our goal is to attain a high degree of confidence that the financial statements as a whole are without significant misinformation, regardless of whether due to fraud or errors, and to provide an auditor's report containing a conclusion. A high degree of confidence is a high level of certainty, but is not a guarantee that an audit carried out in accordance with international standards on auditing and the additional requirements that apply to Den-

Management's statement and auditor's report

mark will always uncover significant misinformation, if such information exists. Misinformation can also occur as a result of fraud or error, and can be considered significant if it could reasonably be expected that it could alone or collectively influence the financial decisions that the users make based on the financial statements.

As part of an audit carried out in accordance with the international standards on audits and the additional requirements that apply in Denmark, we make professional evaluations and maintain professional scepticism during the audit. Furthermore:

- We identify or evaluate the risk of there being significant misinformation in the financial statements, regardless of whether due to fraud or error, and we take audit-related actions in response to those risks and seek audit evidence that is sufficient and suitable for forming a basis for our conclusion. The risk of not uncovering significant misinformation due to fraud is higher than in the case of misinformation caused by errors, in that fraudulent information can include conspiracies to cover it up, forged documents, intentional omissions or the absence of internal controls.

- We gain an understanding of the internal controls relevant for the audit in order to take audit-related actions that are suitable under the circumstances, but we do not express a conclusion about the effectiveness of the group's or company's internal controls.

- We evaluate whether the accounting principles applied by the management are appropriate, in addition to whether the financial statement's related estimates and associated information that the management has prepared are fair.

- We conclude whether or not the management's preparation of the financial statements on the basis of the accounting principle of going concern is appropriate. We also look at whether or not, on the basis of the audit evidence, there is sufficient uncertainty connected with the events or conditions that can impact the company's ability to continue as a going concern. If we conclude that there is significant uncertainty, then we must draw attention to the relevant information in the financial statements in our auditor's report, or, if such information is not sufficient, modify our conclusion. Our conclusions are based on the audit evidence that has been presented by the date of our auditor's report. Future events or circumstances can, however, lead to the group and the company no longer being able to continue as a going concern.

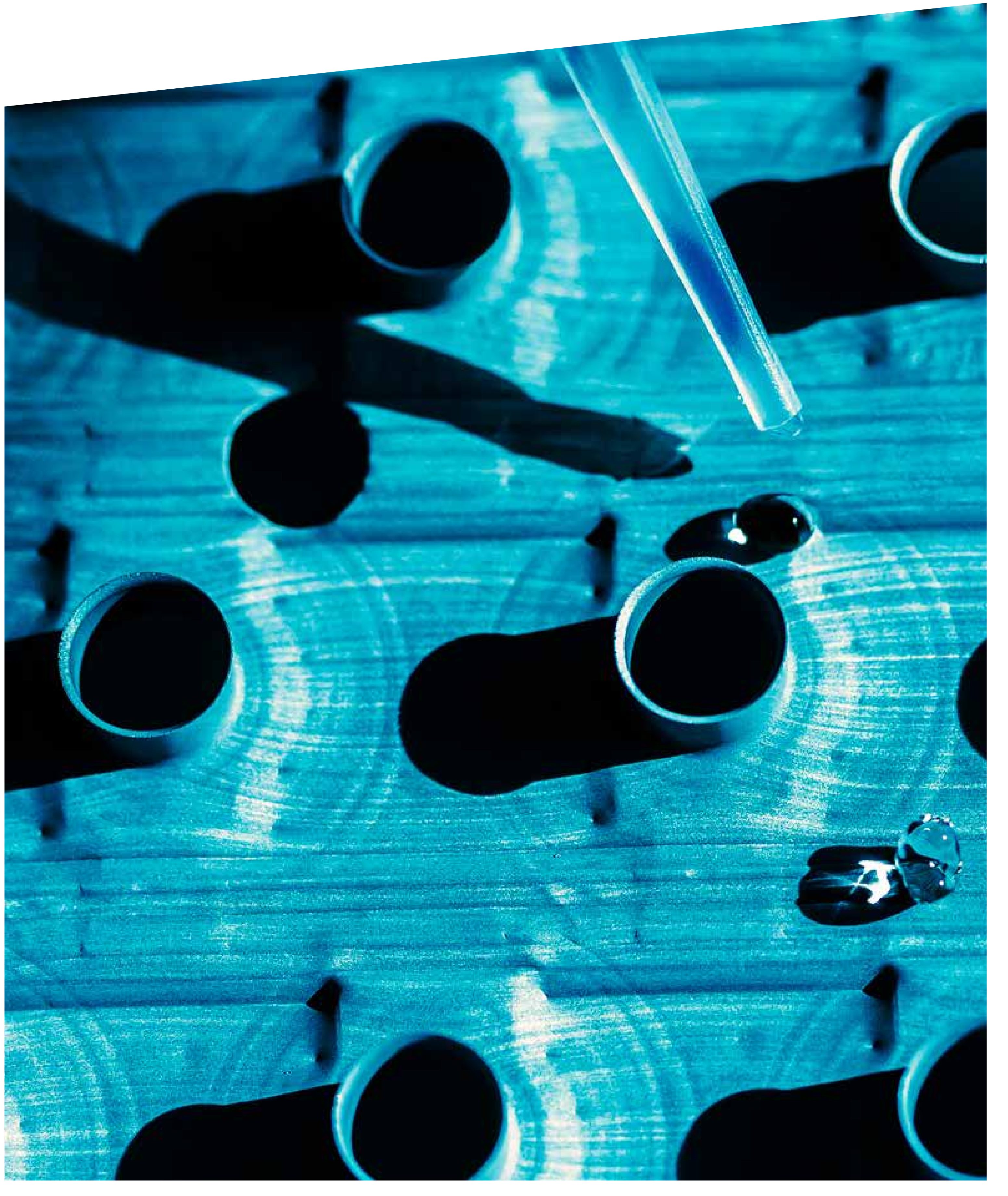
- We examine the total presentation, structure and contents of the financial statements, including the information from notes, and also whether the financial statements reflect the underlying transactions and events in such a manner that a fair and true view emerges.

- We gather sufficient and suitable audit evidence for the financial information concerning group enterprises or business activities in order to express a conclusion about the consolidated financial statement. We are responsible for leading, overseeing and carrying out the group audit. We are solely responsible for our audit conclusion.

We communicate with the senior management concerning the planned scope and the timing of the audit, in addition to significant audit-related observations, including significant defects in the internal controls, if any, that we identify during the audit.

Hellerup, 15 March 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Reg. no. 33 77 12 31

Jacob F Christiansen
State Authorised Public Accountant
MNE18628



Management's review

Company details

Danish Technological Institute
Gregersensvej 1
2630 Taastrup

Tel: 72 20 20 00
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Reg no.: 56 97 61 16
Founded: 1906
Registered office: Taastrup
Financial year: 1 January–31 December 2017

Executive Board

Søren Stjernqvist

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Group chart as of 31 December 2017

Danish Technological Institute
Reg. no.: 56 97 61 16

Subsidiaries

Danish

Dancert A/S
100%
Reg. no.: 29 51 20 94

Danfysik A/S
100%
Reg. no.: 31 93 48 26

Teknologisk Innovation A/S
100%
Reg. no.: 20 66 56 45

Foreign

Teknologisk Institut Sverige AB, Sweden
100%
Reg. no.: 556456-9894

Subsidiary

Learn Lab AB, Sweden
100%
Reg. no.: 559023-7706

DTI Polska Sp. z o.o., Poland
68%
Reg. no.: KRS 0000023041

DTI Spain S.L., Spain
67%
Reg. no.: B-65573784

Financial highlights for the group

EURm	2017	2016	2015	2014	2013
Financial ratios					
Revenue	151	150	137	146	145
Operating profit or loss	5	3	7	5	5
Net financials, including profit or loss after tax in associated companies	0	0	0	0	0
Net profit or loss for the year	**6**	**4**	**7**	**4**	**4**
Balance sheet total	143	135	123	114	113
Equity attributed to parent company	**90**	**84**	**81**	**74**	**70**
Cash flow from operating activities	11	10	13	3	8
Cash flow from investment activities	5	24	2	-14	-9
Of which investment in property, plant and equipment	5	4	3	14	9
Cash flow from financial activities	-3	11	0	0	-2
Total cash flow	9	-12	15	-12	-3
Financial ratios					
Profit margin	3.5	2.2	4.7	3.1	3.2
Solvency ratio	63.0	62.6	66.0	65.1	62.5
Liquidity ratio	119.0	112.0	156.4	125.7	139.4
Development financed by operations	8.0	8.9	9.2	8.6	10.1
Average number of full-time employees	**1,041**	**1,074**	**1,004**	**1,055**	**1,051**

Definitions and terms are stated under 'Accounting policies applied'.

Review

Primary activity

The Danish Technological Institute (DTI) achieves results by undertaking R&D and commercial activities in the form of consultancy, education and laboratory services. Concentrated execution of such activities is key to the Institute's strategic development, and is where we generally address the technological trends and challenges faced by our customers. In the final analysis, this is the interplay that provides the fundamental rationale on which the Institute achieves its results.

The interplay unfolds in the following fields

Within the field of production, we develop and implement advanced production processes and technologies, currently referred to as 'Industry 4.0'. The Institute is particularly strong within the fields of robot technology and nano production, where we have developed new technology platforms and unique test facilities.

Material development is a key strength. This is the field in which we apply material knowledge to industrial applications. Our expertise extends to bulk materials, e.g. within surface coatings, nanomaterials, metals, polymers, ceramic and composite materials, 3D printing and material characterisation. Similarly, we have expertise and facilities within the production of nanomaterials.

The Institute is Denmark's biggest and leading knowledge centre within building and construction materials. Our expertise here ranges from core competencies within the development and documentation of concrete, brick, wood, asphalt, windows and bio-based material, through advanced building surveys focusing on sustainability, indoor climate, energy renovation and the removal of substances hazardous to the environment.

