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DINEX A/S
Fynsvej 39
5500 Middelfart
Central Business Registration
No 10504473

Annual report 2017

The Annual General Meeting adopted the annual report on 30.04.2018

Chairman of the General Meeting

Name: Lars Brorsen

Contents

Entity details

Entity
DINEX A/S
Fynsvej 39
5500 Middelfart

Central Business Registration No (CVR): 10504473
Founded: 01.11.1986
Registered in: Middelfart
Financial year: 01.01.2017 - 31.12.2017

Board of Directors
Lars Brorsen, Formand
Carsten Riisberg Lund
Kenneth Aaby Sachse
Peter Kragh Knudsen

Executive Board
Torben Staal Dinesen , Adm. dir

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus 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 DINEX 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 and cash flows 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.

Middelfart, 12.03.2018

Executive Board

Torben Staal Dinesen
Adm. dir

Board of Directors

Lars Brorsen
Formand

Carsten Riisberg Lund

Kenneth Aaby Sachse

Peter Kragh Knudsen

Independent auditor's report

To the shareholders of DINEX A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of DINEX 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, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group’s and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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.

Aarhus, 12.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Thomas Rosquist Andersen
State Authorised Public Accountant
Identification No (MNE) mne31482

Søren Alsen Lauridsen
State Authorised Public Accountant
Identification No (MNE) mne40040

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	1.039.651	913.644	810.987	944.778	738.173
Gross profit/loss	350.554	241.605	190.581	220.230	215.124
EBITDA	139.936	82.030	39.984	69.755	126.678
Operating profit/loss	83.043	32.442	20.010	7.147	79.590
Net financials	(35.904)	(26.244)	(19.859)	(40.619)	(26.960)
Profit/loss for the year	32.548	(3.395)	9.812	(18.701)	44.426
Total assets	927.851	883.495	906.323	956.951	900.497
Investments in property, plant and equipment	46.538	100.067	117.434	99.248	83.899
Equity incl minority interests	108.285	85.669	121.364	143.021	185.395
Average invested capital incl goodwill	615.429	598.751	688.491	717.715	688.237
Net interest-bearing debt	442.568	527.913	560.969	587.755	512.495
Equity incl minority interests and subordinated loan	223.285	100.669	136.364	143.021	186.751
Ratios					
Gross margin (%)	33,7	26,4	23,5	23,3	29,1
Net margin (%)	3,1	(0,4)	1,2	(2,0)	6,0
Return on invested capital incl goodwill (%)	22,8	13,7	5,6	9,6	19,5
Revenue/Invested capital incl goodwill	1,7	1,5	1,2	1,3	1,1
Financial gearing (%)	4,1	6,2	4,6	4,1	2,8
Return on equity (%)	33,6	(3,3)	7,4	(11,4)	23,9
Equity ratio (%)	11,7	9,7	13,4	14,9	20,6
EBITDA-margin (%)	13,5	9,0	4,9	7,4	17,2
Operating gearing	3,2	6,4	14,0	8,4	3,9
Equity ration incl subordinated loan(%)	24,2	11,4	15,0	14,9	20,7

EBIT (Earnings Before Interest and Tax) is defined as operating profit.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) is defined as operating profit plus the years’s depreciation and amortization of and impairment losses on intangible assests including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortization of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses on goodwill are not added.

Management commentary

Net working capitals is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income tax receivable and payable as well as cash are not included in net working capital.

Net interst-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	Gross profit/loss x 100 / Revenue	The entity's operating gearing.
Net margin (%)	Profit/loss for the year x 100 / Revenue	The entity's operating profitability.
Return on invested capital incl goodwill (%)	EBITA x 100 / Average invested capital incl goodwill	The return generated by the entity on the investors' funds.
Revenue/Invested capital incl goodwill	Revenue / Average invested capital incl goodwill	Turnover rate of capital employed by the entity.
Financial gearing	Net interest-bearing debt / Equity incl minority interests	The entity's financial gearing.
Return on equity (%)	Profit/loss for the year x 100 / Average equity incl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity incl minority interests x 100 / Total assets	The financial strength of the entity.
EBITDA-margin (%)	Revenue / EBITDA	The enity's operating profitability
Operating gearing	Interest bearing debt, net / EBITDA	The entity's financial gearing adjusted for the profitability
Equity ration incl subordinated loan(%)	Equity incl subordinated loan x 100 / Total assets	The financial strength of the entity incl minority interests and subordinated loan

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit.

