Annual Report for 2016

Dantec Dynamics A/S

Tonsbakken 16-18
2740 Skovlunde

CVR-nr. 15 10 75 88

Approved by the General Meeting

May 26th 2017

Janet Barbookles
Chairman of the Meeting

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Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Dantec Dynamics A/S for the financial year 1 January to 31 December 2016.

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 Company's financial position at 31 December 2016 and of its financial performance and cash flow for the financial year 1 January to 31 December 2016.

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.

Skovlunde, May 26th 2017

Executive Board

Anders Faurholt

Supervisory Board

Janet Barbookles
Chairman

Michael Larkin

Jesper Dela

Jørgen Frandsen

Jean-Marc Muller

Independent auditor's report

To the Shareholder of Dantec Dynamics A/S

Opinion

We have audited the consolidated annual accounts and the annual accounts of Dantec Dynamics A/S for the financial year 1 January - 31 December 2016, which comprise profit and loss account, balance sheet, statement of changes in equity, cash flow statement, and notes, including a summary of accounting policies used, for both the group and the company. The annual accounts have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, the liabilities, and the financial position of the group and the company respectively as of 31 December 2016, and of the results of operations and cash flows of the group and the company respectively for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts". We are independent of the group in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group's and the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of these consolidated annual accounts and annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of the 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 company's internal control.

• Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

Independent auditor's report (continued)

• Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and the company'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 annual accounts and the annual accounts 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 company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and furthermore, whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

• Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts.

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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts and the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, May 26th 2017

Grant Thornton
Statsautoriseret Revisionspartnerselskab
Company reg. No. 34 20 99 36

Michael Beuchert
State Authorised Public Accountant

Company details

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Jean-Marc Muller
Jesper Dela
Michael Larkin
Jørgen Frandsen
Executive Board
Anders Faurholt
Auditors
Grant Thornton Statsautoriseret Revisionspartnerselskab
Bank
Nordea - Hovedvejen 112, 2600 Glostrup

Group chart

Parent company	Dantec Dynamics A/S Skovlunde, Denmark Nom. 22.721.000 DKK	
Subsidiaries	Dantec Dynamics, Inc. (100%) New York, USA Nom. 300.000 USD	Dantec Dynamics Ltd. (100%) Bristol, UK Nom. 150.000 GBP
	Dantec Dynamics GmbH (100%) Ulm, Germany Nom. 151.000 EUR	Dantec Dynamics S.A.S. (100%) Nozay, France Nom. 300.000 EUR
	Dantec Dynamics K.K. (100%) Tokyo, Japan Nom. 10.000.000 JPY	

Financial highlights

5-year summary

Key figures (in DKK million)	2016	2015	2014	2013	2012
Result					
Revenue	180,9	207,8	190,8	176,1	189,6
Operating profit or loss	11,5	12,1	11,4	11,9	15,4
Result of net financials	-2,7	0,2	-3,4	-4,4	-1,7
Pre-tax profit or loss	8,8	12,3	8,0	7,5	13,7
Net profit/loss for the year	6,3	8,5	7,0	5,7	8,1
Balance sheet					
Shareholders' equity	49,6	49,0	39,8	35,0	30,3
Balance sheet total	127,3	128,9	125,7	114,5	110,7
Investments in property, plant and equipment	3,2	2,8	7,6	4,4	3,5
Number of employees	111	114	109	107	103
Ratios					
EBIT	6%	6%	6%	7%	8%
EBITDA	12%	10%	10%	10%	11%
EBIT, adjusted	16%	14%	14%	16%	16%
EBITDA, adjusted	21%	18%	18%	19%	19%
Return on equity	13%	19%	19%	17%	29%
Equity ratio	39%	38%	32%	31%	27%

Definition of financial ratios:

EBIT margin:

$$\frac{\text{Operating profit or loss} \times 100}{\text{Revenue}}$$

EBITDA margin:

$$\frac{(\text{Operating profit or loss + depreciations + amortisations}) \times 100}{\text{Revenue}}$$

EBIT adjusted:

$$\frac{\text{Operating profit or loss adjusted for management fee} \times 100}{\text{Revenue}}$$

EBITDA adjusted:

$$\frac{(\text{Operating profit or loss adjusted for management fee + depreciations + amortisations}) \times 100}{\text{Revenue}}$$

Return on equity:

$$\frac{\text{Income or loss from ordinary activities after tax} \times 100}{\text{Average equity attributable to equity holders of the parent}}$$

Equity ratio:

$$\frac{\text{Total equity attributable to equity holders of the parent, at year-end} \times 100}{\text{Equity and liabilities at year-end}}$$

Management's Review

Business activities and mission

Dantec Dynamics develops, manufactures and markets measurement equipment and software for measurements and simulation of flows, speed and particle size in liquids and gasses, as well as equipment and software for analyzing strain/stress/vibration and defects in solid materials.

