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

Annual report 2018

The Annual General Meeting adopted the annual report on 29.04.2019

Chairman of the General Meeting

Name: Niels Thorborg

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: 01.01.2018 - 31.12.2018

Board of Directors
Niels Thorborg, formand
Carsten Riisberg Lund
Jens Prytz Sørensen
Jørn Tolstrup Rohde
Nicoline Erika Hyldahl
Torben Staal Dinesen

Executive Board
Torben Staal Dinesen

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 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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, 29.04.2019

Executive Board

Torben Staal Dinesen

Board of Directors

Niels Thorborg
formand

Carsten Riisberg Lund

Jens Prytz Sørensen

Jørn Tolstrup Rohde

Nicoline Erika Hyldahl

Torben Staal Dinesen

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 01.01.2018 - 31.12.2018, 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 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 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 Parent'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 these 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 Parent'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 Parent'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, 29.04.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Thomas Rosquist Andersen	Søren Alsen Lauridsen
State Authorised Public Accountant	State Authorised Public Accountant
Identification No (MNE) mne31482	Identification No (MNE) mne40040

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	1.232.856	1.039.651	913.644	810.987	944.778
Gross profit/loss	390.266	350.554	241.605	190.581	220.230
EBITDA	184.343	140.074	82.030	39.984	69.755
Operating profit/loss	152.090	83.043	32.443	20.190	7.417
Net financials	(46.138)	(35.904)	(26.245)	(20.039)	(40.619)
Profit/loss for the year	102.644	32.548	(3.785)	9.520	(18.941)
Total assets	1.145.296	927.851	883.495	906.318	956.945
Investments in property, plant and equipment	67.393	46.538	100.067	117.434	99.248
Equity	201.579	108.285	85.669	121.364	143.021
Equity incl minority interests and subordinated loan	401.579	223.285	100.669	136.364	143.021
Average invested capital incl goodwill	766.887	615.429	598.751	688.491	717.715
Net interest-bearing debt	443.923	442.568	527.913	560.969	587.755
Ratios					
Gross margin (%)	31,7	33,7	26,4	23,5	23,3
Net margin (%)	8,3	3,1	(0,4)	1,2	(2,0)
Return on invested capital incl goodwill (%)	21,5	22,8	13,7	5,6	9,6
Revenue/Invested capital incl goodwill	1,6	1,7	1,5	1,2	1,3
Financial gearing (%)	2,2	4,1	6,2	4,6	4,1
Return on equity (%)	66,3	33,6	(3,7)	7,2	(13,2)
Equity ratio incl. subordinated loan (%)	35,1	24,2	11,4	15,0	14,9
Equity ratio (%)	17,6	11,7	9,7	13,4	14,9
EBITDA-margin (%)	15,0	13,5	9,0	4,9	7,4
Operating gearing	2,4	3,2	6,4	14,0	8,4

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

Management commentary

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	The entity's financial gearing.
Return on equity (%)	Profit/loss for the year x 100 / Average equity	The entity's return on capital invested in the entity by the owners.
Equity ratio incl. subordinated loan (%)	Equity ratio incl. subordinated loan x 100 / Total assets	The financial strength of the entity incl minority interests and subordinated loan
Equity ratio (%)	Equity 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

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation and the impairment losses for intangible assets 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 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

Primary activities

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

Development in activities and finances

Customers in the Dinex A/S 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), in-cluding 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 152.090 thousand against DKK 83.043 thousand in 2017. The result before tax for the Group was DKK 105.952 thousand against DKK 47.139 thousand in 2017. The year-end total net result after tax for the Group was DKK 102.644 thousand against DKK 37.548 thousand in 2017.

The 2018 result is compared to 2017 positively influenced by a gain on sale of building with DKK 21.060 thousand after tax.

EBITDA amounts to DKK 185 million and is significantly improved compared to the 2017 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 and continued growth in the US market primarily driven by the full scale launch and development of a complete range of Aftermarket Diesel Particulate Filters (DPFs) and the growth in the Chinese market with full scale production of N5 emission products to the JV DTES combined with a stable and profitable business in Europe for both AEM and OEM.