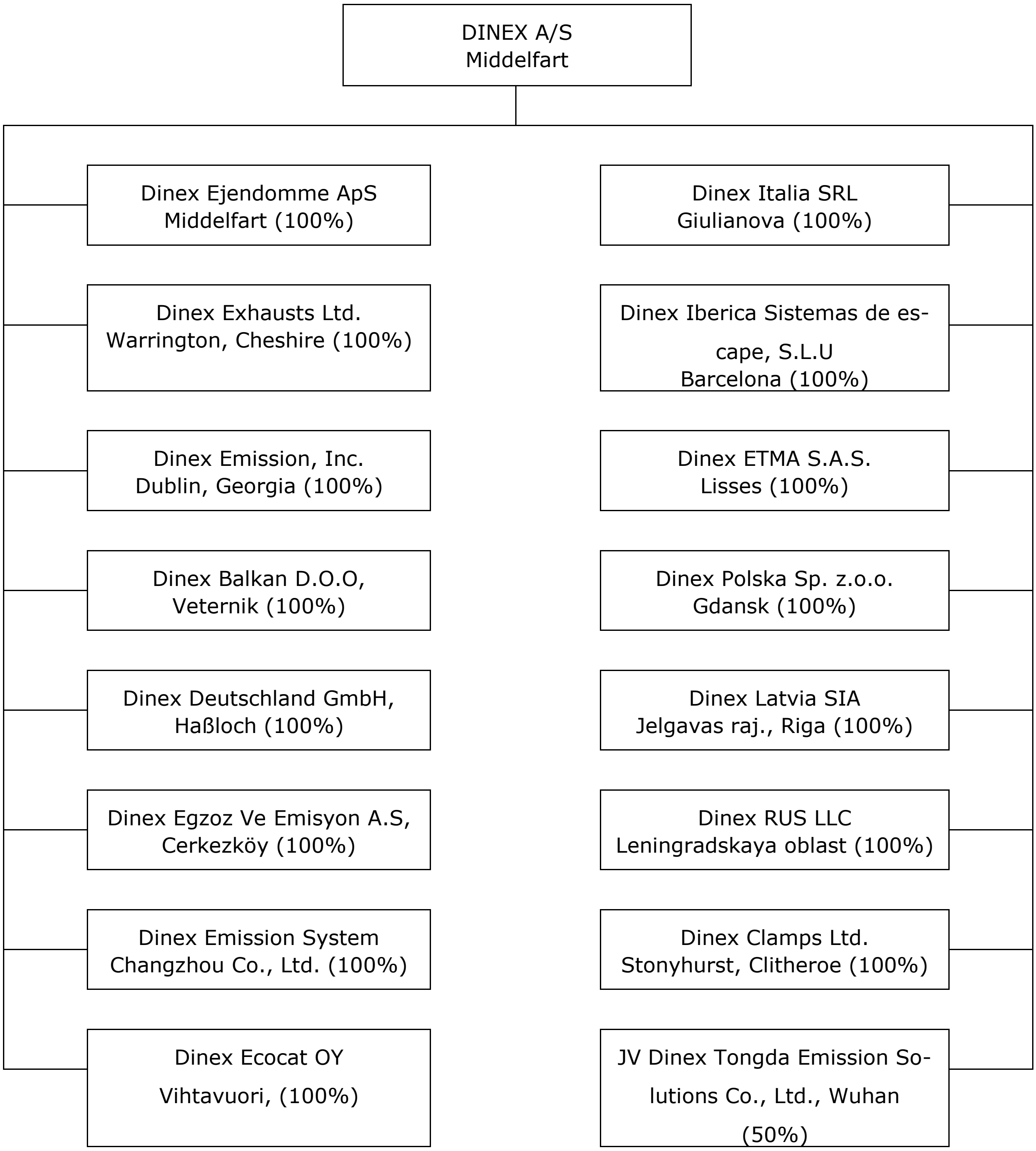
Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses for goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Management commentary

Group Chart



Management commentary

Primary activities

As in previous years, the primary activity of the Dinex Group has been development, production and sales of exhaust and emission systems for trucks, buses, vans and industrial machines.

Development in activities and finances

Customers in the Dinex Group are separated in two main segments - AEM customers (spare parts wholesalers) and OEM customers (manufacturers of diesel-powered vehicles - On Road and Off Road), including niche sales of catalyst components to a diverse portfolio of applications including passenger cars, larger stationary engines and power plants.

The operating profit (EBIT) of the Group was DKK 83.043 thousand against DKK 32.442 thousand in 2016. The result before tax for the Group was DKK 47.139 thousand against DKK 6.198 thousand in 2016. The year-end total net result after tax for the Group was DKK 32.548 thousand against DKK -3.395 thousand in 2016.

The 2017 result is compared to 2016 only influenced by a few special items with a negative net effect of DKK 6.110 thousand before tax and relates to the organizational adjustment as part of setting the future group management team.

EBITDA amounts to DKK 140 million and is significantly improved compared to the 2016 and 2015 level. The statisfactory performance meets the expectations and supports that the right decisions have been made regarding establishment of management, organizational and production facility structure to support the future strategy. The improvement is driven by a strong recovery in the Russian market, the US market and growth in the export to Middle East combined with a stable and profitable business in Europe for both AEM and OEM. Furthermore the US organization has developed and launched a complete rate of Aftermarket Diesel Particulate Filters (DPFs) which secures a strong foundation for profitable growth in the US in the coming years and the Chinese organization has started the delivery of emission products in compliance with national 5 to the JV in mid 2017 with full scale in 2018.

The investment activities is reduced compared to prior years. The investments in 2017 has mainly supported the final stages of the product launch in China planned for 2017, improvements in Finland regarding washcoat production and development in technology.

As part of establishment of the future strategy for the period 2018-2020, we have been granted DKK 100 million in subordinated loan capital as part of a comprehensive plan for the future capital structure. The satisfactory performance development in 2017 combined with the strengthening of the capital has improved the key figures and ratios significantly in 2017 compared to 2016.

Management commentary

Unusual circumstances affecting recognition and measurement
No unusual conditions have been noted in the actual financial year, which might have influenced this annual report positively or negatively.

Particular risks
Business risks
Dinex primarily produces goods that are sold in a regulated emission market where governments and agencies control the emission standards. Sudden unexpected changes in emission standards can affect sales volume negatively for Dinex; sudden stricter emission standards require a development process before new emission products can be sold, and a sudden roll-back in emission standards requires change in production plans, product portfolio and similar.

Financial exposure
Dinex is investing in a Joint Venture with a Chinese manufacturer. The return on the investment is highly dependent of the development in the Chinese market for emission products. The introduction of stricter emission standards have been accelerated in China and provided the right opportunity to be nominated for a 2017 National 5 application. The JV started productions of National 5 emission systems during Q2 2017 with full scale impact in 2018.

Credit risk
The credit risks of the Group are primarily related to trade receivables, which at the end of 2017 were DKK 223.706 thousand against DKK 165.163 thousand in 2016. The increased level is caused by the higher activity and delayed payments from customers in Middle East. The customers can be grouped in two main categories one being very large OEM manufactures with strong balance sheets and the second being a diversified portfolio of smaller aftermarket customers. Historic losses are very limited; this was also the case in 2017.

Currency and interests risks
The consolidated financial statements are furthermore influenced by changes in exchange rates, as the result and equity of the subsidiaries are converted into Danish kroner at year-end based on average and year-end rates.