Within the field of the food industry, we focus on improving productivity in production, quality and safety, microbiology and sensory science. Also within this field, we have new test facilities dedicated to food production. The Institute enjoys a position of strength within advanced chemistry and microbiology, where our expertise and equipment provide technological services within the environment and health sectors, food and oil industries.

Within the energy field, we have built up an excellent reputation within transformation of the Danish energy system.

Our position here covers expertise and equipment for energy efficiency, sustainable energy, smart grids and adaptation for climate change.

The Institute contributes to boosting innovation capacity for society, industry and commerce and for individuals. We do so through consultancy and projects based on the experience gained from a series of Danish and international analyses, combined with specific innovation projects and provision of an extensive range of courses within the field.

Development in activities and financial standing

The Institute increased group turnover in 2017 by 0.5% compared to 2016 to a total of EUR 151.1 million, and achieved satisfactory profit of EUR 5.7 million.

Our activities were generally focused on the circular economy, additive manufacturing, catalyst materials, drones and robots.

The Institute's role within the circular economy was intensified in 2017, creating a profile in relation to the many entities involved in this field. Our role was focused by helping the construction industry with documentation in the form of testing, pilot production, consultancy on legislation and product development to ensure quality, traceability and removing hazardous substances during renovation, demolition and recycling materials.

We launched a very large project within additive manufacturing in metal. Innovation Fund Denmark has awarded a multi-million grant for the establishment of a knowledge centre within this field. We are collaborating with two of Denmark's biggest manufacturers, a number of SMEs and DTU to set up a large-scale demonstration laboratory within the industrial use of metal 3D print.

The development and optimisation of nanomaterials for use as catalysts continued in 2017. Examples include achieving porosities of optimised Diesel Oxidation Catalyst (DOC) deposited on monoliths, which facilitated activities higher than the commercial references at system level. The development of such porosities has become essential in relation to utilisation of the excellent catalytic properties on monoliths that powder analyses have previously demonstrated. The inclusion of iron with

platinum and palladium in the catalyst has demonstrated the possibility of saving up to 38% of these two rare metals. The results are expected to lead to a commercial breakthrough in 2018.

Our work within the drone market draws on a wide range of the Institute's competences. Within materials, we are focusing on the development of ceramic high temperature fuel cells (SOFC), which will realise the objective of being able to fly small drones for 24 hours on butane. We are working on the automation of data processing from drone recordings to identify critical areas in a structure for the construction industry. This process is currently performed manually using labour in countries such as India. Within agriculture, we are working on using the data from satellites and drones for precision farming.

Within robotics, the Institute in Odense has developed into the centre of the local robot cluster. We won two Horizon2020 development projects in 2017, with EU funding worth over EUR 18.4 million and involving partners from nine different countries. The projects centre on robot safety.

The use of robots in industry is accelerating. Build 4.0 is on the way to becoming the next major juncture in the building and construction industry. In fact, it has become this sector's counterpart to Industry 4.0. Work is being performed with drones and 3D print, and rising commercial interest can be felt in our work within robotics and digitalisation. The meat industry has succeeded in winning a major grant from Innovation Fund Denmark, for which the Institute is project leader. This project will help lay the foundation of the industry's future automation, using the latest technologies within hyperflexible robots, augmented reality and machine learning. Handling mixed goods in the logistics sector is acknowledged as one of the automation problems that remains unsolved. The Institute has joined forces with COOP Danmark A/S in a commercial project on automated picking of goods from pallet warehouses at COOP's distribution centre. Products weighing from 5-10 kg and alcohol in particular are still handled manually, as they are unsuitable for current mixed packing systems.

In commercial terms, the over 8,000 Danish customers have been given primary focus, but international opportunities have also opened up.

There continues to be considerable international activity in the meat industry, although at a lower level in South Korea. On the other hand, we see considerable activity in Mexico and interesting possibilities in South and Central America. Australia is also very active, and there is ongoing activity in Poland. Spain is developing well, with IT products from our Spanish subsidiary in particular gaining a healthy foothold.

The Institute is regularly contacted concerning the acquisition of businesses that could fit in well in our portfolio. Unfortunately, no opportunities presented themselves in 2017 that we felt were interesting enough. Apart from organic growth, we are interested in expanding our range of commercial activities via the acquisition of related businesses.

The functionality of our Work in Progress system was enhanced in 2017 to support all sales processes. We will concentrate on final development of related business intelligence and data gathering to ensure a substantial data set to support commercial activities.

Finances

The Danish Technological Institute made a profit of EUR 5.7 million in 2017, which was EUR 2.3 million higher than budget.

Total turnover for the group comprised EUR 151.1 million, an increase of EUR 0.8 million compared to 2016. The parent company accounted for EUR 3.4 million of the increase, and the subsidiaries for EUR -2.6 million. Two subsidiaries: Teknologisk Institut Sverige AB and Danfysik A/S, accounted for the fall in revenue.

The Institute's revenue mainly derives from commercial and R&D activities, including performance-related contracts. Group commercial turnover comprised EUR 102.2 million, an increase of EUR 1.0 million compared to the previous year. The parent company's commercial turnover comprised EUR 78.8 million compared to EUR 75.1 million in 2016.

R&D plus performance-related contract turnover for the group comprised EUR 48.9 million, compared to EUR 49.1 million in 2016. That represents 32.4% of total turnover, compared to 32.6% in 2016.

Self-financed development activities accounted for EUR 12.0 million in 2017, a fall of 9.7% compared to the previous year.

Consolidated equity comprised EUR 90.6 million as of 31 December 2017, an increase of EUR 6.0 million, in line with profit for the year and value adjustment of forward contracts. The balance sheet total rose by EUR 8.5 million to EUR 143.3 million. (2016: EUR 134.9 million). Cash flow from operations comprised EUR 17.7 million compared to EUR 0.4 million in 2016. The increase is primarily due to funds tied up in work in progress, advance payments and inventories compared to 2016. Cash flow for investment comprised EUR 5.4 million, due to investment in property, plant and equipment and the purchase of securities (2016: EUR 23.6 million).

The Institute's financial reserves remain satisfactory, and comprised EUR 17.6 million at the end of 2017 (2016: EUR 16.3 million).

Subsidiaries

Teknologisk Institut Sverige AB relocated in Stockholm and Gothenburg to new premises better suited to requirements, and to reduce the impact of the massive increases in rent currently in Sweden. Turnover in 2017 comprised EUR 8.5 million compared to EUR 8.9 million in 2016, equivalent to a fall of EUR 0.4 million or 4.8%. The fall is due to lower turnover within conferencing, whilst course provision achieved an increase in turnover.

Danfysik A/S suffered a fall of 14.5% in turnover from EUR 16.5 million in 2016 to EUR 14.1 million in 2017. The year was unfortunately marred by poor order intake and a number of difficult orders that resulted in loss. It was therefore necessary to cut overheads through redundancies.

Our Spanish subsidiary, DTI Spain S.L., turned over EUR 0.6 million, making a profit of EUR 0.1 million. The year went well, with the sale of a number of DTI services to the Spanish meat industry, along with IT solutions sold under the Nuna Solutions brand.

Our Polish subsidiary, DTI Polska Sp. z o.o., will be closed down by late 2018, as sales on the Polish market can be managed from Denmark using local agents. Given the current situation, this will represent a significantly cheaper and more flexible scenario than having our own subsidiary.

Special risks

The most significant risk faced by the Institute is related to the management of R&D contracts and long-term commercial work. We take the appropriate measures to deal with the risk in our procedures, methods etc. and in our accounts.

The Institute's solid financial reserves mean that we are only marginally affected by changes in interest rates.

We have no significant currency exposure, nor any major risks concerning individual customers or partners.

Uncertainty in recognition or measurement

No uncertainty has arisen concerning recognition or measurement in the financial statement.

Unusual factors

The group's assets, liabilities and financial position as of 31 December 2017, plus profit or loss from its activities and cash flow for 2017 have not been subject to any unusual factors.

Expectations for 2018

The group's total turnover comprised EUR 153 million. Consolidated turnover comprised a total of EUR 151.1 million in 2017, compared to a budget of EUR 154.5 million.

A moderate increase in revenue is budgeted for 2018 compared to 2017, mainly from the parent company.

Focus for the parent company in 2018 will include the new WIP system introduced in 2017, which supports the Institute's sales processes as planned. We will concentrate on final development of related business intelligence and data gathering to ensure a substantial data set to support comparison and estimation moving forwards.

A number of major investments are planned for 2018, totalling around EUR 8.1 million, which will include:

- A new building in Taastrup for testing indoor climate systems.
- New asphalt laboratory.
- 3D metal print centre in Aarhus, supported by a grant from Innovation Fund Denmark.
- New PVD machine for Tribology, a field experiencing considerable growth in demand.

Given that the current period for performance-related contracts expires at the end of 2018, considerable resources will be devoted to devising a revised strategy with related proposals for new performance-related contracts. Unfortunately, the new period is only two years, compared to the usual three years.

After two difficult years for Danfysik A/S with falling order intake and lack of execution, 2018 will be the year in which the company's focus on the industrial market will really be to yield results. Its structure was regularly adjusted in 2017 to the fall in orders from the research market, whilst investment was made in the transformation into a professional supplier of magnets to the industrial market. A slimmer Danfysik makes the company less vulnerable to fluctuations on the research market.

Teknologisk Institut Sverige AB is highly dependent on the level of activity within construction, and how Swedish municipalities prioritise skills development internally. Sweden is enjoying an economic boom, and 2017 was a record year in terms of new construction and infrastructure building, which could be clearly felt in demand for courses provided by Teknologisk Institut Sverige AB and LearnLab AB. Consolidation and improved profitability will be in focus in 2018.

The budget for DTI Spain S.L. puts emphasis on driving robust growth, focusing on the top line.
Meanwhile, recruitment in Spain can help relieve the very difficult recruitment situation in Denmark, especially for engineers for the meat industry.