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 2018 combined with the strengthening of the capital has improved the key figures and ratios significantly in 2018 compared to 2017.

Unusual circumstances

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

Management commentary

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 has invested 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 National 6 application. The JV started productions of National 5 emission systems during Q2 2017 with full scale impact in 2018. We continue to jointly develop the business and we expect to deliver the first National 6 applications in the beginning of 2020.

Credit risk

The credit risks of the Group are primarily related to trade receivables, which at the end of 2018 were DKK 285.024 thousand against DKK 223.706 thousand in 2017. The increased level is caused by the higher activity and longer payment terms from customers in Middle East. The customers can be grouped in two main categories one being very large OEM manufactures with strong financial figures and the second being a diversified portfolio of smaller aftermarket customers. Historic losses are very limited, which also was the case in 2018.

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, where as active hedging using e.g. instruments is only used to a limited extent in line with the established policy. 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 2018, a total net exchange loss of DKK 18.944 thousand is realized, against a net loss of DKK 7.135 thousand in 2017. The exchange loss is mainly driven by loss in US Dollar, Rubles and Turkish Lire.

Intellectual capital resources

The employees in the Dinex Group cover a wide field. At year-end, the Group had 1.369 employees, including 79 in Denmark.

Research and development activities

The company's total costs for R&D make up approx. 3% of the revenue. We have as in previous years invested significantly in future technology in line with emission requirements to support the strategy and not at least meet the customer's demand.

Management commentary

Outlook

2019 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, growth in the US driven by the new aftermarket product portfolio and China driven mainly by sales to Dinex' JV company.

The EBITDA margin, excluding special items, is expected to a level in the range of 15-17%, as a result of increased revenue, continued focus on efficiency, investment in future technology and a cautious cost approach.

The level of investments in 2019 is planned to be on an increased level comparred to 2018 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.

Dinex continued the development of the Eminizer ™ concept in 2018. 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 and the value of the pipeline is supporting the outlook expectations for 2019.

Management estimates that the Group will achieve a satisfactory positive result in 2019.

Statutory report on corporate social responsibility

Corporate social responsibility (CSR)

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. For further information about the Groups business mode, please refer to sections primary activities and development in activities and finance above. We are also aware of CSR risks in relation to our activities. The risks will be outlined in the following sections.

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 the Group's employees. The Code of Conduct applies to the entire Dinex Group and must be signed by all

Management commentary

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. In connection with the code of conduct, we have also evaluated risks in relation to corruption and bribery. The primary risk may be that employees use payments or other means to illegally influence customers or other stakeholders or vice versa. This could cause damage to our reputation. As Dinex is based in Denmark, we follow existing rules and guidelines. Therefore, we do not have a separate policy regarding corruption and bribery, as we believe the national rules and guidelines in place are proportionate with our risk in this area. We are also not aware of any breaches concerning bribery and corruption in Dinex in 2018.

Our CSR focus in 2018 - 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 and climate**

The primary risk is if we do any any harm to the environment, e.g. due to increase in material use, energy consumption and scrap quantities. This could lead to reputational damage for the Group and criticism from stakeholders. 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.

Dinex established a goal to minimize scrap with 5% compared to 2017 level through high quality and efficiency in production processes using new production methods and process optimization. We have managed to minimize scrap with 9% in 2018 and thereby meet the expectations. We still believe that there is potential for continued savings, so we wish to minimize scrap with 5% compared to 2018 level in 2019.

Our products reduce pollution and climate impact in general due to the technology and we will continue to improve the emissions.

2. **Supplier management**

The primary risk concerning suppliers is if suppliers harm the environment or do not treat employees well. This may have an impact on the local environment and could potentially lead to stakeholder criticism of Dinex. Dinex wants to promote a focus on responsibility among the Group's suppliers and business partners.

Management commentary

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 2018. Dinex will further develop control procedures in 2019 by documenting business reviews, include questionaires, interviews and test the supplier compliance.

3. Human rights

The primary risk is if our employees feel discriminated, which may impact our ability to retain an attract employees. This may also lead to reputational damage and criticism regarding our work environment. 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.

We have during 2018 updated our code of conduct.