The currency risk of the Group is mainly managed through matching of incoming and outgoing payment currencies; active hedging using e.g. instruments is only used to a limited extent. In connection with considerations about the future financing structure of the Dinex Group, Management has examined various possibilities of covering the risks connected with loan financing, cash flow in foreign currency and the related interest costs. In 2017, a total net exchange loss of DKK 7.135 thousand is realized, against a net gain of DKK 6.634 thousand in 2016. The exchange loss is mainly driven by loss in Turkish Lire and US Dollar.

Management commentary

Intellectual capital resources
The employees in the Dinex Group cover a wide field. At year-end, the Group had 1.233 employees, including 75 in Denmark.

Research and development activities
The company's total costs for R&D make up approx. 4% of the revenue.

Outlook
2018 will continue the positive trend seen in revenue and profits. We expect profitable growth driven by a stable European and Russian OEM and AEM market; continued growth in the export business to Middle East; combined with growth in the US driven by the new aftermarket product portfolio and China driven mainly by sales to Dinex' JV company with full scale in 2018.

The EBITDA margin, excluding special items, is expected to a level in the range of 13-15%, as a result of increased revenue, continued focus on efficiency, investment in future technology and a cautious cost approach.

The level of investments in 2018 is planned to be on a similar level as in 2017; with focus on optimization of processes that are already in place and specific activities related to future technology in line with the strategy for the period 2018-2020. The operation is running a Supply Chain End to End optimization program

Dinex continued the development of the Eminizer ™ concept in 2017. Eminizer ™ is a complete emission exhaust system that meets the emission requirements that are expected to be introduced in 2020. The new system is around 50% smaller and lighter than previous systems. Dinex is in development negotiations with several major truck manufacturers globally.

Management estimates that the Group will achieve a satisfactory positive result in 2018.

Statutory report on corporate social responsibility
The main contribution to society by the Dinex Group is the Group's development, production and sale of particulate filters reducing harmful particles and noise from diesel engines. Today, particles are considered a key health issue in many cities around the world and governments are fighting pollution through constantly tightening of emission regulations. Dinex has developed a technology that can eliminate 99.9% of particles emanating from diesel engines. The Group wants to contribute to a sustainable development by preventing pollution and reducing energy consumption.

The Group's CSR efforts are outlined below, including the policies and guidelines on which the Group bases its work. The Company's CSR activities are attended to all global sites within the Dinex Group.
Ethics - Code of Conduct
Our Code of Conduct reflects the Group's general CSR approach. The Code of Conduct lays down formal guidelines on compliance with effective legislation and fundamental human rights, including combating discrimination and child labor, guidelines for maintaining a safe environment and working environment for all

Management commentary

the Group's employees. The Code of Conduct applies to the entire Dinex Group and must be signed by all key suppliers. Dinex has a global Occupational Health and Safety Policy which all Dinex employees have to comply with in their daily work. The management policy establishes guidelines on equal treatment, motivation and communication with staff.

Our CSR focus in 2017 - activities and results

Dinex' CSR efforts fall within three general areas that relate to the company's day-to-day operations and production: Environment, supplier management and employee relations.

1. **Environment**

As part of the environmental focus, Dinex Group works out from an environmental policy and has been environmentally certified under ISO 14001. Through its environmental policy, the Group has committed itself to comply with regulatory requirements, communicating honestly with stakeholders on environmental issues, regularly improving the environmental conditions of the Company and reducing environmental burdens from production, including reducing electricity consumption and scrap quantities, preventing pollution and applying environmentally friendly materials and technologies.

As an example of Dinex' environmentally consciousness, Dinex is running an Optimization Program to reduce the use of energy at its most energy consuming production facility, which is caused by a need for capacity of ovens that are running at high temperatures over a longer period of time.

Due to our continuing efforts in this field, we believe that Dinex has maintained a high level of environmental protection in 2017. Dinex wishes to minimize scrap with 5% compared to 2017 level through high quality and efficiency in production processes using new production methods and process optimization.

2. **Supplier management**

Dinex wants to promote a focus on responsibility among the Group's suppliers and business partners. When selecting new suppliers, weight is thus attached to responsibility being considered actively in the relevant supplier's day-to-day operations and management.

In order to support this objective, the guidelines are specified in the Group's Code of Conduct as criteria when evaluating potential suppliers. New suppliers receive our Code of Conduct, and are also encouraged to obtain an environmental certification.

The Group's existing and most significant suppliers are also audited annually, based on similar criteria and the guidelines of the Code of Conduct. Group Management have not identified any abnormalities in the supplier behavior in 2017. Dinex will further develop control procedures in 2018 by documenting business reviews, include questionaires, interviews and test the supplier compliance.

Management commentary

3. **Human rights**

Dinex respects human rights, including gender, race, color, religion or belief, political opinion, sexual orientation, age, disability or national, social or ethnic origin. We have an open communication, conducting subsidiaries visits, calling for any critical circumstances to escalate to Group Management. It is confirmed that the Group Management for this reporting year is not aware of examples of human rights violations.

4. **Human Resources**

Dinex has increased the focus and priority of human resources (HR) even further in 2017 which will continue into 2018 and onwards. To structure HR activities, Dinex has identified five must win battles for our strategy towards 2020;

1) Management and leadership
2) Identify and Culture
3) Organization and structure
4) Incentives and rewards
5) Knowledge, competences and skills

Health & Safety

Ensuring a healthy and safe environment for the staff of Dinex involves guaranteeing physical safety and psychological wellbeing. Dinex Group safety committee and regular workplace evaluations focus on following up on accidents and other issues requiring a special effort, in order to reduce the risk of accidents and occupational disease.

In order to ensure a high safety level across the organization, Dinex Group follow up on the implemented global formal procedure for purchasing production equipment and tools, where the objective is to ensure that all equipment at all Dinex sites are CE certified before operating. A CE certification means, that under its own responsibility, the manufacturer has declared, that the product is consistent with all statutory requirements of the CE marking and that the product in question may be sold throughout the European Economic Area.

Management training & development

It is important for Dinex that managers are developing and leading our people in the best way possible. The purpose is to ensure that employees at all levels in the organization develop their competences and that Dinex create their own future leaders. Implementation of the Program will continue during 2018, where managers and employees will receive proper training.

