Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
City Tower, Værkmestergade 2
8000 Aarhus C

Phone 89 41 41 41
Fax 89 41 42 43
www.deloitte.dk

DINEX A/S

Fynsvej 39
5500 Middelfart
Central Business Registration
No 10504473

Annual report 2019

The Annual General Meeting adopted the annual report on 24.04.2020

Chairman of the General Meeting

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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: 01.01.2019 - 31.12.2019

Board of Directors
Niels Thorborg, Chairman
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 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 24.04.2020

Executive Board

Torben Staal Dinesen

Board of Directors

Niels Thorborg Chairman	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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the 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, 24.04.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bo Damgaard Hansen
State Authorised Public Accountant
Identification No (MNE) mne34543

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

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	1.529.336	1.232.856	1.039.651	913.644	810.987
Gross profit/loss	433.480	390.266	350.554	241.605	190.581
EBITDA	212.199	184.343	140.074	82.030	39.984
Net financials	(22.225)	(46.138)	(35.904)	(26.245)	(20.039)
Profit/loss before tax	132.924	105.952	47.139	6.198	151
Profit/loss for the year	117.054	102.644	32.548	(3.785)	9.520
Total Assets	1.330.875	1.145.296	927.851	883.495	906.318
Investment in property, Plant, and equipment	196.264	67.393	46.538	100.067	117.434
Equity	316.783	201.579	108.285	85.669	121.364
Equity incl minority interests and subordinated loan	516.783	401.579	223.285	100.669	136.364
Average invested capital Incl goodwill	950.229	766.887	615.429	598.751	688.491
Net interest-bearing debt	499.166	443.923	442.568	527.913	560.969
Rations					
Gross margin (%)	28,4	31,7	33,7	26,4	23,5
EBITDA-margin (&)	13,9	15,0	13,5	9,0	4,9
Net margin (%)	7,7	8,3	3,1	(0,4)	1,2
Return on invested capital	18,0	21,5	22,8	13,7	5,6
Incl goodwill (%)					
Return on equity (%)	45,2	66,3	33,6	(3,7)	7,2
Equity ratio incl	38,8	35,1	24,2	11,4	15,0
Subordinated loan (%)					
Equity ratio (%)	23,8	17,6	11,7	9,7	13,4
Net interest-bearing debt to EBITDA	2,4	2,4	3,2	6,4	14,0

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

Ratios		Calculation formula	Calculation formula reflect
Gross margin (%)	=	Gross profit/loss x 100 / Revenue	The entuty's operating gearing.
EBITDA-margin (%)	=	EBITDA / Revenue	The entity's operating profitabillity.
Net margin (%)	=	Profit/loss for the year x 100 / Revenue	The entity's operating profitability.
Return on investet capital incl Goodwill (%)	=	EBITA x 100 / Average invested capital incl goodwill	The return generated by the entity on the investors' funds.
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 ration incl subordinated loan (%)	=	Equity ration incl subordinated loan x 100 / Total assets	The financial streght of the entity incl minority interests and subordinated loan.
Equity ratio (%)	=	Equity x 100 / Total assets	The financial strength of the entity.
Net interest-bearing debt to EBITDA	=	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.

Management commentary

Primary activities

The primary activity of the Dinex A/S Group is 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).

The operating profit (EBIT) of the Group was DKK 155.179 thousand against DKK 152.090 thousand in 2018. The result before tax for the Group was DKK 132.924 thousand against DKK 105.952 thousand in 2018. The year-end total net result after tax for the Group was DKK 117.054 thousand against DKK 102.644 thousand in 2018. The result after tax for the Group in 2018 was positive impacted by a gain on sale of building with DKK 21.060 thousand after tax.

EBITDA amounts to DKK 212 million and is significantly improved compared to the 2018 level. The statisfactory performance meets the expectations and supports that the right decisions were executed on the Dinex strategy; Fuel for future . The improvement is driven by stable and profitable business globally for both aftermarket and OEM industry.

The performance in 2019 has improved the key figures and financial ratios significantly compared to 2018 and supported the journey.

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 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

Management commentary

full scale impact in 2018. We continue to jointly develop the business and we expect to deliver the first National 6 applications in 2020 with full scale production in 2021.