Dantec Dynamics' customers primarily use the products for optimising energy consumption but they can also be used to improve the performance, efficiency and safety in such markets such as aviation, automotive and wind farms. In addition, the products are used to analyse thermal and chemical processes.

Customers include researchers within leading universities and institutes around the world as well as research and development departments in prominent international and domestic industrial companies.

The Group includes a business segment in the UK, which distributes medical measurement equipment and consumables.

In addition to its own sales and service offices in Europe, North America and Japan, Dantec Dynamics has a global network of independent distributors.

Business review

Results of operations

The demand for the Group's products in 2016 decreased by 26,917 kDKK from 2015. The Group had an operating result of 28,239 kDKK, exclusive of Related Third Party Management Services and Restructuring Expenses. The Group generated a net profit before tax of 6,260 kDKK in 2016 as compared to 8,500 kDKK in 2015.

Group structure

The group structure remained unchanged in 2016.

Development activities

The Group holds dominant global positions within its core activities. With a view to maintaining and strengthening this position, the Group regularly invests in the development of new products. In 2016, the Group capitalized research and development projects amounting to 3,8 mDKK.

Financial risks

Due to its international structure and presence, the group's results are affected by exchange rate movements in a number of currencies, primarily EUR, USD, GBP and JPY.

At the end of the financial year, the Group had no open forward exchange contracts.

The group does not engage in speculative foreign exchange positions.

External environment

Dantec Dynamics effect on the external environment is quite limited, as production is not energy intensive, and hazardous chemicals are not used in production. Still the group continuously works to reduce its effects on the external environment.

Knowledge resources

Dantec Dynamics generates the greater part of its earnings from high-tech niche products involving a high degree of self-development and application knowledge. The Group continues to offer competitive measurement systems that address its customers needs. A strength of the Group is its ability to maintain, and if necessary, recruit employees with strong skills in development, production, selling and industry applications. In addition, the Group maintains and promotes collaboration with well-respected strategic research partners to expand its ability to develop and deliver products to meet the needs of its customers.

The Group allocates time and resources for the maintenance and improvement of employee skills and frequently monitors to ensure that the allocated resources are applied as intended.

Post balance sheet events

No events have occurred after the financial year-end which could significantly affect the Group's financial position.

Outlook for 2017

The demand for Dantec Dynamics' scientific measurement systems is expected to increase as such systems are a key component in research projects yielding environmentally friendly energy generation and reduction of energy consumption. Based on market trends, the Group expects to continue to invest in the development of new products and applications, grow revenue and achieve positive operating results in 2017.

Accounting policies

The Annual Report of Dantec Dynamics A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act as regards medium-sized reporting class C enterprises.

Changes in accounting policies since last year

Due to the new Danish Financial Statement Act of 2015, with effect from 1 January 2016, there has been the following change in the accounting policies since last year, in the Annual Report of Dantec Dynamcis A/S:

Income or loss from actuarial adjustments of pension liabilities are included directly in the equity. Previously the income or loss was included in the income statement. This change has also been implemented in the comparative figures from previous years. The effect of the change in 2016 is an increase in the net result for the year of 8.044 kDKK due to lower financial expenses. The effect of the change in 2015 is a decrease in the net result for the year of 1.068 kDKK due to lower financial income.

There is no tax effect of the change in accounting policies implemented in the 2016 Annual Report of Dantec Dynamics A/S.

Consolidation

The consolidated financial statements comprise the parent, Dantec Dynamics A/S, and enterprises in which the parent - directly or indirectly - holds more than 50% of the voting rights or otherwise has a controlling interest.

The financial statements of the subsidiaries are prepared in accordance with the accounting policies applied by the parent. The consolidated financial statements are prepared on the basis of the financial statements of the parent and the subsidiaries by aggregating items of a similar nature and by subsequently eliminating intra-group revenue, interest, dividends, shareholdings and balances and by reversing unrealised consolidated gross margin.

In connection with the acquisition of subsidiaries, the difference between the cost and the net book value of the acquired enterprise is calculated at the time of acquisition. The net asset value implies a fair value adjustment of the acquired assets and liabilities at the time of acquisition and that a provision for expenses related to adopted and published restructurings in the acquired enterprise is in connection with the acquisition.