Trainees & Internships

Dinex focuses on creating a diverse workplace with room for differences. This is reflected in the circumstance that the Company regularly enters into partnerships with, for instance, trainees in various kinds of job programs. Dinex has a co-operation agreement with different Universities around the world and co-operates

Management commentary

with thesis students for the benefit of both the student and the Company. Dinex is also offering internships within all the different functional areas.

Dinex is also on a continuous basis investing in education and courses to develop employee's competences to meet both personal and future business needs. As an example, Dinex has invested in an MBA program and Master programs for some Engineers. In 2017, the Dinex top management team met in Hamburg where they received leadership and teamwork training combined with launch of the strategy for the period 2018-2020.

Statutory report on the underrepresented gender

All Dinex staff was recruited based on professional skills without regard to religion, race, gender, handicap or age. As a Group, we look upon diversity as a strength, and we actively combat discrimination and aspire to promote equal treatment. This applies to the management level as well as all other levels in the organization.

Dinex has been working actively to increase the number of the underrepresented gender in order to gain the benefits of more dynamic and differences in problem-solving, decision-making, etc.

Dinex' increased focus on the underrepresented gender has led to a number of actions. In total, the Dinex group is comprised by 19% women and 81% men, but for management pool 25% is actually women. The Executive Committee has defined a target for 2020 to increase the numbers to 30% women and 70% men. Therefore, Dinex will continue to work actively on ensuring a greater balance in the local and group management teams. As an example of Dinex' effort, the CFO and Strategy execution Manager are women who are influencing the group decision-making, as well as Dinex has six women acting as either legal responsible for a local company or as overall Site Managers for a company.

Dinex' Board of Directors have four members, who are all men and unchanged in 2017 as no new board members have been elected. Dinex wants the Board of Directors to reflect the diversity existing in all other parts of the Company and is therefore aiming to get a female candidate in the Board of Directors within 2022. However, Dinex also acknowledges that the automotive industry is dominated by men and it might therefore be more challenging to find a suitable female candidate as Dinex will not compromise the professional qualifications for such a candidacy.

Events after the balance sheet date

Dinex expect that there will be added another 100 million DKK in capital, during 2018, as a result of the ongoing investor process.

Consolidated income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	1.039.651	913.644
Production costs	3, 4	(689.097)	(672.039)
Gross profit/loss		**350.554**	**241.605**
Distribution costs		(143.215)	(97.111)
Administrative expenses	2	(125.518)	(129.692)
Other operating income		5.970	21.474
Other operating expenses		(4.748)	(3.834)
Operating profit/loss		**83.043**	**32.442**
Income from investments in associates		3.266	(2.970)
Other financial income	5	37.278	28.552
Other financial expenses	6	(76.448)	(51.826)
Profit/loss before tax		**47.139**	**6.198**
Tax on profit/loss for the year	7	(14.591)	(9.593)
Profit/loss for the year	8	**32.548**	**(3.395)**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Completed development projects		48.527	43.609
Acquired licences		3.757	3.242
Goodwill		330	580
Intangible assets	9	**52.614**	**47.431**
Land and buildings		119.832	131.427
Plant and machinery		181.681	193.119
Other fixtures and fittings, tools and equipment		24.119	31.810
Property, plant and equipment in progress		10.110	22.187
Property, plant and equipment	10	**335.742**	**378.543**
Investments in associates		24.638	10.306
Other investments		0	17
Deferred tax	13	32.572	55.955
Fixed asset investments	11	**57.210**	**66.278**
Fixed assets		**445.566**	**492.252**
Raw materials and consumables		66.246	67.313
Work in progress		27.667	12.662
Manufactured goods and goods for resale		93.969	75.267
Inventories		**187.882**	**155.242**
Trade receivables	14	223.706	165.163
Other receivables		18.577	25.229
Income tax receivable		4.632	2.761
Prepayments		7.172	6.690
Receivables		**254.087**	**199.843**
Cash		**40.316**	**36.158**
Current assets		**482.285**	**391.243**
Assets		**927.851**	**883.495**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		2.250	2.250
Retained earnings		96.035	78.419
Proposed dividend		10.000	5.000
Equity		**108.285**	**85.669**
Deferred tax	13	11.285	15.056
Other provisions		0	3.828
Provisions		**11.285**	**18.884**
Subordinate loan capital		90.000	0
Mortgage debt		7.850	22.310
Bank loans		95.002	92.566
Finance lease liabilities		7.534	6.982
Non-current liabilities other than provisions	15	**200.386**	**121.858**
Current portion of long-term liabilities other than provisions	15	53.885	77.948
Bank loans		343.613	379.265
Trade payables		120.306	95.967
Income tax payable		0	20.325
Other payables		90.091	83.579
Current liabilities other than provisions		**607.895**	**657.084**
Liabilities other than provisions		**808.281**	**778.942**
Equity and liabilities		**927.851**	**883.495**
Associates	12		
Unrecognised rental and lease commitments	17		
Transactions with related parties	18		
Group relations	19		
Subsidiaries	20		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	2.250	78.419	5.000	85.669
Ordinary dividend paid	0	0	(5.000)	(5.000)
Exchange rate adjustments	0	3.599	0	3.599
Fair value adjustments of hedging instruments	0	2.796	0	2.796
Value adjustments	0	(13.204)	0	(13.204)
Tax of entries on equity	0	1.877	0	1.877
Profit/loss for the year	0	22.548	10.000	32.548
Equity end of year	**2.250**	**96.035**	**10.000**	**108.285**