Credit risk

The credit risks of the Group are primarily related to trade receivables, which at the end of 2019 were DKK 256.043 thousand against DKK 285.024 thousand in 2018. 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 2019.

Currency and interests risks

The consolidated financial statements are 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 2019, a total net exchange loss of DKK 2.679 thousand is realized, against a net loss of DKK 18.944 thousand in 2018. The exchange loss is mainly driven by loss in Chinese Renminbi and Turkish Lire.

Intellectual capital resources

The employees in the Dinex Group cover a wide field. At year-end, the Group had 1.513 employees, including 93 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.

Outlook

2020 will continue the positive trend seen in revenue and profits due to exploitation and expansion of the well-established global footprint. We expect longterm profitable growth driven by the European, Indian 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, but we also foresee that the global economy and thereby our business growth and earnings will be negatively impacted by COVID-19 in 2020.

The EBITDA margin, excluding special items, is expected to reach a level in the range of 14-16%, as a result of increased revenue, exploitation of footprint, continued focus on efficiency, investment in future technology

Management commentary

and a cost conscious approach.

The level of investments in production machinery, technology and development projects are planned to be on a continued high level in 2020 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 and roll forward to the next period strategy phase for 2021-2023 named "shaping the future".

Dinex continued the development of the Eminizer ™ concept in 2019. Eminizer ™ is a complete emission exhaust system that meets the emission requirements that are expected to be introduced during the exhibitions in 2020 and in line with the future expectations.

We have also as part of global footprint expanded the business by establishing a JV in India together with Active Exhaust Corp. and our own subsidiary Dinex Emission Solutions India Private Limited. The establishment in India is an investment in future business in markets with increased complexity and higher expectations to emission norms.

Management estimates that the Group will achieve a satisfactory positive result in 2020 despite the expected negative impact of Covid-19.

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 and thereby also comply to UN'.

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 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

Management commentary

and communication with staff.
In connection with the code of conduct, we have also evalutated 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 the risk in this area. We are also not aware of any breaches concerning bribery and corruption in Dinex in 2019.

Our CSR focus in 2019 - 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
The primary risk is if we do 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. We have also relocated our factory in China to a completely new facility, that meets future industry standard and future requirements for both capacity and energy optimization and also invested in the first state of the art coating facility in China as part of the strategic journey.

Dinex established a goal to minimize scrap with 5% compared to 2018 level through continued high quality and efficiency in production processes using new production methods and process optimization. We have managed to minimize scrap with 3% in 2019 and thereby do not meet the expectations. We still believe that there is potential for continued savings, so we wish to minimize scrap with minimum 5% compared to 2019 level in 2020.

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.

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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. 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 2019. Dinex will further develop the governance and control procedures in 2020 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 and attract employees. This may 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 2019 updated our code of conduct.

4. Human Resources

The HR Partnership, established in 2018, is now a fully integrated part of local leadership teams in all Dinex entities globally, working as a business partner to all functional areas, advisor and executor of all local HR routines along with ensuring full legal compliancy within all local rules and regulations.
The HR partners reports directly to the General Managers and functional to the Group HR management in HQ.

The must win battles supporting the strategy was in 2019 defined as:

1) Support a BC Performance Culture in Operations, and reduce employee turnover, by implementing work incentives such as a revised salary system and other motivation methods
2) Strengthen the recruitment process globally and ensure high speed in delivery, quality in competencies and higher hit rates of long-term collaborators. Increasing internal recruitments and rotation
3) Enforce corporate policies and values, to ensure a shared Dinex identity
4) Increase general Performance Culture for all employees, using standardized HR routines supported by internal user training

Management commentary

5) Continue to strengthen Local Core Management teams, through teamwork and trust, empowerment, stability and shared ownership (challenges & successes), as well as a close cooperation with functional Heads
6) Mature Senior Management and key critical mass, via training (Individual Development Planning) and succession plans, to reduce vulnerability to uncontrolled personal fluctuation

Salary system in Operations

Implementation of a new Salary System has contributed significantly to reducing turnover and illness rates among BC employees. The system launched in 2019 at the largest AEM plant will be best practice for future roll-out at other Dinex plants.

Integrated with the implementation, Supervisor training, BC skills assessment and rating has been completed in order to establish a reviewed baseline for a new pay structure.

Attraction of core competencies

The recruitment system and methods has been globally aligned in order to attract required core competencies especially from competing automotive business and from all over the world.