4. Human Resources

The primary risks are work related accidents or if we do not have a good working environment. This may make it difficult for us to attract and retain employees and could also lead to criticism from stakeholders.
A dedicated team of HR Partners has been settled globally to support HR business locally as well as aligning across Dinex entities. We have emphasized that the team act in close and binding cooperation with local management teams to support business as well as promote people initiatives and ensure full compliancy with local rules and regulations.

The must win battles supporting the strategy was in 2018 defined as;

1) Establish Global united HR Team with a strong business mindset
2) Define Performance culture
3) Align HR Team to Change Management focus and communication
4) Implement stakeholder management structure
5) Develop local management structure and implement Empowerment tools

Management commentary

Global HR Annual Wheel

10 generic HR procedures was introduced in 2018, as the foundation for our global standardization within HR. The routines ensure high speed in execution and flexibility in support across entities. The synchronized workflows also contribute to a smoother benchmarking and sharing of best practices globally.

Management appraisal & development

A global management appraisal system has been designed and implemented in 2018 in the efforts to assess performance and potential in relation to a chain of customized as well as generic management indicators. An assessment has been carried out in Dinex's upper management layers and the process continues in relation to local management globally in 2019, according to the HR Annual Wheel procedures.The process includes a complete list of individual development plans (IDPs) for each manager.

First version of Dinex´s global Leadership Handbook has been launched additional with a wide training program in method understanding, team cases to improve leadership and strength of survey results.

Thus, in 2018, a strong focus on management was established as a crucial driver for daily business and strategy progress in Dinex.

Working environment globally

In 2018, HR carried out a global employee survey addressed to all employees. With a total response rate of 77% we established a strong foundation for continuously development and improving of the working environment in Dinex Group.
A structured work method is defined and local initiatives for improvement are carried out by local management teams in close cooperation with the HR function. We are tracker improvements and our goals are to reach an average satisfaction score of at least 4 (scale 1-5) within 20 different indicators already in 2019.

HR KPI metrics

The Dinex HR metrics was implemented in the 2018 supporting the business within several KPI´s of importance to performance, satisfaction, capacity and leadership.
We are tracking Sickness and Turnover reasons to measure the effect / need of e.g. optimization of motivational programs to avoid negative impact on capacity need.
We measure the amount of vacancies and the ability to attract employees in relation to capacity requirements (BC) and measure the speed and ability to attract WC capability divided into different sources such as internal applicants, external, graduates and recruitments through competitors.

The metrics, which is linked to a tight target structure, will be extended to include a total of 15 global HR KPI in 2019 – additional with several local and more customized KPI´s on each entity.

Management commentary

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.

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 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 2018, the Dinex top management team met in Istanbul 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 18% women and 82% men, but for white collars 40% is actually women. The Executive Committee has defined a target for 2020 to increase the actual level in 2017 (25%) to 30% women and 70% men. We met the target already in 2018 and we aim to maintain the current level in 2019. Therefore, Dinex will continue to work actively on ensuring a greater balance in the local and group management teams.

Management commentary

As an example of Dinex' effort, the CFO and Supply Chain Director are women, who are influencing the group decision-making, as well as Dinex has four women acting as either legal responsible for a local company or as overall Site Managers for a company.

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.

Nevertheless the Dinex' Board of Directors consist of six members, where off one member is a woman elected on the general assemply in 2018, so we managed to fulfill the goal with a female board member before 2022.