Consolidated cash flow statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit/loss		83.180	32.443
Amortisation, depreciation and impairment losses		56.893	49.588
Writedown of current assets		(14.301)	(4.364)
Working capital changes	16	(54.295)	35.212
Cash flow from ordinary operating activities		**71.477**	**112.879**
Financial income paid		(32.035)	(29.909)
Income taxes refunded/(paid)		(17.180)	(4.846)
Cash flows from operating activities		**22.262**	**78.124**
Acquisition etc of intangible assets		(20.301)	(42.730)
Acquisition etc of property, plant and equipment		(546)	0
Sale of property, plant and equipment		0	35.817
Acquisition of fixed asset investments		(11.070)	(8.655)
Cash flows from investing activities		**(31.917)**	**(15.568)**
Loans raised		107.629	15.788
Repayments of loans etc		(53.165)	(56.120)
Dividend paid		(5.000)	(29.500)
Cash flows from financing activities		**49.464**	**(69.832)**
Increase/decrease in cash and cash equivalents		**39.809**	**(7.276)**
Cash and cash equivalents beginning of year		(343.106)	(335.830)
Cash and cash equivalents end of year		**(303.297)**	**(343.106)**
Cash and cash equivalents at year-end are composed of:			
Cash		40.316	36.158
Short-term debt to banks		(343.613)	(379.264)
Cash and cash equivalents end of year		**(303.297)**	**(343.106)**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	6.493	7.612
Other countries	1.033.158	906.032
	1.039.651	**913.644**
Revenue by activity		
AEM	278.034	249.882
OEM	761.617	663.762
	1.039.651	**913.644**

	2017 DKK'000	2016 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	927	872
Other assurance engagements	57	3
Tax services	687	1.237
Other services	407	224
	2.078	**2.336**

	2017 DKK'000	2016 DKK'000
3. Staff costs		
Wages and salaries	173.621	204.706
Pension costs	13.111	19.730
Other social security costs	23.778	31.928
	210.510	**256.364**
Average number of employees	**1.213**	**1.247**

	Remunera-tion of manage-ment 2017 DKK'000	Remunera-tion of manage-ment 2016 DKK'000
Executive Board	13.557	7.406
Board of Directors	825	713
	14.382	**8.119**

Notes to consolidated financial statements

4. Depreciation, amortisation and impairment losses	2017 DKK'000	2016 DKK'000
Amortisation of intangible assets	10.704	9.223
Depreciation on property, plant and equipment	46.668	45.934
Profit/loss from sale of intangible assets and property, plant and equipment	(480)	(5.570)
	56.892	**49.587**

5. Other financial income	2017 DKK'000	2016 DKK'000
Other interest income	175	336
Exchange rate adjustments	37.103	28.216
	37.278	**28.552**

6. Other financial expenses	2017 DKK'000	2016 DKK'000
Other interest expenses	32.209	21.582
Exchange rate adjustments	44.239	30.244
	76.448	**51.826**

7. Tax on profit/loss for the year	2017 DKK'000	2016 DKK'000
Current tax	3.676	14.163
Change in deferred tax	15.432	(2.742)
Adjustment concerning previous years	483	(1.276)
Effect of changed tax rates	(5.000)	(552)
	14.591	**9.593**

8. Proposed distribution of profit/loss	2017 DKK'000	2016 DKK'000
Ordinary dividend for the financial year	10.000	5.000
Retained earnings	22.548	(8.785)
Minority interests' share of profit/loss	0	390
	32.548	**(3.395)**

Notes to consolidated financial statements

	Completed development projects DKK'000	Acquired licences DKK'000	Goodwill DKK'000
9. Intangible assets			
Cost beginning of year	66.873	19.861	19.694
Exchange rate adjustments	12	(54)	0
Additions	14.223	1.693	0
Disposals	(18)	(428)	0
Cost end of year	**81.090**	**21.072**	**19.694**
Amortisation and impairment losses beginning of year	(23.264)	(16.619)	(19.114)
Exchange rate adjustments	(2)	33	0
Amortisation for the year	(9.297)	(1.157)	(250)
Reversal regarding disposals	0	428	0
Amortisation and impairment losses end of year	**(32.563)**	**(17.315)**	**(19.364)**
Carrying amount end of year	**48.527**	**3.757**	**330**

Development projects primarily consist of the development of Eminizer™ technology, which is already used in current products. The Eminizer is an important technology in future products. In addition, it is a customer-specific development of products that are already on the market or are expected on the market over a shorter period of time.

Notes to consolidated financial statements

	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
10. Property, plant and equipment				
Cost beginning of year	182.994	357.738	95.545	22.187
Exchange rate adjustments	(8.460)	(17.121)	(3.551)	(1.930)
Transfers	0	13.623	(1.754)	2.089
Additions	1.598	35.483	4.629	4.828
Disposals	(5)	(12.684)	(5.117)	(17.064)
Cost end of year	**176.127**	**377.039**	**89.752**	**10.110**
Depreciation and impairment losses beginning of year	(51.567)	(164.619)	(63.735)	0
Exchange rate adjustments	844	5.225	1.182	0
Transfers	0	(13.458)	(505)	0
Depreciation for the year	(5.572)	(34.073)	(7.023)	0
Reversal regarding disposals	0	11.567	4.448	0
Depreciation and impairment losses end of year	**(56.295)**	**(195.358)**	**(65.633)**	**0**
Carrying amount end of year	**119.832**	**181.681**	**24.119**	**10.110**

	Investments in associates DKK'000	Other investments DKK'000	Deferred tax DKK'000
11. Fixed asset investments			
Cost beginning of year	15.477	17	55.955
Additions	11.070	(17)	0
Disposals	0	0	(23.383)
Cost end of year	**26.547**	**0**	**32.572**
Revaluations beginning of year	(5.171)	0	0
Exchange rate adjustments	(4)	0	0
Share of profit/loss for the year	3.266	0	0
Revaluations end of year	**(1.909)**	**0**	**0**
Carrying amount end of year	**24.638**	**0**	**32.572**

Notes to consolidated financial statements

	Registered in	Equity interest %
12. Associates		
JV Dinex Tongda Emission Solutions Co., Ltd.	Wuhan, China	50,0

	2017 DKK'000	2016 DKK'000
13. Deferred tax		
Intangible assets	(8.839)	(8.136)
Property, plant and equipment	(3.975)	(9.510)
Inventories	196	1.108
Receivables	59	215
Liabilities other than provisions	390	0
Tax losses carried forward	34.533	57.222
Other taxable temporary differences	(1.077)	0
	21.287	**40.899**

Changes during the year	
Beginning of year	40.899
Recognised in the income statement	(18.720)
Recognised directly in equity	(892)
End of year	**21.287**

Defered tax are primarily due to unutilized taxation in China, the United States and Germany. China and United States are the two primary growth markets in 2018 and are expected to be utilized in connection with positive earnings in the coming years. The company in Germany is after the closure of non-profitable production at the same time merged with our second German company in 2017, and due to decommissioning of production and merger, the company is already expected to be profitable by 2018.