Total foreign sales are budgeted to EUR 39.4 million, of which the parent company will account for EUR 16.1 million. That's equivalent to 25.8% of total turnover. Total foreign sales in 2016 comprised 27.7% of turnover. The decline in percentage share can primarily be ascribed to the fall in turnover experienced by Danfysik A/S.

Commercial activities

Group commercial turnover comprised EUR 102.2 million in 2017 (2016: EUR 101.2 million). This represents an increase for the parent company compared to 2016, whilst our subsidiaries Danfysik A/S and Teknologisk Institut Sverige AB had declining turnover.

Research and development

R&D turnover for the group fell by 0.4% compared to 2016, to a total of EUR 48.9 million. This amount includes the performance-related contract funds the Institute has been granted by the Ministry of Higher

Education and Science. Those funds comprised EUR 19.5 million in 2017, equivalent to 12.9% of total turnover.

Development in partner activities and gearing

The involvement of Danish enterprises of all sizes in R&D activities is key to the Institute's work. Their participation can be measured in terms of hours and investment. The value of our R&D activities in 2017 reached EUR 60.8 million, with investment from enterprises comprising EUR 152 million. For each krone invested by grant makers and the Institute in R&D, enterprises thus invested EUR 0.3, equivalent to a gearing of 3.50.

As can be seen from the figure below, activities between 2012 and 2014 in particular were significantly higher than in 2015, 2016 and 2017. This is at least partially due to the EU's Horizon202 Framework Program for Research and Innovation primarily attracting large enterprises, able to a large extent to manage by themselves, and to the setting up of Innovation Fund Denmark, which overall has less funds at its disposal than the development programs it replaced. What that means to the Institute is a drop of over 50% in project funding sourced from Danish programs.

Evaluation of the Institute's work

Our principal task is to translate new knowledge into practical applications for industry and commerce. Measurement of customer satisfaction with the work we do is therefore very important.

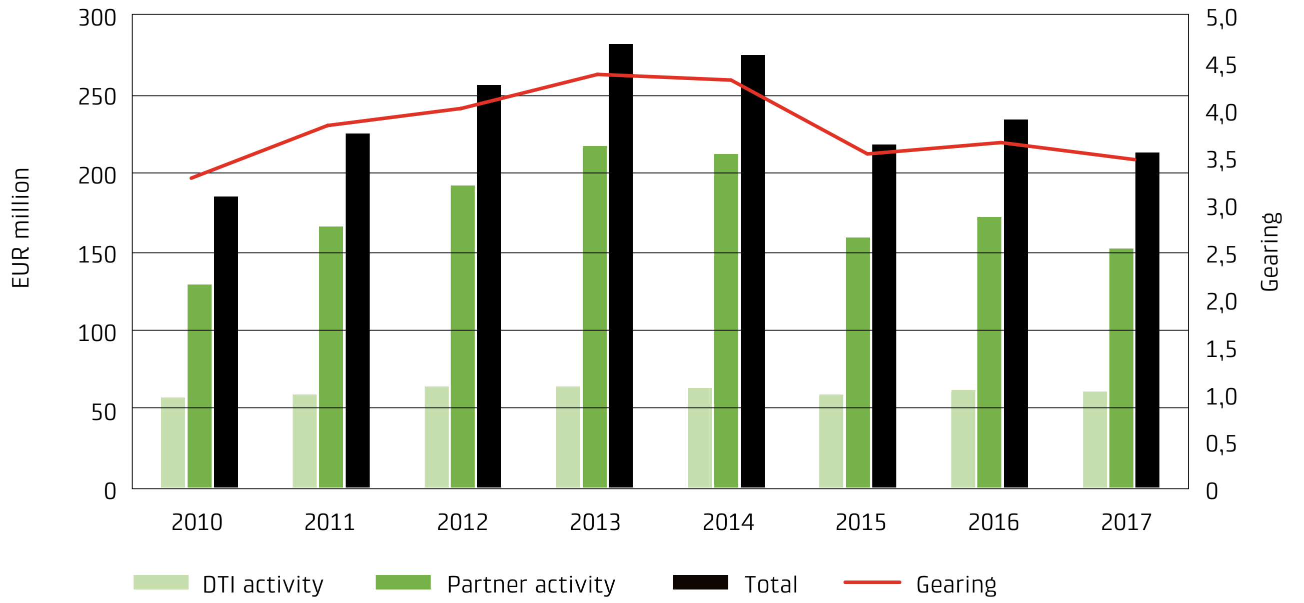
In recent years, we have asked our customers to evaluate the Institute's work based on the parameters of quality, delivery time, professionalism and loyalty/recommendation. The evaluation scale runs from 1 to 5, where 5 is the highest. We are delighted to say that despite its excellent track record, the Institute continues to improve its customer satisfaction ratings. (See page 17).

Investment

We invested EUR 5.3 million in property, plant and equipment in 2017. A considerable sum was also invested in maintenance of the Institute's buildings.

The construction of a new building with a floor area of 650 m² was started in Taastrup, destined to be one of Europe's biggest and most advanced indoor climate

Growth in R&D activities (revenue and self-financing)



laboratories. When completed, the laboratory will perform test and development work within a wide range of fields, including:

- Dimensioning ventilation systems in sports arenas, indoor swimming pools, offices and schools.
- Analysis of flow, temperature and mix in double-height rooms.
- Analysis of flow and factors in laboratories.
- Development of advanced control strategies for indoor climate scenarios.

It will also host an extensive educational programme, including one on intelligent IoT-based ventilation systems.

We have developed a new climate simulation chamber to test refrigerated display cabinets, primarily for the supermarket sector. This new facility makes it possible to verify whether such cabinets comply with the new EU rules for energy efficiency (ecodesign). If they do not, they cannot be sold on the European market. We can also help enterprises with the development of new products designed to comply with future regulations within this field.

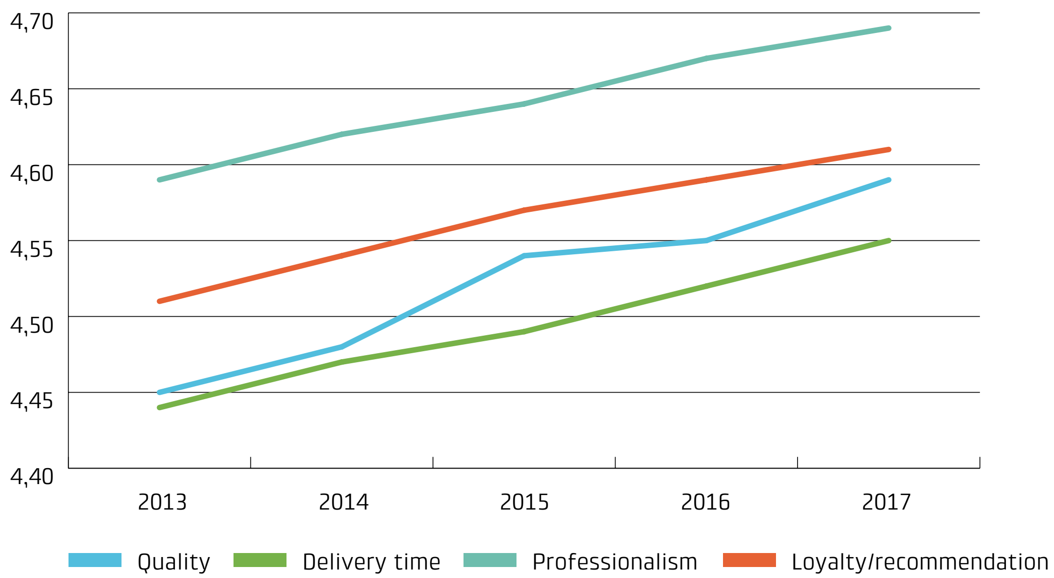
The Institute has invested in a Portable Emission Measurement System (PEMS), to be able to measure vehicle air pollution under realistic driving conditions. The apparatus measures the specific emissions from a vehicle of NOx, CO, CO_2 and particles. It can also measure fuel economy.

PEMS is a response to EU regulation No. 582/2011 with respect to emissions from heavy duty vehicles, obliging makers of HGVs and buses to document emissions in use (in-use conformity). PEMS was phased in for cars in 2017, with full implementation by 2020.

To support the development of new, sensor-controlled technologies and the use of satellite data in farming, we invested in a new, high-tech combine harvester. This makes it possible to continuously measure yield compared to a GPS coordinate. Measurements can be made continuously and without stopping down to every 30 cm. Samples are taken automatically when harvesting and then processed, enabling the documentation of relevant quality parameters.

We also invested in state-of-the-art automated Raman apparatus for spectroscopy, which will help DTI customers to ensure product quality and the development of new product properties. The apparatus can perform a chemical scan of large surface areas on products and

Customer satisfaction 1-5



Approx. 4.000 evaluations annually. Evaluation percentage is a bit more than 20%.

materials to determine their chemical composition and distribution of the substances they contain at sub-micrometer level. The Raman apparatus is also a strong supplement to our current activities concerning the identification of pollutants and foreign objects in production environments and environmental problems with the measurement and removal of microplastics in waste water and drinking water.

Knowledge resources

The group employed 1,041 full-time employees in 2017, compared to 1,074 in 2016. The proportion of skilled workers with a PhD or doctor's degree rose by 2.5%, to a level of 22% for the group compared to 19.5% in 2016.

Organisation and development

A new Centre Manager was appointed in 2017 and another talent program was conducted.
Consequently, over 250 employees have now passed through our talent program to date.

Employee satisfaction

The Institute ran a health program in 2017 entitled "Health Today", which included lectures, events, competitions and training designed to boost team spirit and awareness of health within the group. Over 1,000 took part in total in the different events, with some participants attending several events.