The goal for 2022 is unchanged.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	1	1.232.856	1.039.651
Production costs	3, 4	(842.590)	(689.097)
Gross profit/loss		**390.266**	**350.554**
Distribution costs		(124.882)	(143.215)
Administrative expenses	2	(143.106)	(125.518)
Other operating income		33.839	5.970
Other operating expenses		(4.027)	(4.748)
Operating profit/loss		**152.090**	**83.043**
Income from investments in associates		10.946	3.266
Other financial income	5	28.608	37.278
Other financial expenses	6	(85.692)	(76.448)
Profit/loss before tax		**105.952**	**47.139**
Tax on profit/loss for the year	7	(3.308)	(14.591)
Profit/loss for the year	8	**102.644**	**32.548**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Completed development projects		52.240	48.527
Acquired licences		3.477	3.757
Goodwill		80	330
Intangible assets	9	**55.797**	**52.614**
Land and buildings		89.101	119.832
Plant and machinery		172.251	181.681
Other fixtures and fittings, tools and equipment		19.607	24.119
Property, plant and equipment in progress		11.896	10.110
Property, plant and equipment	10	**292.855**	**335.742**
Investments in associates		35.647	24.638
Deferred tax	13	38.524	32.572
Fixed asset investments	11	**74.171**	**57.210**
Fixed assets		**422.823**	**445.566**
Raw materials and consumables		102.285	66.246
Work in progress		26.585	27.667
Manufactured goods and goods for resale		158.480	93.969
Inventories		**287.350**	**187.882**
Trade receivables	14	285.024	223.706
Other receivables		80.031	18.577
Income tax receivable		12.578	4.632
Prepayments		8.626	7.172
Receivables		**386.259**	**254.087**
Cash		**48.864**	**40.316**
Current assets		**722.473**	**482.285**
Assets		**1.145.296**	**927.851**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		2.250	2.250
Retained earnings		189.329	96.035
Proposed dividend		10.000	10.000
Equity		**201.579**	**108.285**
Deferred tax	13	8.135	11.285
Provisions		**8.135**	**11.285**
Subordinate loan capital		200.000	90.000
Mortgage debt		4.246	7.850
Bank loans		52.444	95.002
Finance lease liabilities		5.189	7.534
Non-current liabilities other than provisions	15	**261.879**	**200.386**
Current portion of long-term liabilities other than provisions	15	50.077	53.885
Bank loans		380.832	343.613
Trade payables		156.936	120.306
Other payables		85.858	90.091
Current liabilities other than provisions		**673.703**	**607.895**
Liabilities other than provisions		**935.582**	**808.281**
Equity and liabilities		**1.145.296**	**927.851**
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 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	2.250	96.035	10.000	108.285
Ordinary dividend paid	0	0	(10.000)	(10.000)
Exchange rate adjustments	0	(6.204)	0	(6.204)
Fair value adjustments of hedging instruments	0	357	0	357
Other entries on equity	0	6.497	0	6.497
Profit/loss for the year	0	92.644	10.000	102.644
Equity end of year	**2.250**	**189.329**	**10.000**	**201.579**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		152.091	83.180
Amortisation, depreciation and impairment losses		32.252	56.893
Writedown of current assets		(17.752)	(14.301)
Working capital changes	16	(191.164)	(54.295)
Cash flow from ordinary operating activities		**(24.573)**	**71.477**
Financial expenses paid		(38.140)	(32.035)
Income taxes refunded/(paid)		(20.382)	(17.180)
Cash flows from operating activities		**(83.095)**	**22.262**
Acquisition etc of intangible assets		(15.698)	(20.301)
Acquisition etc of property, plant and equipment		(22.590)	(546)
Sale of property, plant and equipment		45.027	0
Acquisition of fixed asset investments		0	(11.070)
Cash flows from investing activities		**6.739**	**(31.917)**
Loans raised		104.000	107.629
Repayments of loans etc		(46.316)	(53.165)
Dividend paid		(10.000)	(5.000)
Cash flows from financing activities		**47.684**	**49.464**
Increase/decrease in cash and cash equivalents		**(28.672)**	**39.809**
Cash and cash equivalents beginning of year		(303.296)	(343.106)
Cash and cash equivalents end of year		**(331.968)**	**(303.297)**
Cash and cash equivalents at year-end are composed of:			
Cash		48.864	40.316
Short-term debt to banks		(380.832)	(343.613)
Cash and cash equivalents end of year		**(331.968)**	**(303.297)**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	6.476	6.493
Other countries	1.226.380	1.033.158
	1.232.856	**1.039.651**

Revenue by activity		
AEM	310.259	278.034
OEM	922.597	761.617
	1.232.856	**1.039.651**

	2018 DKK'000	2017 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	1.006	927
Other assurance engagements	93	57
Tax services	534	687
Other services	161	407
	1.794	**2.078**