14. Short-term trade receivables

The Group has per. 31.12.17 significant overdue balances on mainly two customers. Payment has been made on part of the balance after 31.12.17, and the overdue balance has been reduced. It is management's clear attitude and assessment that the balance of the payment will be paid in 2018 as the non-payment is due to restrictions on foreign currency payments in the respective customer's country. Management do not see any reason to book a provision regarding these customers and a such is therefore not included in the annual report.

Notes to consolidated financial statements

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
15. Liabilities other than provisions				
Subordinate loan capital	25.000	15.000	90.000	50.000
Mortgage debt	222	2.322	7.850	3.581
Bank loans	27.084	57.897	95.002	5.807
Finance lease liabilities	1.579	2.729	7.534	0
	53.885	**77.948**	**200.386**	**59.388**

	2017 DKK'000	2016 DKK'000
16. Change in working capital		
Increase/decrease in inventories	(32.774)	(1.669)
Increase/decrease in receivables	(52.373)	29.173
Increase/decrease in trade payables etc	30.852	7.708
	(54.295)	**35.212**

	2017 DKK'000	2016 DKK'000
17. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**130.762**	**102.569**

18. Transactions with related parties

Informations about transactions with realted parties are only listed in the annual report if these transactions have not been carried out on a market term basis. There have not been conducted such transactions in the financial year.

19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Dinex Emission Holding A/S, Middelfart
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Dinex A/S, Middelfart

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
20. Subsidiaries					
Dinex Exhausts Ltd.	England	Selskab	100,0	19.400	5.085
Dinex Latvia SIA	Letvia	Selskab	100,0	42.055	16.720
Dinex Italia SRL	Italy	Selskab	100,0	4.102	382
Dinex Polska Sp. z.o.o	Poland	Selskab	100,0	13.295	1.610
Dinex Iberica Sistemas de escape, S.L.U	Spain	Selskab	100,0	4.454	1.576
Dinex ETMA S.A.S	France	Selskab	100,0	6.972	(341)
Dinex Deutschland GmbH	Germany	Selskab	100,0	14.836	2.599
Dinex Emission Inc.	USA	Selskab	100,0	(60.032)	(10.228)
Dinex RUS LLC	Russia	Selskab	100,0	22.214	4.703
Dinex Clamps Ltd	England	Selskab	100,0	10.521	1.781
Dinex Egzoz Ve Emisyon A.S	Turkey	Selskab	100,0	35.800	(6.379)
Dinex Emission System Changzhou Co., Ltd	China	Selskab	100,0	29.626	(3.486)
Dinex Balkan D.O.O.	Serbia	Selskab	100,0	1.324	46
Dinex Ejendomme ApS	Denmark	Selskab	100,0	33.128	5.513
Dinex Ecocat OY	Finland	Selskab	100,0	86.221	17.272

Parent income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	196.118	200.801
Production costs	2, 3	(157.450)	(193.859)
Gross profit/loss		**38.668**	**6.942**
Distribution costs		(25.385)	(4.033)
Administrative expenses		(12.019)	(2.028)
Operating profit/loss		**1.264**	**881**
Income from investments in group enterprises		37.002	17.174
Income from investments in associates		3.266	(2.970)
Other financial income	4	19.021	14.000
Other financial expenses	5	(24.631)	(23.261)
Profit/loss before tax		**35.922**	**5.824**
Tax on profit/loss for the year	6	(3.374)	(9.611)
Profit/loss for the year	7	**32.548**	**(3.787)**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Completed development projects		38.808	36.722
Acquired concessions		1.372	281
Intangible assets	8	**40.180**	**37.003**
Plant and machinery		19.277	24.509
Other fixtures and fittings, tools and equipment		3.025	3.710
Leasehold improvements		479	333
Property, plant and equipment	9	**22.781**	**28.552**
Investments in group enterprises		270.949	271.897
Receivables from group enterprises		3.287	3.287
Investments in associates		24.637	10.306
Other investments		0	17
Fixed asset investments	10	**298.873**	**285.507**
Fixed assets		**361.834**	**351.062**
Raw materials and consumables		4.855	5.570
Manufactured goods and goods for resale		25.359	23.201
Inventories		**30.214**	**28.771**
Trade receivables		17.309	15.216
Receivables from group enterprises		207.297	168.472
Other receivables		952	579
Income tax receivable		1.768	0
Prepayments	11	2.504	3.197
Receivables		**229.830**	**187.464**
Cash		**18**	**29**
Current assets		**260.062**	**216.264**
Assets		**621.896**	**567.326**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital	12	2.250	2.250
Reserve for development expenditure		13.274	8.500
Retained earnings		82.761	69.919
Proposed dividend		10.000	5.000
Equity		**108.285**	**85.669**
Deferred tax	13	9.482	8.590
Provisions		**9.482**	**8.590**
Subordinate loan capital		90.000	0
Bank loans		38.507	29.079
Finance lease liabilities		0	681
Non-current liabilities other than provisions	14	**128.507**	**29.760**
Current portion of long-term liabilities other than provisions	14	37.593	61.550
Bank loans		256.157	282.033
Prepayments received from customers		6.917	5.227
Payables to group enterprises		55.764	73.494
Other payables		19.191	21.003
Current liabilities other than provisions		**375.622**	**443.307**
Liabilities other than provisions		**504.129**	**473.067**
Equity and liabilities		**621.896**	**567.326**
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		
Transactions with related parties	18		