Group HR has played and active role in external networks to bring in methods and process knowledge related to attracting, onboarding and hosting international employees.

The attracting ability has further been strengthened through press attention related to HR Branding activities in national television, radio attention, newspaper and press releases.

In 2019, we measured a significantly high rate of applications for Dinex's vacancies and a significant increase in the number of LinkedIn followers.

Dinex University

In line with the overall strategy, Dinex University was established in 2019 to be ready for operations in early 2020.

The university consists of several academies that carry out sales-, technology- and management training for target groups globally. In addition, the onboarding is hand-held by Dinex University in its efforts to ensure a professional orientation, training and introduction for all new employees.
The efforts for internal talent development as well as the development of the next generation of leaders are also carried out under the responsibility of the University.

Management teams

In 2019, we have continued to focus intensively on ensuring the best possible quality and composition of local leadership teams.
Especially in Dinex Turkey, where the need for competence optimization in management and in other key

Management commentary

positions, we have spent a lot of effort to ensure optimization and has proudly succeeded in attracting strong competent forces from the automotive business.
A much stronger management team is therefore now in place and ready to meet rising expectations for business growth along with and continued development of both the DTR organization, people and competencies.

HR KPI metrics
The Dinex HR metrics, which are linked to a tight target structure and supporting the business within several KPI's of importance to performance, capacity and leadership, have been extended in 2019 to include a total of 15 global HR KPI and in addition with several local and more customized KPI's in each entity.

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.

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, preventing actions 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.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 commentary

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 20% women and 80% men, but for white collars 39% is actually women. The goal is that the gender representation for white collars in the organisation as minimum must follow the gender composition in the Executive Commitee.

The Executive Committee has defined a target for 2020 to increase the actual level at 25% in 2017 to 30% women and 70% men. We expect to meet the target in 2020 despite the redesigned management structure with a split in AEM and OEM management teams, which has resulted in that we in both the top management levels and the next level of managers have 25% women by the end of 2019. Therefore, Dinex will continue to work actively on ensuring and maintaining a balance in the local and group management teams. As an example of Dinex' effort, the CFO and COO OEM 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 and reelected in 2019, so we managed to fulfill the goal with a female board member before 2022.

Events after the balance sheet date

The outbreak and spread of COVID-19 at the beginning of 2020 has resulted in an expected reduction of the company's turnover in Q2 2020 by approx. 3% in relation to the expectations at the beginning of the year. This decrease is partly due to canceled customer orders and partly to the inability to meet customer demand due to problems with deliveries of components from subcontractors.

Due to the global footprint we still foresee a strong turnover mainly driven by emerging markets in China,

Management commentary

Russia and US, but we have also made several strategic decisions including merge of supply chain function for OEM customers in Europe, decided to move faster with the establishment of own subsidiary in India and not at least adjusted the cost base in March 2020 with partly impact in 2020 but full impact in 2021 in order to secure the robustness in the future journey.

We acknowledge that at present, it is not possible to make a reliable estimate of when the effect of COVID-19 will wane and the company's net sales and operations will be normalized. Depending on the time horizon for when the company's turnover will be normalized and how the company's turnover and costs will be affected until then, a subsequent write-down requirement may arise that may be significant even though we today expect that we still will be able to meet the indicated EBITDA% ratio for 2020 as mentioned under the Outlook section.

In addition, no circumstances have occurred after the balance sheet date that distort the assessment of the annual report.