	2018 DKK'000	2017 DKK'000
3. Staff costs		
Wages and salaries	149.131	173.621
Pension costs	12.354	13.111
Other social security costs	19.235	23.778
	180.720	**210.510**
Average number of employees	**1.369**	**1.213**

	Remunera-tion of manage-ment 2018 DKK'000	Remunera-tion of manage-ment 2017 DKK'000
Executive Board	6.182	13.557
Board of Directors	700	825
	6.882	**14.382**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	12.490	10.704
Depreciation on property, plant and equipment	47.085	46.668
Profit/loss from sale of intangible assets and property, plant and equipment	(27.322)	(480)
	32.253	**56.892**

	2018 DKK'000	2017 DKK'000
5. Other financial income		
Other interest income	512	175
Exchange rate adjustments	28.096	37.103
	28.608	**37.278**

	2018 DKK'000	2017 DKK'000
6. Other financial expenses		
Other interest expenses	38.652	32.209
Exchange rate adjustments	47.040	44.239
	85.692	**76.448**

	2018 DKK'000	2017 DKK'000
7. Tax on profit/loss for the year		
Current tax	5.039	3.676
Change in deferred tax	(1.731)	15.432
Adjustment concerning previous years	0	483
Effect of changed tax rates	0	(5.000)
	3.308	**14.591**

	2018 DKK'000	2017 DKK'000
8. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	10.000	10.000
Retained earnings	92.644	22.548
	102.644	**32.548**

Notes to consolidated financial statements

	Completed develop-ment projects DKK'000	Acquired licences DKK'000	Goodwill DKK'000
9. Intangible assets			
Cost beginning of year	81.090	21.072	19.694
Exchange rate adjustments	249	36	0
Additions	14.703	734	0
Disposals	(22)	(23)	0
Cost end of year	**96.020**	**21.819**	**19.694**
Amortisation and impairment losses beginning of year	(32.563)	(17.315)	(19.364)
Exchange rate adjustments	0	(28)	0
Amortisation for the year	(11.217)	(1.022)	(250)
Reversal regarding disposals	0	23	0
Amortisation and impairment losses end of year	**(43.780)**	**(18.342)**	**(19.614)**
Carrying amount end of year	**52.240**	**3.477**	**80**

Development projects primarily consist of the development of Eminizer^{TM} technology, which is already used in current products. The Eminizer^{TM} is an important technology in future products. In addition, it relates to customer specific development of products that are already on the market or are expected on the market in 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	176.127	377.039	89.752	10.110
Exchange rate adjustments	(10.545)	(13.169)	(2.773)	(689)
Additions	2.258	34.322	5.873	24.940
Disposals	(36.115)	(12.944)	(9.047)	(22.465)
Cost end of year	**131.725**	**385.248**	**83.805**	**11.896**
Depreciation and impairment losses beginning of year	(56.295)	(195.358)	(65.633)	0
Exchange rate adjustments	1.092	5.118	735	0
Depreciation for the year	(5.847)	(33.842)	(7.395)	0
Reversal regarding disposals	18.426	11.085	8.095	0
Depreciation and impairment losses end of year	**(42.624)**	**(212.997)**	**(64.198)**	**0**
Carrying amount end of year	**89.101**	**172.251**	**19.607**	**11.896**

	Investments in associates DKK'000	Deferred tax DKK'000
11. Fixed asset investments		
Cost beginning of year	26.547	32.572
Additions	0	5.952
Cost end of year	**26.547**	**38.524**
Revaluations beginning of year	(1.909)	0
Exchange rate adjustments	63	0
Share of profit/loss for the year	10.946	0
Revaluations end of year	**9.100**	**0**
Carrying amount end of year	**35.647**	**38.524**

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

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
13. Deferred tax		
Intangible assets	(9.466)	(8.839)
Property, plant and equipment	(2.367)	(3.975)
Inventories	236	196
Receivables	156	59
Liabilities other than provisions	1.829	390
Tax losses carried forward	41.078	34.533
Other taxable temporary differences	(1.077)	(1.077)
	30.389	**21.287**

Changes during the year	
Beginning of year	21.287
Recognised in the income statement	8.745
Recognised directly in equity	357
End of year	**30.389**

Deferred tax are primarily due to unutilized taxation in China, the United States and Germany. China and United States are to two primary growth markets in 2019 and 2020 and both entities are expected to be utilized in connection with positive earnings in the coming years.