Recruitment and employer branding

There are still a number of vacancies open at the Institute for skilled individuals. That's why we once again attended a number of relevant fairs and visited universities to boost awareness of and promote the Institute as an attractive place to work.

We mainly use electronic media and videos to attract new candidates.

Impact on the external environment

The majority of jobs within the Institute are office-based. The impact they imply on the environment includes consumption of electricity and heat. We also have a number of laboratories that use various forms of substances, the use and disposal of which is governed by law and executive orders within specific fields, including working environment rules.

Corporate Social Responsibility (CSR)

The Institute has defined what it perceives as its corporate social responsibility and the policies and guidelines it entails. The management opted to publish its mandatory report on CSR on the Institute's website at www.teknologisk.dk/samfundsansvar.

Gender equality

The Institute treats all its employees equally and regardless of gender in all aspects of their employment. This applies to recruitment, appointment to executive posts and career development. Our personnel policy is designed to support this approach and states: "We work towards supporting a balanced employee composition so that the Institute at all times has access to the best qualified employees in the Institute's core areas."

The gender ratio at the end of 2017 at management level was 28% women and 72% men - unchanged from 2016. The ratio for all employees is 38% women and 62% men.

The Board of Trustees has nine members (including two employee-elected members, one of which is female). The ratio here excluding the employee-elected members is 14% women and 86% men.

Events after balance sheet date

No significant events have occurred that have an impact on the financial statement since it was compiled.

Consolidated and Financial Statements, 1 January-31 December

Accounting policies applied

The annual report for the Danish Technological Institute for 2017 has been prepared in accordance with the Danish Financial Statements Act for Class C Companies (large).

With reference to section 23, subsection 4 of the Danish Financial Statements Act, adaptations have been made to the template requirements for the income statement in order to show the group's business activity as an approved technological service institute.

The financial statements have been prepared under the same accounting policies as the previous year. The structure, however, may in some cases have been adapted in response to changes in the Danish Financial Statements Act.

Information on recognition and measurement

Assets are recognised in the balance sheet when it is likely that they will generate future financial gain for the Institute and that the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when it is likely that they will lead to a loss for the Institute and that the value of the liability can be reliably measured.

When first recognised, assets and liabilities are measured at cost price. Subsequently, they are measured as described for each element of the accounts below.

Recognition and measurement takes into account gains, losses and risks that occur before the presentation of the annual report, and that confirm or disprove factors that existed on balance sheet day.

Income is recognised in the income statement in line with the time it was earned, including value adjustment of financial assets and liabilities measured at fair value or amortised cost. Furthermore, costs incurred to achieve revenue for the year are recognised, including amortisation, depreciation and deferred liabilities, plus carrybacks as a result of revised accounting estimates of amounts that have been previously recognised in the income statement.

Consolidated financial statement

The consolidated financial statement concerns the Danish Technological Institute and those subsidiaries in which the Institute directly or indirectly owns more than 50% of voting rights, or in some other manner exercises deciding influence.

Consolidation includes elimination of income and expenses, shared ownership, intercompany balances and dividends within the group, along with realised and unrealised profit or loss from transactions between the consolidated companies.

Investment in subsidiaries is eliminated by the proportionate share of the subsidiary's fair value of net assets and liabilities on the date of acquisition.

Newly-acquired or newly-founded companies are recognised in the consolidated accounts as from the date of acquisition. Sold or liquidated companies are recognised in the consolidated income statement up to the date of

sale or liquidation. Comparative figures are not adjusted for newly-acquired, sold or liquidated companies.

In the event of new companies acquired, the acquisition method is used, whereupon their identified assets and liabilities are measured at fair value at the time of acquisition. A deferred obligation is recognised to cover costs from restructuring decided and announced for the acquired company in connection with the acquisition. Deferred tax on revaluations is recognised.

Positive differences (goodwill) between cost price and fair value of identified assets and liabilities acquired are recognised under intangible assets and amortised systematically in the income statement according to individual estimate of their financial lifetime (max. 5 years).

Negative differences in amounts (negative goodwill) that correspond to expected adverse events in the companies affected are recognised in the balance sheet under accruals, and recognised in the income statement in line with occurrence of the event. For negative goodwill not related to an expected adverse event, an amount equivalent to the fair value of non-monetary assets is recognised in the balance sheet, and subsequently recognised in the income statement over the average lifetime of the non-monetary asset.

Goodwill and negative goodwill from acquired companies can be adjusted up until the end of the year post-acquisition.

Gains and losses from the disposal of subsidiaries and associated companies are recognised as the difference between the sales price or cost of liquidation and the statutory accounts value of net assets at the time of sale, including non-amortised goodwill and expected costs from sale or liquidation.

Minority interests

The account entries of subsidiaries are 100% recognised in the consolidated accounts. The proportional share of minority interests in the profit or loss or equity of a subsidiary is calculated annually and recognised as separate items in the income statement and balance sheet.

Conversion of foreign currency

Transactions in foreign currency are converted when first recognised at the exchange rate on the day of the transaction. Exchange rate differences between the transaction day and payment day are recognised in the income statement as a financial item.

Receivables, debt and other monetary items in foreign currencies are converted to the exchange rate on transaction day. The difference between the rate on balance sheet day and when the receivable or liability appears or is recognised in the latest annual report is recognised in the income statement under financial income and expenses.

Revaluation of intercompany balances with independent foreign subsidiaries regarded as part of the overall investment in that subsidiary is recognised directly in equity. Similarly, exchange rate gains and losses on borrowing and deferred financial instruments for exchange rate hedging of foreign subsidiaries are recognised directly in equity.

The income statements of foreign subsidiaries are converted at an average exchange rate and balance sheet items at the balance sheet date exchange rate. Exchange rate differences arising from conversion of the equity of subsidiary companies at the start of the year at balance sheet date exchange rate, and from conversion of income statements from average exchange rates to balance sheet date exchange rate, are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are recognised the first time in the balance sheet at cost price, and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised in other receivables or other debt.

Changes in fair value of derivative financial instruments classified as, and that fulfil the criteria for hedging the fair value of a recognised asset or liability, are recognised in the income statement along with changes in fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments classified as, and that fulfil the conditions for hedging future assets and liabilities, are recognised in other liabilities or other debt, and in the equity. If a future transaction results in the recognition of assets or liabilities, the amount previously recognised under equity is transferred to the cost price of the asset or liability. If a future transaction results in income or expenses, the amount recognised in the equity is transferred to the income statement for the period in which the hedged item influences the income statement.

Changes in fair value for derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments are recognised continuously in the income statement.

Income statement

Net turnover
The Danish Technological Institute's turnover is derived from three categories of activities: commercial, R&D and performance-related contract. Commercial activities cover work undertaken for private and public sector customers when the customer owns the rights to the outcome. R&D activities cover work undertaken for Danish and foreign grant makers. The results of such work will be made publicly available via the grant maker. Performance-related contracts cover a range of work undertaken for the Ministry of Higher Education and Science, when the ultimate purpose is to give small and medium-sized enterprises (SMEs) the opportunity to quickly and efficiently exploit new knowledge and technologies.

The earnings criterion applied is the invoicing criterion, by which revenues are recognised in the income statement in line with invoicing.

Large scale and long-term contracts at the expense of a third party are recognised according to the production criterion, which means that profits from services sold are recognised in the income statement in line with the undertaking of work.

Net turnover is recognised exclusive of VAT and taxes levied on behalf of third parties. All forms of discount given are recognised in net turnover.

Project costs
Project costs include costs incurred during the year excluding wages that can be directly attributed to individual projects.

Research and development
R&D costs plus agreed development costs for fulfilment of project contracts undertaken without remuneration are recognised in the income statement under project costs and personnel expenses, depending on their type.

Other external costs
Other external costs include those for distribution, sales, advertising, administration, premises, losses on receivables, operational leasing contracts etc.

Personnel costs
Personnel costs include salaries and wages plus expenses unrelated to pay.

Other operational income and expenses
Other operational income and expenses include accounting entries of a secondary nature in relation to the Institute's activities, including gains and losses from the sale of fixed assets.

Result of investment in subsidiaries
The proportional share of the profit or loss after tax of each subsidiary is recognised in the parent company's income statement after full elimination of internal profit or loss.

Financial income and expenses
Financial income and expenses include interest, exchange rates, gains and losses concerning securities, debt and transactions in foreign currencies.

Tax on profit for the year
Because it is classified as an Approved Technological Service Institute, the Institute is exempt from tax.

Danish subsidiaries that are taxable entities are subject to the Danish rules on mandatory joint taxation. Subsidiaries become subject to joint taxation at the time they enter into consolidation in the consolidated accounts, and up until the time at which they leave consolidation.

The prevailing Danish corporation tax payable is attributed by calculating the joint taxation contribution between the jointly-taxed companies in relation to their taxable earnings. Companies with a tax loss receive a joint taxation contribution from companies able to use that loss to reduce their own taxable profit.

Tax for the year, which consists of current tax payable for the year and changes in deferred tax, is recognised in the income statement by the element that can be attributed to tax for the year, and directly in equity by the element that can be attributed to items directly in equity.

Balance sheet

Intangible fixed assets
Goodwill
Goodwill is amortised over the estimated financial lifetime determined on the basis of management's experience within each business unit. Goodwill is straight-line amortised over the amortisation period, which comprises five years.
The statutory accounts value of goodwill is estimated regularly and amortised to recoverable amount value via the income statement if the statutory accounts value exceeds the expected future net earnings from the company or activity the goodwill is related to.