Consolidated income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Revenue	2	1.529.336	1.232.856
Production costs	4, 5	(1.095.496)	(842.590)
Gross profit/loss		**433.840**	**390.266**
Distribution costs		(120.131)	(124.882)
Administrative expenses	3	(165.023)	(143.106)
Other operating income		29.917	33.839
Other operating expenses		(23.424)	(4.027)
Operating profit/loss		**155.179**	**152.090**
Income from investments in associates		15.462	10.946
Other financial income	6	17.163	28.608
Other financial expenses	7	(54.880)	(85.692)
Profit/loss before tax		**132.924**	**105.952**
Tax on profit/loss for the year	8	(15.870)	(3.308)
Profit/loss for the year	9	**117.054**	**102.644**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Completed development projects		64.570	52.240
Acquired licences		5.863	3.477
Goodwill		0	80
Intangible assets	10	**70.433**	**55.797**
Land and buildings		232.570	89.101
Plant and machinery		125.829	172.251
Other fixtures and fittings, tools and equipment		24.274	19.607
Property, plant and equipment in progress		46.126	11.896
Property, plant and equipment	11	**428.799**	**292.855**
Investments in associates		51.109	35.647
Deferred tax	14	38.355	38.524
Fixed asset investments	12	**89.464**	**74.171**
Fixed assets		**588.696**	**422.823**
Raw materials and consumables		112.673	102.285
Work in progress		35.496	26.585
Manufactured goods and goods for resale		155.985	158.480
Inventories		**304.154**	**287.350**
Trade receivables	15	256.043	285.024
Other receivables		62.169	80.031
Income tax receivable		13.674	12.578
Prepayments		33.304	8.626
Receivables		**365.190**	**386.259**
Cash		**72.835**	**48.864**
Current assets		**742.179**	**722.473**
Assets		**1.330.875**	**1.145.296**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital		2.250	2.250
Retained earnings		304.533	189.329
Proposed dividend		10.000	10.000
Equity		**316.783**	**201.579**
Deferred tax	14	28.693	8.135
Other provisions		798	0
Provisions		**29.491**	**8.135**
Subordinate loan capital		200.000	200.000
Mortgage debt		44.996	4.246
Bank loans		128.672	52.444
Finance lease liabilities		2.722	5.189
Non-current liabilities other than provisions	16	**376.390**	**261.879**
Current portion of long-term liabilities other than provisions	16	77.479	50.077
Bank loans		318.132	380.832
Trade payables		147.982	156.936
Income tax payable		7.927	0
Other payables		56.691	85.858
Current liabilities other than provisions		**608.211**	**673.703**
Liabilities other than provisions		**984.601**	**935.582**
Equity and liabilities		**1.330.875**	**1.145.296**
Events after the balance sheet date	1		
Associates	13		
Unrecognised rental and lease commitments	18		
Transactions with related parties	19		
Group relations	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	2.250	189.329	10.000	201.579
Ordinary dividend paid	0	0	(10.000)	(10.000)
Exchange rate adjustments	0	8.150	0	8.150
Profit/loss for the year	0	107.054	10.000	117.054
Equity end of year	**2.250**	**304.533**	**10.000**	**316.783**

Consolidated cash flow statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		155.179	152.091
Amortisation, depreciation and impairment losses		57.020	32.252
Writedown of current assets		798	(17.752)
Working capital changes	17	(32.761)	(191.164)
Cash flow from ordinary operating activities		**180.236**	**(24.573)**
Financial expenses paid		(35.022)	(38.140)
Income taxes refunded/(paid)		11.687	(20.382)
Cash flows from operating activities		**156.901**	**(83.095)**
Acquisition etc of intangible assets		(30.234)	(15.698)
Acquisition etc of property, plant and equipment		(190.301)	(22.590)
Sale of property, plant and equipment		18.391	45.027
Cash flows from investing activities		**(202.144)**	**6.739**
Loans raised		171.010	104.000
Repayments of loans etc		(29.096)	(46.316)
Dividend paid		(10.000)	(10.000)
Cash flows from financing activities		**131.914**	**47.684**
Increase/decrease in cash and cash equivalents		**86.671**	**(28.672)**
Cash and cash equivalents beginning of year		(331.968)	(303.296)
Cash and cash equivalents end of year		**(245.297)**	**(331.968)**
Cash and cash equivalents at year-end are composed of:			
Cash		72.835	48.864
Short-term debt to banks		(318.132)	(380.832)
Cash and cash equivalents end of year		**(245.297)**	**(331.968)**

Notes to consolidated financial statements

1. Events after the balance sheet date

The outbreak and spread of COVID-19 at the beginning of 2020 has resulted in an expected reduction of the company's turnover in Q2 2020 by approx. 3% in relation to the expectations at the beginning of the year. This decrease is partly due to canceled customer orders and partly to the inability to meet customer demand due to problems with deliveries of components from subcontractors.

Due to the global footprint we still foresee a strong turnover mainly driven by emerging markets in China, Russia and US, but we have also made several strategic decisions including merge of supply chain function for OEM customers in Europe, decided to move faster with the establishment of own subsidiary in India and not at least adjusted the cost base in March 2020 with partly impact in 2020 but full impact in 2021 in order to secure the robustness in the future journey.