14. Short-term trade receivables

The Group has per 31.12.2018 significant overdue balances on mainly two customers. Management is expecting to receive a substantial part of these receivables within a very short period and has received confirmation regarding this. Based on this management has decided not to book any provision for losses per 31.12.2018

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
15. Liabilities other than provisions				
Subordinate loan capital	0	25.000	200.000	200.000
Mortgage debt	223	222	4.246	3.356
Bank loans	48.783	27.084	52.444	3.707
Finance lease liabilities	1.071	1.579	5.189	0
	50.077	**53.885**	**261.879**	**207.063**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
16. Change in working capital		
Increase/decrease in inventories	(99.334)	(32.774)
Increase/decrease in receivables	(124.226)	(52.373)
Increase/decrease in trade payables etc	32.396	30.852
	(191.164)	**(54.295)**

	2018 DKK'000	2017 DKK'000
17. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**117.645**	**102.569**

18. Transactions with related parties

Informations about transactions with related 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 sush transactions in the financial year.

19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
3C Holding ApS, Odense
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	Corpo-rate form	Equity inte-rest %	Equity DKK'000	Profit/loss DKK'000
20. Subsidiaries					
Dinex Exhausts Ltd.	England	Selskab	100,0	24.215	4.764
Dinex Latvia SIA	Letvia	Selskab	100,0	48.529	6.337
Dinex Italia SRL	Italy	Selskab	100,0	5.048	931
Dinex Polska Sp. z.o.o	Poland	Selskab	100,0	16.296	3.374
Dinex Iberica Sistemas de escape, S.L.U	Spain	Selskab	100,0	5.620	1.151
Dinex France SAS	France	Selskab	100,0	6.311	(680)
Dinex Deutschland GmbH	Germany	Selskab	100,0	20.164	5.417
Dinex Emission Inc.	USA	Selskab	100,0	(80.813)	(17.195)
Dinex RUS LLC	Russia	Selskab	100,0	41.028	23.115
Dinex Clamps Ltd	England	Selskab	100,0	11.565	1.212
Dinex Egzoz Ve Emisyon A.S	Turkey	Selskab	100,0	16.580	(5.199)
Dinex Emission System Changzhou Co., Ltd	China	Selskab	100,0	30.443	923
Dinex Balkan D.O.O.	Serbia	Selskab	100,0	1.537	201
Dinex Ejendomme ApS	Denmark	Selskab	100,0	10.416	1.085
Dinex Finland OY	Finland	Selskab	100,0	105.084	18.571