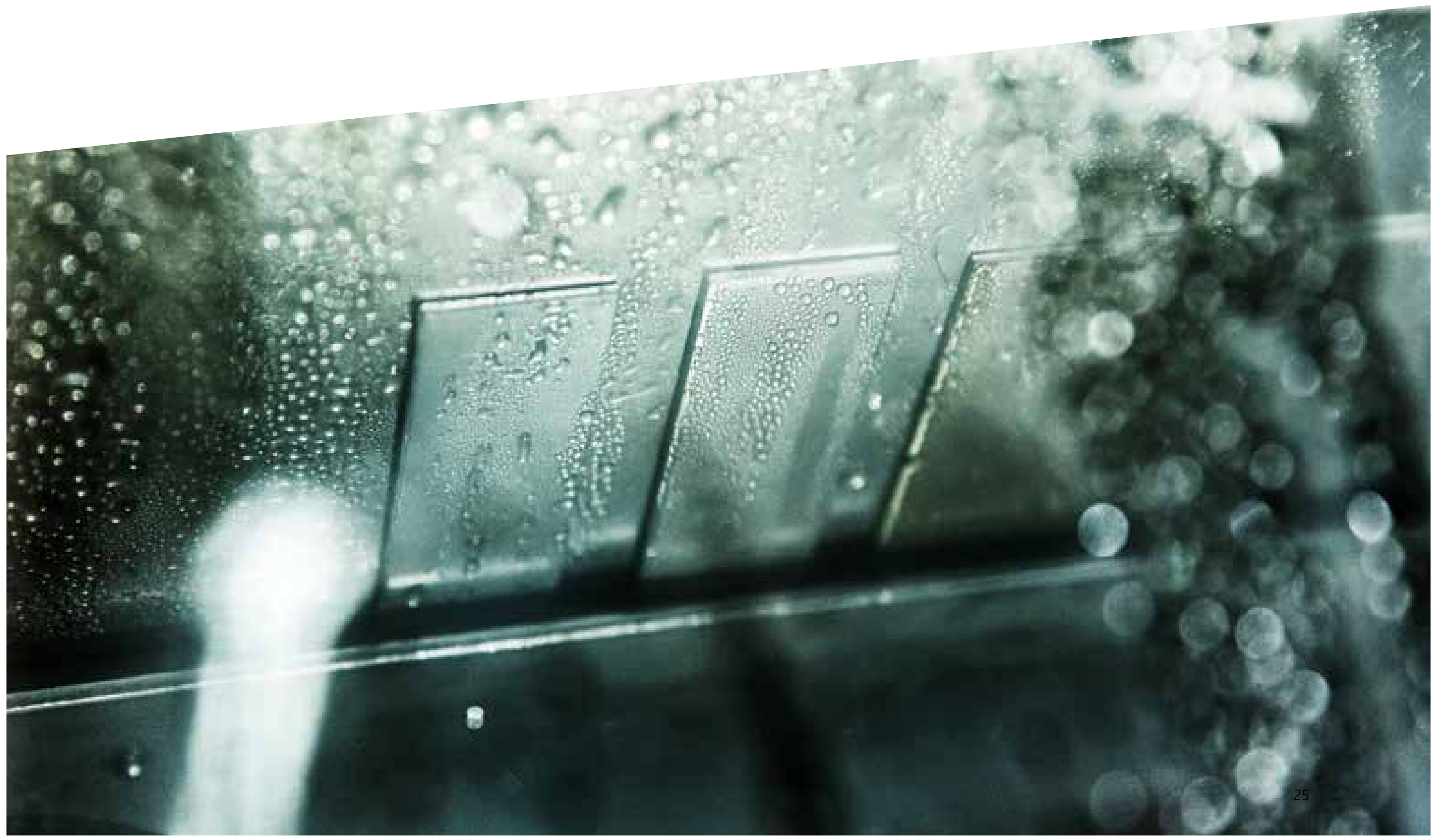
Development costs
Development costs include costs, wages and amortisation directly attributable to the Institute's development projects.

Developments that are clearly defined and identifiable, for which the technical utilisation, sufficient resources and a potential market or possible development within the company can be proven, and for which it is the intention to produce, market or use the project, are recognised as intangible fixed assets, the cost price of which can be reliably estimated, and for which there is sufficient assurance that the capital value of future earnings can cover the sales and administration costs etc., along with development costs. Other development costs are recognised in the income statement as they are incurred.

Development costs recognised in the balance sheet are measured at cost price less accumulated amortisation and depreciation or recoverable amount if lower. An amount equivalent to the activated development costs in the balance sheet incurred after 1 January 2016 is recognised under "reserve for development costs" under the equity. The reserve reduces in value as a result of amortisation.

Upon completion of development work, the development costs are amortised using the straight line method over the estimated economic useful life. The amortisation period is usually five years.

Patents and licenses
Patents and licenses are measured at cost price less accumulated amortisation. Patents are amortised using the straight line method over the remaining patent period, and licenses are amortised over the licence period (max. five years). Profit or loss from the sale of patents and



licenses are calculated as the difference between sales costs and the statutory accounts value at the time of sale. Profit or loss is recognised in the income statement under other operating income and other external costs.

Property, plant and equipment

Land and buildings, production plant and machinery along with other plant operating equipment, fixtures and fittings are measured at cost price less accumulated depreciation and impairment. Land is not depreciated.

The cost price includes the cost of acquisition and costs directly linked to acquisition until the point at which the asset is ready for use. For assets produced by the group, the cost price includes direct and indirect costs for materials, components, subsuppliers and pay. Interest is not included in the cost price.

Straight line depreciation is applied for the expected useful life based on the following estimation of the assets' expected useful life:

- Buildings 50 years
- Machinery, equipment etc. 5 years
- Fitting out leased premises 5-10 years
- IT equipment 3 years

Property, plant and equipment are depreciated to the recoverable value if lower than the statutory accounts value. An annual impairment test is performed on each individual asset or group of assets. Depreciation is recognised in the income statement under amortisation/depreciation and impairment.

Profit or loss from the sale of property, plant and equipment is calculated as the difference between the sales price less sales costs and the statutory accounts value at the time of sale. Profit or loss is recognised in the income statement under other operating income and other external costs.

Leasing contracts

The capitalised residual lease commitment is recognised in the balance sheet as a payable and the interest element of the leasing payment is recognised over the term of the contract in the income statement.

All other leasing contracts are operational leasing. Payments for operational leasing and other leasing agreements are recognised in the income statement over the term of the contract. The Institute's total liability concerning operational leasing and leases is stated under contingent liabilities etc.

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Investments in subsidiaries

Investments in subsidiaries and associated companies are recognised under the equity method.

Investments in subsidiaries and associated companies are measured as the proportional share of the company's equity value calculated according to the Institute's accounting policy with the deduction or addition of unrealised profit or loss within the group, and with the addition or deduction of the residual value of positive or negative goodwill.

Investments in subsidiaries with negative equity value according to the statutory accounts are measured at EUR 0, and any receivables from such companies are impaired if the receivable is irrecoverable. If the parent company has a legal or actual obligation to cover a negative balance that exceeds the value of the receivable, the residual amount is recognised under deferred liabilities.

Net revaluation of investments in subsidiaries is shown as a reserve for net revaluation under the equity value method in the equity, when the statutory accounts value exceeds cost price.

Inventories

Inventories are measured at cost price under the FIFO method. If the net realisable value is lower than the cost price, it is impaired to the lower value.

Cost price for goods for resale, raw materials and consumables include cost of acquisition plus delivery costs.

Cost price for manufactured finished goods, plus goods in production include cost price for raw materials, consumables and direct pay, plus indirect production costs. Indirect production costs include indirect materials and pay plus maintenance of and depreciation of the machinery, premises and equipment used in the production process, along with the costs of administration and management.

The net realisable value for inventories is calculated as the sales total less completion costs and costs incurred to effectuate the sale, and are determined with regard to negotiability, obsolescence and variations in the expected sales price.

Other securities, loans and investments

Other securities, loans and investments are measured at cost price. If there are indications of impairment loss, impairment is performed.

Receivables

Receivables are measured at amortised cost price. Impairment is performed to allow for loss under predetermined principles for valuation of receivables.

Contract work in progress

Contract work in progress concerns large and long-term projects, and is measured at the sales value of the work performed. The sales value is measured based on the degree of completion on the balance sheet date and the total expected income from individual elements of work in progress. When it is likely that the total contract costs will exceed the total income from a contract, the expected loss is recognised in the income statement.

When the sales value of a contract cannot be calculated reliably, it is measured at the cost incurred or net realisable value if lower.

Individual elements of work in progress are recognised in the balance sheet under receivables or payables. Net assets are composed of the sum of work in progress, when the sales value of the work performed exceeds invoicing on account.

Accruals

Accruals, recognised under assets, include costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Current tax liabilities and receivable current tax concerning the group's subsidiaries are recognised in the balance sheet as calculated tax on taxable income for the year, adjusted for tax on the taxable income of previous years and for tax paid on account.

Deferred tax is measured under the balance sheet liability method on all temporary differences between statutory account and taxable values of assets and liabilities.

Deferred tax assets, including the tax value of taxable deficit allowed for carry forward, are recognised at the value they are expected to be used for.

Deferred liabilities
Deferred liabilities include expected costs for guarantee commitments. Guarantee commitments include liabilities within a guarantee period of 1-2 years.

Deferred liabilities are measured at net realisable value.

Payables
Other payables are measured at amortised cost price, which mainly equates to nominal value.

Accruals
Accruals, recognised under liabilities, include payments received concerning the income of subsequent years.

Cash flow statement

The cash flow statement shows the group's cash flow broken down into operations, investment and financing activities for the year, the year's changes in cash and cash equivalents and the group's cash and cash equivalents at the start and end of the year.

The effect on cash flow from the acquisition and sale of companies is shown separately under cash flows from investment activities. Cash flows are recognised in the cash flow statement concerning companies acquired from the date of acquisition and cash flows concerning companies sold are recognised up to the point of sale.

Cash flow from operating activity
Cash flow from operating activity is calculated as the element of the result adjusted for non-cash operating items, changes in working capital and paid corporation tax.

Cash flow from investment activity
Cash flow from investment activity includes payments from the acquisition and sale of companies and activities, plus buying and selling of intangible, tangible and financial fixed assets.