We acknowledge that at present, it is not possible to make a reliable estimate of when the effect of COVID-19 will wane and the company's net sales and operations will be normalized. Depending on the time hori-zon for when the company's turnover will be normalized and how the company's turnover and costs will be affected until then, a subsequent write-down requirement may arise that may be significant even though we today expect that we still will be able to meet the indicated EBITDA% ratio for 2020 as mentioned un-der the Outlook section.

In addition, no circumstances have occurred after the balance sheet date that distort the assessment of the annual report.

	2019 DKK'000	2018 DKK'000
2. Revenue		
Revenue by geographical market		
Denmark	8.391	6.476
Other countries	1.520.945	1.226.380
	1.529.336	**1.232.856**
Revenue by activity		
AEM	359.532	310.259
OEM	1.169.804	922.597
	1.529.336	**1.232.856**

	2019 DKK'000	2018 DKK'000
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	1.510	1.006
Other assurance engagements	13	93
Tax services	82	534
Other services	51	161
	1.656	**1.794**

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
4. Staff costs		
Wages and salaries	199.731	149.131
Pension costs	12.386	12.354
Other social security costs	28.587	19.235
	240.704	**180.720**
Average number of employees	**1.513**	**1.369**

	Remuneration of management 2019 DKK'000	Remuneration of management 2018 DKK'000
Executive Board	4.725	6.182
Board of Directors	700	700
	5.425	**6.882**

	2019 DKK'000	2018 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	15.685	12.490
Depreciation on property, plant and equipment	47.938	47.085
Profit/loss from sale of intangible assets and property, plant and equipment	(6.602)	(27.322)
	57.021	**32.253**

	2019 DKK'000	2018 DKK'000
6. Other financial income		
Other interest income	3.253	512
Exchange rate adjustments	13.910	28.096
	17.163	**28.608**

	2019 DKK'000	2018 DKK'000
7. Other financial expenses		
Other interest expenses	38.291	38.652
Exchange rate adjustments	16.589	47.040
	54.880	**85.692**

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
8. Tax on profit/loss for the year		
Current tax	17.720	5.039
Change in deferred tax	(1.850)	(1.731)
	15.870	**3.308**

	2019 DKK'000	2018 DKK'000
9. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	10.000	10.000
Retained earnings	107.054	92.644
	117.054	**102.644**

	Completed develop-ment projects DKK'000	Acquired licences DKK'000	Goodwill DKK'000
10. Intangible assets			
Cost beginning of year	96.020	21.819	19.694
Exchange rate adjustments	172	14	0
Additions	26.433	3.800	0
Disposals	0	(1.821)	0
Cost end of year	**122.625**	**23.812**	**19.694**
Amortisation and impairment losses beginning of year	(43.780)	(18.342)	(19.614)
Exchange rate adjustments	(87)	(10)	0
Amortisation for the year	(14.188)	(1.418)	(80)
Reversal regarding disposals	0	1.821	0
Amortisation and impairment losses end of year	**(58.055)**	**(17.949)**	**(19.694)**
Carrying amount end of year	**64.570**	**5.863**	**0**

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 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
11. Property, plant and equipment				
Cost beginning of year	131.725	385.248	83.805	11.896
Exchange rate adjustments	2.528	2.991	575	29
Transfers	26.564	(30.730)	4.191	(25)
Additions	124.945	22.699	8.086	40.534
Disposals	(5.237)	(8.942)	(2.760)	(5.963)
Cost end of year	**280.525**	**371.266**	**93.897**	**46.471**
Depreciation and impairment losses beginning of year	(42.624)	(212.997)	(64.198)	0
Exchange rate adjustments	(483)	(2.151)	(328)	4
Impairment losses for the year	0	0	0	(349)
Depreciation for the year	(4.696)	(36.002)	(6.890)	0
Reversal regarding disposals	(152)	5.713	1.793	0
Depreciation and impairment losses end of year	**(47.955)**	**(245.437)**	**(69.623)**	**(345)**
Carrying amount end of year	**232.570**	**125.829**	**24.274**	**46.126**