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	1	196.882	196.118
Production costs	2, 3	(151.422)	(157.450)
Gross profit/loss		**45.460**	**38.668**
Distribution costs		(30.881)	(25.385)
Administrative expenses		2.402	(12.019)
Other operating income		26	0
Operating profit/loss		**17.007**	**1.264**
Income from investments in group enterprises		82.355	37.002
Income from investments in associates		10.946	3.266
Other financial income	4	22.023	19.021
Other financial expenses	5	(33.897)	(24.631)
Profit/loss before tax		**98.434**	**35.922**
Tax on profit/loss for the year	6	4.210	(3.374)
Profit/loss for the year	7	**102.644**	**32.548**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Completed development projects		41.773	38.808
Acquired concessions		1.320	1.372
Intangible assets	8	**43.093**	**40.180**
Plant and machinery		15.212	19.277
Other fixtures and fittings, tools and equipment		2.287	3.025
Leasehold improvements		374	479
Property, plant and equipment	9	**17.873**	**22.781**
Investments in group enterprises		327.356	270.949
Receivables from group enterprises		0	3.287
Investments in associates		35.646	24.637
Other investments		1.156	0
Fixed asset investments	10	**364.158**	**298.873**
Fixed assets		**425.124**	**361.834**
Raw materials and consumables		4.697	4.855
Manufactured goods and goods for resale		23.785	25.359
Inventories		**28.482**	**30.214**
Trade receivables		19.686	17.309
Receivables from group enterprises		370.669	207.297
Other receivables		8.561	952
Income tax receivable		0	1.768
Prepayments	11	2.473	2.504
Receivables		**401.389**	**229.830**
Cash		**22**	**18**
Current assets		**429.893**	**260.062**
Assets		**855.017**	**621.896**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		2.250	2.250
Reserve for development expenditure		15.704	13.274
Retained earnings		173.626	82.761
Proposed dividend		10.000	10.000
Equity		**201.580**	**108.285**
Deferred tax	12	6.140	9.482
Provisions		**6.140**	**9.482**
Subordinate loan capital		200.000	90.000
Bank loans		17.858	38.507
Non-current liabilities other than provisions	13	**217.858**	**128.507**
Current portion of long-term liabilities other than provisions	13	42.974	37.593
Bank loans		319.594	256.157
Trade payables		6.317	6.917
Payables to group enterprises		50.028	55.764
Income tax payable		1.166	0
Other payables		9.360	19.191
Current liabilities other than provisions		**429.439**	**375.622**
Liabilities other than provisions		**647.297**	**504.129**
Equity and liabilities		**855.017**	**621.896**
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	2.250	13.274	82.761
Ordinary dividend paid	0	0	0
Exchange rate adjustments	0	0	(6.204)
Fair value adjustments of hedging instruments	0	0	357
Value adjustments	0	0	6.498
Other entries on equity	0	(5.674)	5.674
Profit/loss for the year	0	8.104	84.540
Equity end of year	**2.250**	**15.704**	**173.626**

	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	10.000	108.285
Ordinary dividend paid	(10.000)	(10.000)
Exchange rate adjustments	0	(6.204)
Fair value adjustments of hedging instruments	0	357
Value adjustments	0	6.498
Other entries on equity	0	0
Profit/loss for the year	10.000	102.644
Equity end of year	**10.000**	**201.580**

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	6.476	6.493
Other countries	190.406	189.625
	196.882	**196.118**
Revenue by activity		
AEM	85.955	84.021
OEM	110.927	112.097
	196.882	**196.118**

	2018 DKK'000	2017 DKK'000
2. Staff costs		
Wages and salaries	38.414	46.779
Pension costs	3.007	2.785
Other social security costs	2.409	2.479
	43.830	**52.043**
Average number of employees	**79**	**74**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Executive Board	6.182	13.557
Board of Directors	700	825
	6.882	**14.382**

	2018 DKK'000	2017 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	7.788	6.716
Depreciation on property, plant and equipment	5.757	6.479
Profit/loss from sale of intangible assets and property, plant and equipment	(26)	(16)
	13.519	**13.179**

Notes to parent financial statements

4. Other financial income	2018 DKK'000	2017 DKK'000
Financial income arising from group enterprises	19.534	11.488
Other interest income	2.489	7.533
	22.023	**19.021**

5. Other financial expenses	2018 DKK'000	2017 DKK'000
Financial expenses from group enterprises	7.554	3.371
Other interest expenses	20.710	18.875
Exchange rate adjustments	5.633	2.385
	33.897	**24.631**

6. Tax on profit/loss for the year	2018 DKK'000	2017 DKK'000
Change in deferred tax	(2.535)	3.374
Adjustment concerning previous years	(1.675)	0
	(4.210)	**3.374**

7. Proposed distribution of profit/loss	2018 DKK'000	2017 DKK'000
Ordinary dividend for the financial year	10.000	10.000
Transferred to voluntary reserve	8.104	4.774
Retained earnings	84.540	17.774
	102.644	**32.548**

Notes to parent financial statements

8. Intangible assets	Completed develop-ment projects DKK'000	Acquired concessions DKK'000
Cost beginning of year	66.492	10.173
Additions	10.390	311
Cost end of year	**76.882**	**10.484**
Amortisation and impairment losses beginning of year	(27.684)	(8.801)
Amortisation for the year	(7.425)	(363)
Amortisation and impairment losses end of year	**(35.109)**	**(9.164)**
Carrying amount end of year	**41.773**	**1.320**