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	2.250	8.500	69.919	5.000
Ordinary dividend paid	0	0	0	(5.000)
Exchange rate adjustments	0	0	3.599	0
Fair value adjustments of hedging instruments	0	0	2.796	0
Value adjustments	0	0	(13.204)	0
Tax of entries on equity	0	0	1.877	0
Profit/loss for the year	0	4.774	17.774	10.000
Equity end of year	**2.250**	**13.274**	**82.761**	**10.000**

	Total DKK'000
Equity beginning of year	85.669
Ordinary dividend paid	(5.000)
Exchange rate adjustments	3.599
Fair value adjustments of hedging instruments	2.796
Value adjustments	(13.204)
Tax of entries on equity	1.877
Profit/loss for the year	32.548
Equity end of year	**108.285**

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	6.493	7.612
Other countries	189.625	193.189
	196.118	**200.801**

Revenue by activity		
AEM	84.021	7.612
OEM	112.097	193.189
	196.118	**200.801**

	2017 DKK'000	2016 DKK'000
2. Staff costs		
Wages and salaries	46.779	38.319
Pension costs	2.785	2.651
Other social security costs	2.479	615
	52.043	**41.585**
Average number of employees	**74**	**80**

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Executive Board	13.557	7.406
Board of Directors	825	713
	14.382	**8.119**

	2017 DKK'000	2016 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	6.716	5.287
Depreciation on property, plant and equipment	6.479	6.939
Profit/loss from sale of intangible assets and property, plant and equipment	(16)	(2.983)
	13.179	**9.243**

Notes to parent financial statements

4. Other financial income	2017 DKK'000	2016 DKK'000
Financial income arising from group enterprises	11.488	8.995
Other interest income	7.533	5.005
	19.021	**14.000**

5. Other financial expenses	2017 DKK'000	2016 DKK'000
Financial expenses from group enterprises	3.371	3.294
Other interest expenses	18.875	18.297
Exchange rate adjustments	2.385	1.670
	24.631	**23.261**

6. Tax on profit/loss for the year	2017 DKK'000	2016 DKK'000
Current tax	0	2.239
Change in deferred tax	3.374	1.109
Adjustment concerning previous years	0	6.730
Effect of changed tax rates	0	(467)
	3.374	**9.611**

7. Proposed distribution of profit/loss	2017 DKK'000	2016 DKK'000
Ordinary dividend for the financial year	10.000	5.000
Transferred to voluntary reserve	4.774	8.500
Retained earnings	17.774	(17.287)
	32.548	**(3.787)**

Notes to parent financial statements

	Completed develop-ment projects DKK'000	Acquired concessions DKK'000
8. Intangible assets		
Cost beginning of year	57.992	8.984
Additions	8.518	1.393
Disposals	(18)	(204)
Cost end of year	**66.492**	**10.173**
Amortisation and impairment losses beginning of year	(21.270)	(8.703)
Amortisation for the year	(6.414)	(302)
Reversal regarding disposals	0	204
Amortisation and impairment losses end of year	**(27.684)**	**(8.801)**
Carrying amount end of year	**38.808**	**1.372**

Development projects primarily consist of the development of Eminizer^{TM} technology, which is already used in current products. The Eminizer is an important technology in future products. In addition, it is a customer-specific development of products that are already on the market or are expected on the market over a shorter period of time.

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
9. Property, plant and equipment			
Cost beginning of year	90.486	24.576	10.324
Additions	0	495	235
Disposals	(9.584)	(3.578)	0
Cost end of year	**80.902**	**21.493**	**10.559**
Depreciation and impairment losses beginning of year	(65.977)	(20.866)	(9.991)
Depreciation for the year	(5.210)	(1.180)	(89)
Reversal regarding disposals	9.562	3.578	0
Depreciation and impairment losses end of year	**(61.625)**	**(18.468)**	**(10.080)**
Carrying amount end of year	**19.277**	**3.025**	**479**

Notes to parent financial statements

10. Fixed asset investments	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Investments in associates DKK'000	Other investments DKK'000
Cost beginning of year	325.626	3.504	15.477	17
Additions	0	0	11.070	0
Disposals	0	0	0	(17)
Cost end of year	**325.626**	**3.504**	**26.547**	**0**
Revaluations beginning of year	(53.729)	(217)	(5.171)	0
Exchange rate adjustments	3.599	0	(5)	0
Amortisation of goodwill	(250)	0	0	0
Share of profit/loss for the year	40.201	0	3.266	0
Adjustment of intra-group profits	(3.199)	0	0	0
Dividend	(41.299)	0	0	0
Revaluations end of year	**(54.677)**	**(217)**	**(1.910)**	**0**
Carrying amount end of year	**270.949**	**3.287**	**24.637**	**0**

11. Prepayments

Prepayments primarily comprise insurance, software licenses and lease payments.

12. Contributed capital	Number	Par value DKK'000	Nominal value DKK'000
A-shares	29	50	1.450
A-share	1	40	40
A-share	1	10	10
B-shares	14	50	700
B-share	1	47	47
B-share	1	3	3
	47		**2.250**

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
13. Deferred tax		
Intangible assets	8.839	8.140
Property, plant and equipment	2.345	2.876
Receivables	(8)	(121)
Liabilities other than provisions	(390)	(268)
Tax losses carried forward	(2.381)	(3.151)
Other taxable temporary differences	1.077	1.114
	9.482	**8.590**

Changes during the year	
Beginning of year	8.590
Recognised directly in equity	892
End of year	**9.482**

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
14. Liabilities other than provisions				
Subordinate loan capital	25.000	15.000	90.000	50.000
Bank loans	301	236	38.507	0
Finance lease liabilities	12.292	46.314	0	0
	37.593	**61.550**	**128.507**	**50.000**

	2017 DKK'000	2016 DKK'000
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**72.395**	**76.994**

16. Contingent liabilities

Dinex A / S has provided guarantees to Nordea and Danske Bank for the following subsidiaries:

Dinex Egzoz ve Emisyon Teknolojileri San.ve Tic. AS, Dinex Ejendomme ApS
Dinex Exhausts Ltd., Dinex Deutschland GmbH, Dinex Latvia Sia, Dinex Ecocat Oy.