	Investments in associates DKK'000	Deferred tax DKK'000
12. Fixed asset investments		
Cost beginning of year	26.547	38.524
Disposals	0	(169)
Cost end of year	**26.547**	**38.355**
Revaluations beginning of year	9.100	0
Share of profit/loss for the year	15.462	0
Revaluations end of year	**24.562**	**0**
Carrying amount end of year	**51.109**	**38.355**

Notes to consolidated financial statements

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

	2019 DKK'000	2018 DKK'000
14. Deferred tax		
Intangible assets	(11.216)	(9.466)
Property, plant and equipment	(24.145)	(2.367)
Inventories	418	236
Receivables	457	156
Liabilities other than provisions	8.290	1.829
Tax losses carried forward	36.618	41.078
Other taxable temporary differences	(760)	(1.077)
	9.662	**30.389**

Changes during the year	
Beginning of year	30.389
Recognised in the income statement	1.850
Other changes	(22.577)
End of year	**9.662**

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.

15. Short-term trade receivables

The Group has per 31.12.2019 overdue balances on two business partners. 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 31.12.2019

Notes to consolidated financial statements

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
16. Liabilities other than provisions				
Subordinate loan capital	0	0	200.000	200.000
Mortgage debt	2.876	223	44.996	33.472
Bank loans	74.012	48.783	128.672	1.607
Finance lease liabilities	591	1.071	2.722	0
	77.479	**50.077**	**376.390**	**235.079**

	2019 DKK'000	2018 DKK'000
17. Change in working capital		
Increase/decrease in inventories	(16.805)	(99.334)
Increase/decrease in receivables	22.164	(124.226)
Increase/decrease in trade payables etc	(38.120)	32.396
	(32.761)	**(191.164)**

	2019 DKK'000	2018 DKK'000
18. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**124.400**	**117.645**

19. 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.

20. 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 %
21. Subsidiaries			
Dinex Exhausts Ltd.	England	Comp.	100,0
Dinex Latvia SIA	Letvia	Comp.	100,0
Dinex Italia SRL	Italy	Comp.	100,0
Dinex Polska Sp. z.o.o	Poland	Comp.	100,0
Dinex Iberica Sistemas de escape, S.L.U	Spain	Comp.	100,0
Dinex France SAS	France	Comp.	100,0
Dinex Deutschland GmbH	Germany	Comp.	100,0
Dinex Emission Inc.	USA	Comp.	100,0
Dinex RUS LLC	Russia	Comp.	100,0
Dinex Clamps Ltd	England	Comp.	100,0
Dinex Egzoz Ve Emisyon A.S	Turkey	Comp.	100,0
Dinex Emission System Changzhou Co., Ltd	China	Comp.	100,0
Dinex Balkan D.O.O.	Serbia	Comp.	100,0
Dinex Ejendomme ApS	Denmark	Comp.	100,0
Dinex Finland OY	Finland	Comp.	100,0
3C Fynsvej A/S	Denmark	Comp.	100,0

Parent income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Revenue	1	223.332	196.882
Production costs	2, 3	(183.363)	(151.422)
Gross profit/loss		**39.969**	**45.460**
Distribution costs		(39.584)	(30.881)
Administrative expenses		11.875	2.402
Other operating income		0	26
Operating profit/loss		**12.260**	**17.007**
Income from investments in group enterprises		102.620	82.355
Income from investments in associates		15.462	10.946
Other financial income	4	19.805	22.023
Other financial expenses	5	(33.335)	(33.897)
Profit/loss before tax		**116.812**	**98.434**
Tax on profit/loss for the year	6	242	4.210
Profit/loss for the year	7	**117.054**	**102.644**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Completed development projects		46.959	41.773
Acquired concessions		4.078	1.320
Intangible assets	8	**51.037**	**43.093**
Plant and machinery		13.394	15.212
Other fixtures and fittings, tools and equipment		1.738	2.287
Leasehold improvements		407	374
Property, plant and equipment	9	**15.539**	**17.873**
Investments in group enterprises		633.617	327.356
Investments in associates		51.108	35.646
Other investments		0	1.156
Fixed asset investments	10	**684.725**	**364.158**
Fixed assets		**751.301**	**425.124**
Raw materials and consumables		4.291	4.697
Manufactured goods and goods for resale		33.086	23.785
Inventories		**37.377**	**28.482**
Trade receivables		12.161	19.686
Receivables from group enterprises		295.404	370.669
Other receivables		7.894	8.561
Prepayments	11	2.699	2.473
Receivables		**318.158**	**401.389**
Cash		**15**	**22**
Current assets		**355.550**	**429.893**
Assets		**1.106.851**	**855.017**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital		2.250	2.250
Reserve for development expenditure		20.891	15.704
Retained earnings		283.644	173.626
Proposed dividend		10.000	10.000
Equity		**316.785**	**201.580**
Deferred tax	12	7.064	6.140
Provisions		**7.064**	**6.140**
Subordinate loan capital		200.000	200.000
Bank loans		87.783	17.858
Non-current liabilities other than provisions	13	**287.783**	**217.858**
Current portion of long-term liabilities other than provisions	13	54.693	42.974
Bank loans		301.155	319.594
Trade payables		12.106	6.317
Payables to group enterprises		114.200	50.028
Income tax payable		0	1.166
Other payables		13.065	9.360
Current liabilities other than provisions		**495.219**	**429.439**
Liabilities other than provisions		**783.002**	**647.297**
Equity and liabilities		**1.106.851**	**855.017**
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 2019