When subsidiaries are sold, gains or losses are made up as the difference between the market value and the divested company's net asset value using the Group's accounting policies. Provisions for sales expenses are deducted from the market value.

Divested enterprises are included in the income statement in the consolidated financial statements until the time of sale. Comparative figures are not restated for divested enterprises.

The results of subsidiaries after tax are recognised in the income statement of the parent after eliminating unrealised intercompany gains and losses.

Foreign subsidiaries

As for foreign subsidiaries, items in the income statement are translated into Danish kroner at average exchange rates that do not deviate significantly from the rate at the date of the transaction.

Balance sheet items are translated at closing rates. Any significant exchange differences resulting from the translation of the opening equity and the exchange adjustments resulting from translation of items in the income statement at closing rates are taken directly to equity.

Items in the income statement of foreign related entities are also translated into Danish kroner at average exchange rates that do not deviate significantly from the rate at the date of the transaction. Current assets and short-term liabilities in foreign currency are translated at closing rates, while fixed assets and long-term liabilities are recognised at historic rates. All exchange adjustments are recognised in the income statement.

Currency translation

Transactions denominated in foreign currencies are translated into monthly standard rates that do not deviate significantly from the exchange rate at the date of the transaction. Exchange differences between the monthly standard rates and the exchange rate at the date of payment are recognised in the income statement.

Receivables, payables and other monetary items denominated in foreign currency are translated into Danish kroner at closing rates. All exchange adjustments are recognised in the income statement as financial income/expenses.

Accounting policies (continued)

Income statement

Revenue
Income is recognised in revenue at the time of delivery of goods and services. VAT, indirect taxes and discounts are excluded from revenue.

Other operating income
Other operating income comprises income that does not relate to the main course of business, e.g. fee from subsidiaries for management services and gains on sale of fixed assets.

Raw materials and consumables
Expenses relating to raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external expenses
Other external expenses include expenses related to premises, sale, distribution and administration. Furthermore, research and development costs that do not meet the criteria for capitalisation are expensed.

Tax for the year
Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments, with exception of tax which concerns changes in equity that are taken directly to equity.

Current tax includes the estimated tax charge for the year, measured by reference to the year's expected taxable income and prior-year adjustments.

Balance sheet

Intangible assets
Goodwill, development projects, patents and licenses are measured at the lower of cost less accumulated amortisation and the recoverable amount. Development costs include expenses, wages and salaries and amortisation directly and indirectly relating to the Company's development activities. No scrap values are used.

Development projects which are clearly defined and identifiable, which have a potential future market value, and where the intention is to produce and market the products, are recognised as intangible assets.

Any development project subsidies are set off as hours are spent and expenses are incurred on the projects.

Amortisation is provided using the straight-line method over the expected economic life, which is usually five years.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment charges. No scrap values are used.

Property, plant and equipment are depreciated on a straight-line basis over the expected economic life of the individual assets. The following depreciation periods are used:

Plant 5 years
Furniture and cars, etc. 3-5 years
IT equipment 3-5 years

Leasehold improvements are depreciated over the expected remaining lease period, however maximum 10 years.

Gains and losses on the sale of property, plant and equipment are recognised in the income statement under Other operating income/other operating expenses.

Investments
In the parent financial statements, investments in subsidiaries are recognised according to the equity method, i.e. at the such enterprises' net asset value less minority interests.

Subsidiaries whose net asset value is negative are recognised at DKK 0, and any receivables are written down by the parent's share of the negative equity value to the extent that it is considered irrecoverable. Provided that the net asset value exceeds the receivable, the excess is stated under 'Provisions'.

Inventories
Inventories are measured at the lower of cost, measured by reference to the FIFO method, or net realisable value.

Raw materials and consumables are measured at cost, which includes the cost of acquisition plus costs of delivery. Contract work in progress and finished goods include cost for raw materials, consumables, direct labour costs and production overheads. Production overheads include indirect material and labour costs as well as maintenance of and depreciations on machinery, properties and equipment used in the production process as well as administrative expenses and management fees.

Accounting policies (continued)

Receivables
Trade receivables are measured at amortised cost less write-downs for bad debts. Write-downs for bad debts are calculated on the basis of an individual assessment of each individual receivable.

Prepayments
Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent reporting years.

Prepayments recognised as a liability comprises payments received concerning income in subsequent reporting years.

Treasury shares
Cost and considerations as well as dividend for treasury shares are recognised directly in retained earnings under equity. Consequently, gains and losses on sales are not recognised in the income statement.