The guantees are limited to 89 mio DKK.

The Parent has issued a letter of intent to Dinex Exhaust Ltd. concerning financial support until 15 February 2018.

Notes to parent financial statements

The Company participates in a Danish joint taxation arrangement with Dinex Emission Holding A/S serving as the administration company. The Company therefore has partial joint and partial secondary liability from the financial year 2013 for income taxes etc for the jointly taxed company, and from 1 July 2012 also partial joint and partial secondary liability for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed company. The total net liability to the Danish tax authorities appears from the financial statements of Dinex Emission Holding A/S.

17. Related parties with controlling interest

Name	Registered office	Basis of influence
Dinex Emission Holding A/S	Fynsvej 39 DK-5500 Middelfart	Shareholding
Torben Dinesen	Strandstien 157, Strib DK-5500 Middelfart	Managing Director, CEO
Lars Brorson	Schlossstrasse 28 D-73540 Heubach	Chairman of the Board of Directors
Carsten Riisberg Lund	2/151 Dr Rajan Road, Uthandi, Chennai, Tamil Nadu, India - 600119	Board Member
Peter Kragh Knudsen	Brændeskovvej 93, Billeshave DK-5500 Middelfart	Board Member
Kenneth Aaby Sachse	Brostykkevej 57 DK-2650 Hvidovre	Board Member

18. Transactions with related parties
There have not been transactions with related parties which have not been carried out on a market term basis.

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 consolidated financial statements and parent financial statements are consistent with those applied last year.

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates, see group chart on page 6.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements. Minority interests’ proportionate share of profit or loss is presented as a separate item in Management’s proposal for distribution of profit or loss, and their share of subsidiaries’ net assets is presented as a separate item in group equity.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

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 income statements from average rates to the exchange rates at the balance sheet date are recognised directly in 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.

Accounting policies

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 of the time of acquisition or the time of any subsequent revaluation or writedown. 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.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Fair value adjustments of investment property
Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Production costs
Cost of sales comprises direct and indirect costs incurred to earn revenue. In cost of sales, commercial businesses recognise consumption of goods whereas manufacturing businesses recognize costs of raw materials, consumables and production staff as well as depreciation.

Accounting policies

Cost of sales also includes research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet, and amortization of recognized development projects. In addition, provisions for loss on contract work in progress are recognized

Distribution costs
Distribution costs comprise costs incurred for distribution of goods sold and also for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation and amortisa-tion.

Administrative expenses
Administrative expenses comprise expenses incurred for management and administration of the Group, including expenses 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, including subsidies, rental income, licence income etc.

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Enti-ty's primary activities, including subsidies, rental income, licence income etc.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, in-cluding 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, amortisa-tion 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. The portion of the tax taken to the in-come statement, which relates to extraordinary profit/loss for the year, is allocated to this entry where-as the remaining portion is taken to the year's profit/loss from ordinary activities.

Accounting policies

The Company is jointly taxed with its Parent. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is amortized straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The period of amortization is usually five years, howev-er, it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer period of amortization is considered to give a better reflection of the benefit from the relevant resources.

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

Intellectual property rights etc

Development projects on clearly defined and identifiable products and processes, for which the tech-nical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are rec-ognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is usually five years, but in certain cases it may be up to 20 years if the longer amortisation period is considered to better reflect the Group's benefit from the de-veloped product etc. For development projects protected by intellectual property rights, the maximum amortization period is the remaining duration of the relevant rights, however, no more than 20 years.

Other intangible assets are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of other intangible assets are calculated as the difference between selling price minus selling costs and the carrying amount at the time to sale. Profits or losses are recognised in the income statement as an adjustment to amortisation and impairment losses, or under other operating income if the selling price exceeds original cost.

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-manufactured 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.

Accounting policies

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:

Buildings	40 years
Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	5-10 years

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

Profits and losses from the sale of property, plant and equipment are calculated as the difference be-tween selling price less selling costs and carrying amount at the time of sale. Profits or losses are rec-ognised in the income statement as an adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Investments in group enterprises
Investments in subsidiaries and associates are recognized and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises’ equity plus or less unamortized positive, or negative, goodwill and plus or less unrealized intra-group profits or losses.

The Parent's share of the enterprises' profits or losses after elimination of unrealized intra-group profits and losses and less or plus amortization of positive, or negative, goodwill is recognized in the income statement.

Subsidiaries and associates with a negative equity value are measured at zero value, and any receiva-bles from these enterprises are written down by the Parent’s share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognized under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries and associates is trans-ferred to reserve for net revaluation according to the equity method under equity.

The purchase method is applied in the acquisition of investments in subsidiaries and associates; see above description under consolidated financial statements.

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

Associates 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 associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present of the costs deemed necessary to incur to settle the obligation.

Accounting policies

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

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Other investments
Securities and other investments are measured at the acquisition price.

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

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect, using the laws at the balance sheet date, when the deferred tax is estimated to be trig-gered as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Deferred tax assets, including the tax base of tax loss carry forwards, 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.

The Parent is jointly taxed with all of its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognized based on a specific assessment of the purpose of the individual subsidiary.

Balances held under corporate tax law interest deduction limitation rules are distributed among the jointly taxed corporations respecting the concluded joint taxation agreement. Deferred tax liabilities relating to these balances are recognized in the balance sheet, while deferred tax assets are recog-nized only if the criteria for recognition of deferred tax assets are met.

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

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labor costs as well as indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on 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.

Accounting policies

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.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated 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.

Minority interests
Minority interests consist of non-controlling interests’ share of equity in subsidiaries not 100% owned by the Parent.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, 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 re-turned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Accounting policies

On acquisition of enterprises and shares in subsidiaries, provisions are made for costs relating to re-structurings in the acquired enterprise that were decided and published at the takeover date at the latest.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

Cash flow statement
The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows to acquired enterprises are recognized in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognized up to the time of sale.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the Parent’s share capital and related costs as well as the raising of loans, inception of finance leases, instalments on in-terest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank debt