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	2.250	15.704	173.626
Ordinary dividend paid	0	0	0
Exchange rate adjustments	0	0	8.151
Transfer to reserves	0	5.187	(5.187)
Profit/loss for the year	0	0	107.054
Equity end of year	**2.250**	**20.891**	**283.644**

	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	10.000	201.580
Ordinary dividend paid	(10.000)	(10.000)
Exchange rate adjustments	0	8.151
Transfer to reserves	0	0
Profit/loss for the year	10.000	117.054
Equity end of year	**10.000**	**316.785**

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	8.391	6.476
Other countries	214.941	190.406
	223.332	**196.882**
Revenue by activity		
AEM	100.535	85.955
OEM	122.797	110.927
	223.332	**196.882**

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	42.344	38.414
Pension costs	3.383	3.007
Other social security costs	3.632	2.409
	49.359	**43.830**
Average number of employees	**93**	**79**

	Remuneration of management 2019 DKK'000	Remuneration of management 2018 DKK'000
Executive Board	4.725	6.182
Board of Directors	700	700
	5.425	**6.882**

	2019 DKK'000	2018 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	10.047	7.788
Depreciation on property, plant and equipment	5.784	5.757
Profit/loss from sale of intangible assets and property, plant and equipment	0	(26)
	15.831	**13.519**

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
4. Other financial income		
Financial income arising from group enterprises	19.310	19.534
Other interest income	0	2.489
Exchange rate adjustments	495	0
	19.805	**22.023**

	2019 DKK'000	2018 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	1.501	7.554
Other interest expenses	28.375	20.710
Exchange rate adjustments	3.459	5.633
	33.335	**33.897**

	2019 DKK'000	2018 DKK'000
6. Tax on profit/loss for the year		
Current tax	(1.166)	0
Change in deferred tax	924	(2.535)
Adjustment concerning previous years	0	(1.675)
	(242)	**(4.210)**

	2019 DKK'000	2018 DKK'000
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	10.000	10.000
Transferred to voluntary reserve	0	8.104
Retained earnings	107.054	84.540
	117.054	**102.644**

Notes to parent financial statements

	Completed develop-ment projects DKK'000	Acquired concessions DKK'000
8. Intangible assets		
Cost beginning of year	76.882	10.484
Additions	14.431	3.561
Disposals	0	(1.789)
Cost end of year	**91.313**	**12.256**
Amortisation and impairment losses beginning of year	(35.110)	(9.164)
Amortisation for the year	(9.244)	(803)
Reversal regarding disposals	0	1.789
Amortisation and impairment losses end of year	**(44.354)**	**(8.178)**
Carrying amount end of year	**46.959**	**4.078**

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 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.