Cash flow from financing activity
Cash flow from financing activity includes changes in the size or composition of the Institute's capital and related costs, borrowing and repayments on interest-bearing debt.

Cash and cash equivalents
Cash and cash equivalents include cash and short-term securities with a term of under 3 months, that can be easily converted into cash whereupon there is only an insignificant risk of changes in value.

Segment details

The details of turnover for the group's primary segments are provided. Segment details follow the group's accounting policy, risks and internal financial management. The primary segments include the group's various activities (divisions and companies).

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Financial ratios

The financial ratios presented in the financial highlights for the group are calculated as follows:

Profit margin	$\frac{\text{Operating profit or loss x 100}}{\text{Net turnover}}$
Treasury shares	$\frac{\text{Equity capital year end x 100}}{\text{Total liabilities year end}}$
Liquidity ratio	$\frac{\text{Current assets x 100}}{\text{Short-term debt}}$
Development financed by operations	Development financed by operations as a % of turnover

Income statement

EURm	Note	Group 2017	Group 2016	The Institute 2017	The Institute 2016
Commercial activities		102.2	101.2	78.8	75.1
Research and development activities		29.4	32.5	29.3	32.5
Performance-related contract activities		19.5	16.6	19.5	16.6
Net turnover	1	151.1	150.3	127.6	124.2
Project costs, excluding salaries		-31.5	-30.0	-21.0	-19.1
Other external costs		-27.4	-27.3	-24.0	-22.9
Personnel costs	2	-83.2	-85.9	-72.5	-74.8
Amortisation/depreciation and impairment	3	-4.4	-4.5	-3.6	-3.7
Other operating income	4	0.6	0.6	1.2	1.4
Operating profit or loss		5.2	3.2	7.7	5.1
Share of profit or loss after tax in subsidiaries		0.0	0.0	-2.0	-1.6
Share of profit or loss after tax in associated companies		0.0	0.0	0.0	0.0
Financial income	5	0.3	0.2	0.3	0.3
Financial costs	6	-0.3	-0.4	-0.3	-0.3
Profit or loss for the year before tax		5.2	3.0	5.7	3.5
Tax on profit or loss from ordinary activities	7	0.5	0.5	0.0	0.0
Profit or loss for the year before minority interests		5.7	3.5	5.7	3.5
Minority interests' share of profit or loss in subsidiaries		0.0	0.0	0.0	0.0
Net profit or loss for the year		5.7	3.5	5.7	3.5

Proposal for distribution of net profit					
Adjustment of net revaluation under equity value method		0.0	0.0	-1.6	-1.5
Retained earnings		5.7	3.5	7.3	5.0
Net profit or loss for the year		5.7	3.5	5.7	3.5

Balance sheet

EURm	Note	Group 2017	Group 2016	The Institute 2017	The Institute 2016
ASSETS					
Fixed assets					
Intangible fixed assets	8				
Goodwill		0.4	0.6	0.0	0.0
Development projects in progress		0.0	0.1	0.0	0.0
Completed development projects		1.3	1.3	0.0	0.0
Patents		0.0	0.0	0.0	0.0
		1.7	2.0	0.0	0.0
Property, plant and equipment	9				
Land and buildings		49.7	50.5	49.7	50.5
Production plant and machinery		0.7	0.6	0.0	0.0
Other plant, operating equipment, fixtures and fittings		8.7	6.0	8.5	5.9
Fitting out leased premises		0.1	0.1	0.1	0.1
Property, plant and equipment in progress		0.5	1.2	0.5	1.0
		59.7	58.4	58.8	57.5
Financial fixed assets					
Investments in subsidiaries	10	0.0	0.0	5.4	8.0
Investments in associated companies	11	0.0	0.0	0.0	0.0
Other securities, loans and investments	12	19.9	20.1	19.9	20.0
		19.9	20.1	25.3	28.0
Total fixed assets		81.3	80.5	84.1	85.5
Current assets					
Inventories					
Inventories	13	4.7	5.1	0.3	0.1
		4.7	5.1	0.3	0.1
Receivables					
Receivables from sale of goods and services		24.7	23.1	20.4	20.1
Contract work in progress	14	12.0	14.7	11.4	12.6
Receivables from subsidiaries		0.0	0.0	7.0	2.8
Deferred tax assets	15	0.8	0.4	0.0	0.0
Other receivables		1.5	1.6	0.3	0.2
Accruals	16	0.7	0.8	0.4	0.5
		39.7	40.6	39.5	36.2
Cash	17	17.6	8.7	13.6	5.3
Total current assets		62.0	54.4	53.4	41.6
TOTAL ASSETS		143.3	134.9	137.5	127.1

Balance sheet

EURm	Note	Group 2017	Group 2016	The Institute 2017	The Institute 2016
LIABILITIES					
Equity					
Net revaluation under equity value method		0.0	0.0	0.0	1.6
Retained earnings		90.3	84.4	90.3	82.8
Equity attributed to parent company		90.3	84.4	90.3	84.4
Minority interests		0.3	0.2	0.0	0.0
Total equity		90.6	84.6	90.3	84.4
Deferred liabilities					
Deferred tax	15	0.0	0.0	0.0	0.0
Guarantees	18	0.1	0.1	0.0	0.0
Other provisions		0.5	1.6	0.4	0.6
Total provisions		0.6	1.7	0.4	0.6
Payables					
Long-term payables					
Other long-term payables		0.0	0.1	0.0	0.1
		0.0	0.1	0.0	0.1
Short-term payables					
Contract work in progress	14	19.0	12.5	17.7	10.4
Suppliers of goods and services		7.5	6.2	6.1	4.4
Debt to subsidiaries		0.0	0.0	0.0	0.1
Debt to credit institute		8.2	11.6	8.2	11.5
Corporation tax due		0.0	0.0	0.0	0.0
Other debt	19	17.4	18.1	14.8	15.6
Accruals	16	0.0	0.1	0.0	0.0
		52.1	48.5	46.8	42.0
Total payables		52.1	48.6	46.8	42.1
TOTAL LIABILITIES		143.3	134.9	137.5	127.1

Auditor's fee	20
Guarantee and lease/leasing commitments	21
Contingent liabilities etc.	22
Derivative financial instruments	23
Related parties	24

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Statement of changes in equity

Group

EURm	Group: Retained earnings	Parent company's share of equity	Minority interests	Total
2017				
Equity as of 1 January	84.4	84.4	0.3	84.7
Net profit or loss for the year	5.7	5.7	0.0	5.7
Foreign exchange adjustment of foreign companies	0.0	0.0	0.0	0.0
Value adjustment of hedging instrument net	0.0	0.2	0.0	0.2
Equity as of 31 December	90.1	90.3	0.3	90.6
2016				
Equity as of 1 January	81.0	81.0	0.3	81.3
Net profit or loss for the year	3.5	3.5	0.0	3.5
Foreign exchange adjustment of foreign companies	-0.1	-0.1	0.0	-0.1
Value adjustment of hedging instrument net	0.0	0.0	0.0	0.0
Equity as of 31 December	84.4	84.4	0.3	84.7

Statement of changes in equity

Parent company

EURm	Parent company: Reserve for net revaluation under the equity value method	Retained earnings	Total
2017			
Equity as of 1 January	1.6	82.7	84.3
Net profit or loss for the year	-1.6	7.3	5.7
Foreign exchange adjustment of foreign companies	0.0	0.0	0.0
Value adjustment of hedging instrument net	0.0	0.3	0.3
Equity as of 31 December	0.0	90.3	90.3
2016			
Equity as of 1 January	3.2	77.8	81.0
Net profit or loss for the year	-1.5	5.0	3.5
Foreign exchange adjustment of foreign companies	-0.1	0.0	-0.1
Value adjustment of hedging instrument net	0.0	0.0	0.0
Equity as of 31 December	1.6	82.8	84.4

Cash flow statement

EURm	Note	Group 2017	Group 2016
Operating profit or loss		5.3	3.3
Adjustment for non-cash items	25	1.0	2.6
Amortisation/depreciation and impairment	3	4.4	4.5
Cash flow from operations before changes in working capital		10.7	10.4
Changes in work in progress and advance payments		8.7	-6.7
Changes in inventories		0.3	-1.8
Changes in supplier debt and other short-term debt		-1.5	0.1
Changes in receivables		-0.4	-1.1
Cash flow from operations before financial items and tax		17.8	0.9
Financial incoming and outgoing payments, net		-0.1	-0.2
Corporation tax paid		0.0	-0.3
Cash flow from operations		17.7	0.4
Investment in intangible activities	8	-0.2	-1.0
Investment in property, plant and equipment	9	-5.3	-4.1
Investment in financial fixed assets	12	0.1	-20.1
Sale of land and buildings		0.0	0.0
Sale of financial fixed assets	11	0.0	1.6
Cash flow from investment activity		-5.4	-23.6
Debt reduction		0.0	0.0
Borrowing from credit institutes		-3.4	11.5
Cash flow from financing		-3.4	11.5
Cash flow for the year		8.9	-11.7
Cash and cash equivalents, opening		8.7	20.4
Cash and cash equivalents, closing	17	17.6	8.7

The cash flow statement cannot be directly derived from the other parts of the consolidated accounts. The changes stated in working capital do not equate to the difference between opening and closing balances for the corresponding items in the balance sheet. This is due to the stated amount in the cash flow statement solely representing movements that affect liquidity. The difference between the interim and closing balance for items in the balance sheet is due to movements that affect and do not affect liquidity. One example of a movement with no effect on liquidity is provisions.

Movements with no effect on liquidity are placed under "Adjustment for non-cash items" in the cash flow statement.