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

9. Property, plant and equipment	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost beginning of year	80.902	21.493	10.559
Additions	739	110	0
Disposals	(4.415)	(3.934)	0
Cost end of year	**77.226**	**17.669**	**10.559**
Depreciation and impairment losses beginning of year	(61.625)	(18.468)	(10.080)
Depreciation for the year	(4.804)	(848)	(105)
Reversal regarding disposals	4.415	3.934	0
Depreciation and impairment losses end of year	**(62.014)**	**(15.382)**	**(10.185)**
Carrying amount end of year	**15.212**	**2.287**	**374**

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	26.547	0
Transfers	3.504	0	0	0
Additions	0	0	0	1.156
Disposals	0	(3.504)	0	0
Cost end of year	**329.130**	**0**	**26.547**	**1.156**
Revaluations beginning of year	(54.677)	(217)	(1.910)	0
Exchange rate adjustments	(6.204)	0	63	0
Amortisation of goodwill	(250)	0	0	0
Share of profit/loss for the year	83.300	0	10.946	0
Adjustment of intra-group profits	(1.055)	0	0	0
Dividend	(22.888)	0	0	0
Reversal of revaluations	0	217	0	0
Revaluations end of year	**(1.774)**	**0**	**9.099**	**0**
Carrying amount end of year	**327.356**	**0**	**35.646**	**1.156**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

11. Prepayments

Prepayments primarily comprise insurance, software licenses and lease payments.

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
12. Deferred tax		
Intangible assets	9.480	8.839
Property, plant and equipment	531	2.345
Receivables	(74)	(8)
Liabilities other than provisions	(1.829)	(390)
Tax losses carried forward	(3.045)	(2.381)
Other taxable temporary differences	1.077	1.077
	6.140	**9.482**

Changes during the year	
Beginning of year	9.482
Recognised in the income statement	(2.985)
Recognised directly in equity	(357)
End of year	**6.140**

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Subordinate loan capital	0	25.000	200.000	200.000
Bank loans	308	301	17.858	0
Finance lease liabilities	42.666	12.292	0	0
	42.974	**37.593**	**217.858**	**200.000**

	2018 DKK'000	2017 DKK'000
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**63.520**	**72.395**

15. 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 Polska Sp. Z.o.o., Dinex Deutschland GmbH, Dinex Latvia Sia, Dinex Finland Oy, Dinex Emission Inc and Dinex Rus LCC.

The guantees are limited to 107.7 mio. DKK.

Notes to parent financial statements

The Entity participates in a Danish joint taxation arrangement where 3C Group A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

16. Related parties with controlling interest

Name	Registered office	Basis of influence
Dinex Emission Holding A/S	Fynsvej 39 DK-5500 Middelfart	Shareholding
3C GROUP A/S	Østre Stationsvej 1—5 DK- 5000 Odense C	Shareholding
Niels Thorborg	Langelinie 185 DK - 5230 Odense M	Chairman of the Board of Directors
Torben Dinesen	Strandstien 157, Strib DK-5500 Middelfart	Board Member
Jørn Tolstrup Rode	Langelinie 183 DK-5230 Odense M	Board Member
Carsten Riisberg Lund	2/151 Dr Rajan Road, Uthandi, Chennai, Tamil Nadu, India - 600119	Board Member
Nicoline Erika Hyldahl	Havndrupvej 5 DK- 5750 Ringe	Board Member
Jens Prytz Sørensen	Drosselvej 20 DK - 5500 Middelfart	Board Member

17. 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.

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
Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

Accounting policies

Cost of sales also includes research costs of development projects that do not meet the criteria for recongnition in the balance sheet, and amortization of recongnized 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 amortisation.

Administrative expenses
Administrative expenses comprise costs incurred for management and admnistration 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.

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

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, including interest income on receivables from group enterprises, net capital or exchange 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 or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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

Accounting policies

Balance sheet
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile. Useful lives are reassessed annually. The amortisation periods used are 5-20years.

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

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical 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 recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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 their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5-20 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises

Accounting policies

direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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

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

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

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

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

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

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. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in associates.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are

Accounting policies

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 will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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.

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 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.

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

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

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

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.

Accounting policies

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.

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.

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and 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, activities 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.

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

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.