	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	77.226	0	10.559
Additions	3.047	246	157
Disposals	0	(131)	0
Cost end of year	**80.273**	**115**	**10.716**
Depreciation and impairment losses beginning of year	(62.014)	(15.382)	(10.185)
Depreciation for the year	(4.865)	(795)	(124)
Reversal regarding disposals	0	131	0
Depreciation and impairment losses end of year	**(66.879)**	**(16.046)**	**(10.309)**
Carrying amount end of year	**13.394**	**(15.931)**	**407**

Notes to parent financial statements

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Other investments DKK'000
10. Fixed asset investments			
Cost beginning of year	325.626	26.547	1.156
Additions	195.570	0	0
Disposals	0	0	(1.156)
Cost end of year	**521.196**	**26.547**	**0**
Revaluations beginning of year	1.730	9.099	0
Exchange rate adjustments	8.151	0	0
Share of profit/loss for the year	102.620	15.462	0
Other adjustments	(80)	0	0
Revaluations end of year	**112.421**	**24.561**	**0**
Carrying amount end of year	**633.617**	**51.108**	**0**

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.

	2019 DKK'000	2018 DKK'000
12. Deferred tax		
Intangible assets	11.228	9.480
Property, plant and equipment	(390)	531
Receivables	(8)	(74)
Liabilities other than provisions	(4.494)	(1.829)
Tax losses carried forward	(425)	(3.045)
Other taxable temporary differences	1.153	1.077
	7.064	**6.140**
Changes during the year		
Beginning of year	6.140	
Recognised in the income statement	924	
End of year	**7.064**	

Notes to parent financial statements

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Subordinate loan capital	0	0	200.000	200.000
Bank loans	529	308	87.783	0
Finance lease liabilities	54.164	42.666	0	0
	54.693	**42.974**	**287.783**	**200.000**

	2019 DKK'000	2018 DKK'000
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**53.739**	**63.520**
Liabilities under rental agreements or leases with group enterprises until expiry	**1.114**	**2.130**

15. Contingent liabilities

Dinex A/S has provided guarantees to 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 and Dinex Finland Oy

The guantees are limited to 107.7 mio. DKK.

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.

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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	Shareholding

Notes to parent financial statements

	DK- 5000 Odense C	
Niels Thorborg	Langelinie 185	Chairman of the Board of Directors
	DK - 5230 Odense M	
Torben Dinesen	Strandstien 157, Strib	CEO & Board Member
	DK-5500 Middelfart	
Jørn Tolstrup Rode	Langelinie 183	Board Member
	DK-5230 Odense M	
Carsten Riisberg Lund	23 Survery Drive St. James Park	Board Member
	Surbiton, KT 65 RD	
	United Kingdom	
Nicoline Erika Hyldahl	Havndrupvej 5	Board Member
	DK- 5750 Ringe	
Jens Prytz Sørensen	Drosselvej 20	Board Member
	DK - 5500 Middelfart	

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.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, 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.

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

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,

Accounting policies

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.

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Nicoline Erika Hyldahl
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-336536035097
IP: 176.22.xxx.xxx
2020-05-01 08:17:52Z
NEM ID

Søren Alsen Lauridsen
Revisor
Serienummer: CVR:33963556-RID:86187344
IP: 87.104.xxx.xxx
2020-05-01 08:18:09Z
NEM ID

Jens Prytz Sørensen
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-404674395956
IP: 87.58.xxx.xxx
2020-05-01 08:30:40Z
NEM ID

Bo Damgaard Hansen
Revisor
Serienummer: CVR:33963556-RID:63926899
IP: 83.151.xxx.xxx
2020-05-01 09:02:03Z
NEM ID

Torben Staal Dinesen
Adm. direktør
Serienummer: PID:9208-2002-2-563198156930
IP: 213.83.xxx.xxx
2020-05-01 09:08:55Z
NEM ID

Torben Staal Dinesen
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-563198156930
IP: 213.83.xxx.xxx
2020-05-01 09:08:55Z
NEM ID

Navnet er skjult (CPR valideret)
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-739042569885
IP: 82.21.xxx.xxx
2020-05-01 10:06:42Z
NEM ID

Jørn Tolstrup Rohde
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-897902003312
IP: 5.186.xxx.xxx
2020-05-01 12:14:05Z
NEM ID

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Niels Thorborg
Bestyrelsesformand
Serienummer: PID:9208-2002-2-534839547329
IP: 5.186.xxx.xxx
2020-05-03 12:32:34Z
NEM ID

Niels Thorborg
Dirigent
Serienummer: PID:9208-2002-2-534839547329
IP: 5.186.xxx.xxx
2020-05-03 12:32:34Z
NEM ID

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