Notes

1 – Segment details

Turnover - divisions

EURm

2017	Commercial activities	R&D activities	Performance-related contract activities	Total for group
AgroTech	8.3	3.0	3.1	14.4
Building and Construction	14.5	2.4	2.6	19.5
Danish Meat Research Institute	6.8	8.9	1.1	16.8
Energy and Climate	15.0	4.6	2.5	22.1
Commercial development	14.2	0.7	2.2	17.1
Life Science	6.6	2.2	1.6	10.4
Materials	7.2	2.6	2.8	12.6
Production	5.6	4.7	3.6	13.9
International commercial activities	0.6	0.2	0.0	0.8
Production of particle acceleration equipment	14.0	0.1	0.0	14.1
Other subsidiaries*	9.4	0.0	0.0	9.4
Net turnover	102.2	29.4	19.5	151.1
2016				
AgroTech	8.2	3.4	2.3	13.9
Building and Construction	13.1	2.7	1.9	17.7
Danish Meat Research Institute	6.0	9.9	1.1	17.0
Energy and Climate	15.3	5.2	2.4	22.9
Commercial development	13.2	0.6	2.3	16.1
Life Science	6.0	2.4	1.2	9.6
Materials	7.5	3.6	2.3	13.4
Production	5.7	4.6	3.1	13.4
International commercial activities	0.1	0.1	0.0	0.2
Production of particle acceleration equipment	16.5	0.0	0.0	16.5
Other subsidiaries*	9.6	0.0	0.0	9.6
Net turnover	101.2	32.5	16.6	150.3

* Primarily education activities at Teknologisk Institut Sverige AB and certification activities at Dancert A/S.

Turnover - geographically

EURm	Denmark	Abroad	Total for group
2017	110.0	41.1	151.1
2016	106.8	43.5	150.3

2 – Personnel costs

EURm	Group 2017	Group 2016	The Institute 2017	The Institute 2016
Salaries and wages	80.3	83.2	71.1	73.4
Pensions	1.4	1.3	0.8	0.8
Other social contributions	1.5	1.4	0.6	0.6
	83.2	85.9	72.5	74.8

Remuneration for the group's Executive Board and Board of Trustees amounts to EUR 1.2 million. (2016: EUR 1.0 million). Remuneration for the Institute's Executive Board and Board of Trustees amounts to EUR 0.6 million. (2016: EUR 0.5 million). The group employed an average of 1,041 employees compared to 1,074 in 2016. The Institute employed an average of 898 employees compared to 921 in 2016.

With reference to section 98b of the Danish Financial Statements Act, remuneration for the Executive Board and Board of Trustees is presented as a total amount.

3 – Amortisation/depreciation and impairment

EURm	Group 2017	Group 2016	The Institute 2017	The Institute 2016
Amortisation/depreciation	3.7	3.6	2.9	2.8
Impairment	0.7	0.9	0.7	0.9
	4.4	4.5	3.6	3.7

Impairment in 2017 concerns other plant. operating equipment. fixtures and fittings.

4 – Other operating income

EURm	Group 2017	Group 2016	The Institute 2017	The Institute 2016
Income concerning external tenants	0.5	0.4	0.8	0.9
Income from group services	0.0	0.0	0.3	0.3
Tax refunds, previous years	0.0	0.2	0.0	0.2
Profit/loss from operating equipment sold	0.1	0.0	0.1	0.0
	0.6	0.6	1.2	1.4

5 – Financial income

EURm	Group 2017	Group 2016	The Institute 2017	The Institute 2016
Interest income	0.0	0.0	0.0	0.0
Interest income from group enterprises	0.0	0.0	0.0	0.1
Exchange gains	0.3	0.2	0.3	0.2
	0.3	0.2	0.3	0.3

6 – Financial expenses

EURm	Group 2017	Group 2016	The Institute 2017	The Institute 2016
Other financial costs	0.1	0.1	0.1	0.1
Exchange losses	0.2	0.3	0.2	0.2
	0.3	0.4	0.3	0.3

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7 – Tax on profit for the year

EURm	Group 2017	Group 2016	The Institute 2017	The Institute 2016
Calculated tax on taxable income for the year	0.0	0.0	0.0	0.0
Adjustment of deferred tax for the year	-0.5	-0.5	0.0	0.0
	-0.5	-0.5	0.0	0.0

8 – Intangible fixed assets

EURm (Group)	Goodwill	Development projects in progress	Completed development projects	Patents (Institute)	Total
Cost price as of 1 January	2.9	0.1	1.8	0.7	5.5
Exchange rate adjustment in foreign enterprises	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.2	0.3	0.0	0.5
Disposals	0.0	-0.3	0.0	0.0	-0.3
Cost price as of 31 December	2.9	0.0	2.1	0.7	5.7
Impairment and amortisation as of 1 January	2.3	0.0	0.5	0.7	3.5
Exchange rate adjustment in foreign enterprises	0.0	0.0	0.0	0.0	0.0
Amortisation	0.2	0.0	0.3	0.0	0.5
Impairment and amortisation as of 31 December	2.5	0.0	0.8	0.7	4.0
Statutory account value as of 31 December	0.4	0.0	1.3	0.0	1.7

Development projects concern the development of new types of power supplies by Danfysik A/S for the existing and new markets. Such projects are a natural extension of the existing product types sold, and should be seen in the context of Danfysik having enjoyed a leading position for many years within advanced power supplies for such uses as particle accelerator plant. All projects are running according to plan, and are primarily conducted by our own employees.

EURm

9 – Property, plant and equipment

Group	Land and buildings	Production plant and machinery	Other plant, operating equipment, fixtures and fittings	Fitting out of leased premises	Property, plant and equipment in progress	Total
Cost price as of 1 January	75.4	1.9	45.7	0.1	1.2	124.3
Exchange rate adjustment in foreign enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.3	5.8	0.0	0.7	6.8
Project-financed	0.0	0.0	-0.2	0.0	0.0	-0.2
Disposals	0.0	0.0	-2.6	0.0	-1.4	-4.0
Cost price as of 31 December	75.4	2.2	48.7	0.1	0.5	126.9
Impairment and depreciation as of 1 January	24.8	1.3	39.6	0.0	0.0	65.7
Exchange rate adjustment in foreign enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.9	0.2	2.1	0.0	0.0	3.2
Impairment	0.0	0.0	0.7	0.0	0.0	0.7
Depreciation and impairment related to disposal	0.0	0.0	-2.4	0.0	0.0	-2.4
Impairment and depreciation as of 31 December	25.7	1.5	40.0	0.0	0.0	67.2
Statutory accounts value as of 31 December	49.7	0.7	8.7	0.1	0.5	59.7

EURm

The Institute	Land and buildings	Other plant, operating equipment, fixtures and fittings	Fitting out of leased premises	Property, plant and equipment in progress	Total
Cost price as of 1 January	75.4	44.8	0.1	1.0	121.3
Acquisitions	0.0	5.6	0.0	0.6	6.2
Project-financed	0.0	-0.2	0.0	0.0	-0.2
Disposals	0.0	-2.5	0.0	-1.1	-3.6
Cost price as of 31 December	75.4	47.7	0.1	0.5	123.7
Impairment and depreciation as of 1 January	24.8	38.9	0.0	0.0	63.7
Amortisation	0.9	2.0	0.0	0.0	2.9
Impairment	0.0	0.7	0.0	0.0	0.7
Depreciation and impairment related to disposal	0.0	-2.4	0.0	0.0	-2.4
Impairment and depreciation as of 31 December	25.7	39.2	0.0	0.0	64.9
Statutory accounts value as of 31 December	49.7	8.5	0.1	0.5	58.8

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EURm

10 – Investments in subsidiaries (Institute)

	2017	2016
Cost price as of 1 January	6.8	4.1
Acquisitions	0.0	2.7
Cost price as of 31 December	6.8	6.8
Value adjustments as of 1 January	1.2	3.2
Exchange rate adjustments	0.0	-0.1
Distributed dividends	-0.9	-0.2
Amortisation of goodwill	0.0	0.0
Adjustment of market value of forward exchange contracts in subsidiaries	0.3	-0.1
Adjustment of internal profit margin	0.1	0.0
Adjustment for previous years	-0.2	0.0
Net profit or loss for the year	-1.9	-1.6
Value adjustments as of 31 December	-1.4	1.2
Statutory accounts value as of 31 December	5.4	8.0

Name	Registered office	Share capital	Voting share and ownership interest in %	Equity	Net profit or loss for the year
Teknologisk Innovation A/S	Høje Taastrup, Denmark	TDKK 7,500	100	1,022	-47
Dancert A/S	Høje Taastrup, Denmark	TDKK 500	100	208	-26
Danfysik A/S	Høje Taastrup, Denmark	TDKK 7,000	100	2,105	-1,887
Teknologisk Institut Sverige AB	Gothenburg, Sweden	TSEK 5,000	100	1,343	131
DTI Polska Sp. z o.o.	Warsaw, Poland	TPLN 50	68	562	52
DTI Spain S.L.	Barcelona, Spain	TEUR 3	67	85	27

All subsidiaries are independent units.

EURm

11 – Investment in associated companies (Group)

	2017	2016
Cost price as of 1 January	0.0	0.9
Disposals	0.0	-0.9
Cost price as of 31 December	0.0	0.0
Value adjustments as of 1 January	0.0	0.7
Disposals	0.0	-0.7
Net profit or loss for the year	0.0	0.0
Value adjustments as at of December	0.0	0.0
Statutory accounts value as of 31 December	0.0	0.0

EURm	Group		The Institute	
	2017	2016	2017	2016
12 - Other securities, loans and investments				
Cost price as of 1 January	20.3	0.2	20.1	0.0
Acquisitions	6.6	20.2	6.6	20.2
Disposals	-6.9	-0.1	-6.8	-0.1
Cost price as of 31 December	20.0	20.3	19.9	20.1
Impairments as of 1 January	0.2	0.1	0.1	0.0
Impairment for the year	-0.1	0.1	-0.1	0.1
Impairment as of 31 December	0.1	0.2	0.0	0.1
Statutory accounts value as of 31 December	19.9	20.1	19.9	20.0

Of securities held, EUR 8.1 million is pledged as security for credit institute loans.

13 - Inventories

Raw materials and consumables	2.5	3.3	0.0	0.0
Goods under manufacture	2.0	1.7	0.0	0.0
Manufactured and trade goods	0.2	0.1	0.3	0.1
	4.7	5.1	0.3	0.1

The statutory accounts value of inventories recognised at net realisable value, comprises EUR 0.1 million for the group and EUR 0 million for the Institute.

14 - Contract work in progress

Sales value of work performed	102.9	114.6	90.7	105.1
Invoicing on account	-109.9	-112.4	-97.0	-102.9
	-7.0	2.2	-6.3	2.2
Contract work in progress invoicing recognised as follows:				
Contract work in progress (assets)	12.0	14.7	11.4	12.6
Contract work in progress (liabilities)	-19.0	-12.5	-17.7	-10.4
Statutory accounts value as of 31 December	-7.0	2.2	-6.3	2.2

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EURm	Group		The Institute	
	2017	2016	2017	2016
15 - Deferred tax				
Deferred tax assets				
Deferred tax as of 1 January	0.4	-0.2	0.0	0.0
Adjustment of deferred tax for the year	0.4	0.6	0.0	0.0
Deferred tax asset as of 31 December	0.8	0.4	0.0	0.0
Deferred tax asset concerns:				
Financial fixed assets	0.0	0.0	0.0	0.0
Intangible fixed assets	-0.3	-0.3	0.0	0.0
Property, plant and equipment	0.3	0.2	0.0	0.0
Current assets	-0.4	-0.5	0.0	0.0
Taxable deficit	1.2	1.0	0.0	0.0
	0.8	0.4	0.0	0.0
Deferred tax				
Deferred tax as of 1 January	0.0	0.0	0.0	0.0
Adjustment of deferred tax for the year	0.0	0.1	0.0	0.0
Adjustment of deferred tax as a result of change in tax percentage	0.0	0.0	0.0	0.0
Deferred tax as of 31 December	0.0	0.0	0.0	0.0
Provisions for deferred tax concern:				
Intangible fixed assets	0.0	0.0	0.0	0.0
Property, plant and equipment	0.0	0.0	0.0	0.0
Current assets	0.0	0.0	0.0	0.0
Taxable deficit	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0

16 - Accruals

Accruals under assets comprise pre-paid costs concerning software licences and rent.
Accruals under liabilities comprise pre-paid refunds concerning rent received.

17 - Cash

Free funds	7.4	8.3	3.4	4.9
Tied-up funds	10.2	0.4	10.2	0.4
	17.6	8.7	13.6	5.3

Tied-up funds comprise funds in a deposit account, and for onward payment to project partners.

18 - Guarantee commitments

Guarantee commitments falling due after 1 year total DKK 0 million. (2016: EUR 0.0 million).

EURm	Group		The Institute	
	2017	2016	2017	2016

19 - Other debt

	2017	2016	2017	2016
Holiday pay obligation	11.5	12.2	10.7	11.1
A-tax payable	0.0	0.0	0.0	0.0
VAT payable	0.8	0.7	0.8	0.7
Other accounts payable	5.0	5.1	3.2	3.7
Miscellaneous deposits	0.1	0.1	0.1	0.1
	17.4	18.1	14.8	15.6

20 - Auditor's fee

	2017	2016	2017	2016
Mandatory audit	0.1	0.1	0.1	0.1
Declarations with guarantee	0.1	0.1	0.1	0.1
Tax consultancy	0.0	0.0	0.0	0.0
Total fee to PWC	0.2	0.2	0.2	0.2

21 - Guarantee commitments

	2017	2016	2017	2016
Guarantees for payments received on account and payment guarantee to building developer	6.6	6.2	0.3	0.3

22 - Contingent liabilities etc.

The Institute is party to certain disputes, of which the outcome is not not expected to affect its financial position.

The Institute is taking part in projects which, under certain circumstances, could lead to an obligation to repay a subsidy received. Where this is deemed likely, a provision is made for the obligation.

The Institute provides surety for the use of Mastercard by the employees.
The Institute (parent company) provides surety for certain guarantees given by Danfysik to Jyske Bank.
The Institute (parent company) provides a guarantee for lending facilities provided to Danfysik by Jyske Bank.

Rent and leasing commitments

	2017	2016	2017	2016
Rent commitment				
Commitment within the next 5 years	2.6	2.0	1.1	1.6
Commitment next year	1.2	1.0	0.5	0.6
Operational leasing contracts				
Commitment within the next 5 years	0.1	0.1	0.0	0.0
Commitment next year	0.0	0.0	0.0	0.0

23 - Derivative financial instruments

In order to hedge individual contracts in foreign currencies, the group uses forward exchange contracts.
The contracts concerned can be specified as follows:

		Contractual value		Gains and losses recognised in the equity	
EURm	Period	2017	2016	2017	2016
The Institute	0-12 months	0.0	0.1	0.0	0.0
	Over 12 months	0.0	0.0	0.0	0.0
		0.0	0.1	0.0	0.0
The group	0-12 months	4.5	3.4	0.1	-0.3
	Over 12 months	0.6	0.8	0.0	0.0
		5.1	4.2	0.1	-0.3

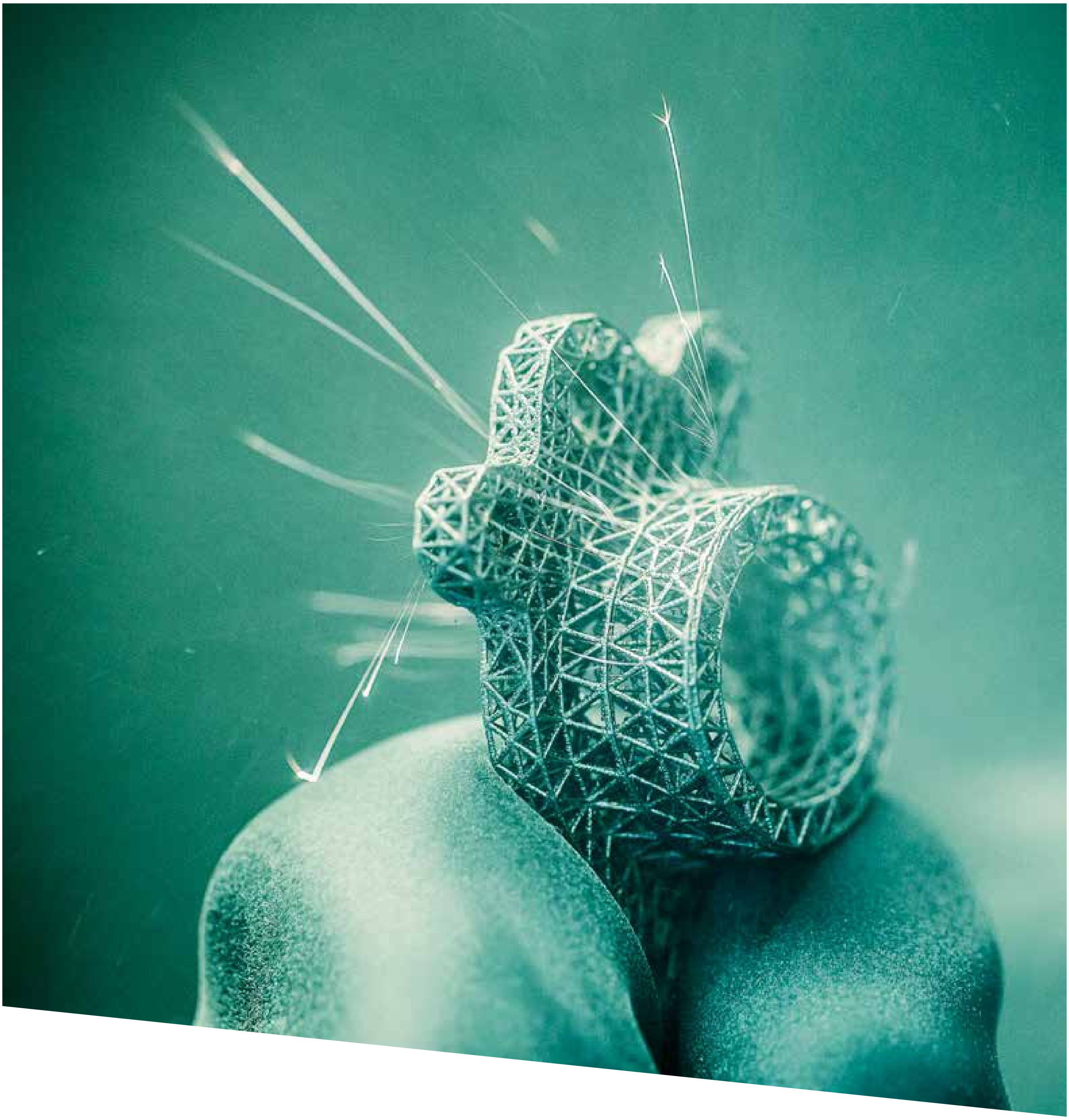
Forward exchange contracts are in GBP and USD.

24 - Related parties

The Institute's related parties with significant influence include the Board of Trustees and the Executive Board. The Institute has no transactions with related parties other than the usual dealings with subsidiaries and associated companies. Transactions are made on market terms.

25 - Adjustment for non-cash items

EURm	Group 2017	Group 2016
Adjustment of provision for holiday pay commitment	0.4	1.2
Adjustment of provision for bonus payments	0.8	1.2
Adjustment of outstanding costs	1.0	1.1
Adjustment concerning discharged employees	0.3	0.4
Adjustment of provision for debtors	-0.3	-0.1
Adjustment of provision concerning work in progress	-0.5	-0.8
Adjustment of pre-paid costs	-0.8	-0.6
Other adjustments net	0.1	0.2
Total adjustment for non-cash items	1.0	2.6



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