Capital reduction by way of a cancellation of treasury shares reduces the share capital by an amount corresponding to the nominal value of the shares.

Income taxes and deferred tax
Current tax payable is recognised under 'Short-term liabilities' and deferred tax is recognised under 'Provisions'. Tax receivable and deferred tax assets are recognised under 'Current assets'.

Deferred tax is provided using the balance sheet liability methods of all temporary differences between carrying amounts and tax values, with the exception of temporary differences concerning investments in subsidiaries provided that the assets are not expected to be disposed of within a short period of time as well as non-tax-deductible goodwill.

Deferred tax assets, including the tax base of losses, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities within the same legal entity.

Deferred tax is recognised using the tax rates and tax rules applicable in the countries concerned.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate was reduced gradually from 24,5 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

Provisions
Provisions are recognised when, at the balance sheet date, the Group has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions expected to be settled after more than one year after the balance sheet date are made up at the net present value of the expected payments. The provisions are made up in all material respects using actuarial calculation methods.

Warranty commitments include expenses for remedial action within a warranty period of one year. Provisions are measured and recognised using experience from guarantee work.

Financial liabilities
Long-term financial liabilities are measured at amortised cost, which essentially corresponds to the nominal value.

Cash flow statement

The cash flow statement for the Group is presented using the indirect method and shows the Group's net cash flows, broken down by operating, investing and financing activities, respectively, and the year's changes in cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are made up as the Group's profit or loss before net financials, adjusted for non-cash operating items, changes in working capital, paid financial and extraordinary expenses and paid income taxes.

Cash flows from investing activities comprise payments related to additions and disposals of fixed assets, enterprises and activities.

Cash flows from financing activities comprise borrowings and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and short-term securities in respect of which the risk of changes in value is insignificant, as well as short-term operating credits with credit institutions.

Income statement for the year ended 31 December

kDKK

Parent Company				Group	
2016	2015	**Notes**		**2016**	2015
106.513	133.169		Revenue	180.870	207.788
1.062	837		Change in stock of finished goods and work in progress	(225)	378
12.202	11.721		Other operating income	-	-
119.778	**145.728**		**Total income**	**180.644**	**208.166**
50.429	70.370		Raw materials and consumables	67.674	89.569
20.124	22.685		Other external expenses	31.230	34.663
49.226	**52.672**		**Gross margin**	**81.740**	**83.934**
29.763	31.264	1	Staff costs	60.495	63.733
7.226	5.036	2	Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment	9.763	8.046
12.236	**16.373**		**Operating profit/loss**	**11.482**	**12.156**
(2.262)	(4.023)	3	Income/(loss) from investments in group enterprises,	-	-
913	1.179	4	Financial income	1.370	1.704
2.096	1.207	5	Financial expenses	4.050	1.533
8.791	**12.321**		**Profit/loss from ordinary activities before tax**	**8.802**	**12.327**
2.429	3.821	6	Tax on ordinary result current year	2.439	3.827
103	-	6	Adjustment tax, regarding last year	103	-
6.260	**8.500**	7	**Net profit/loss for the year**	**6.260**	**8.500**

Balance sheet at 31 December

kDKK

Parent Company			Assets	Group	
2016	2015	**Notes**		**2016**	2015
17.818	19.559		Completed development projects	18.303	20.500
942	533		Development projects in progress	942	533
480	512		Acquired rights	522	617
19.240	**20.604**	**8**	**Intangible assets**	**19.767**	**21.651**
1.221	1.560		Plant and machinery	1.221	1.560
1.196	1.447		Other fixtures and fittings, tools and equipment	4.545	5.428
78	92		Leasehold improvements	78	92
2.495	**3.100**	**9**	**Property, plant and equipment**	**5.844**	**7.080**
16.592	17.554	10	Investments in group enterprises	-	-
535	533	11	Other receivables	911	901
17.127	**18.087**		**Investments**	**911**	**901**
38.862	**41.791**		**Total fixed assets**	**26.522**	**29.633**
10.858	12.066		Raw material and consumables	11.764	13.521
1.705	1.658		Production in progress	2.029	2.567
8.640	7.625		Manufactured goods and goods for resale	11.113	10.801
21.203	**21.349**		**Inventories**	**24.907**	**26.889**
12.854	10.562		Trade receivables	52.999	50.849
34.713	32.184		Receivables from group enterprises	-	-
-	-		Prepaid company tax	-	-
168	507	12	Other receivables	708	1.434
466	949	13	Prepayments	830	1.620
48.200	**44.201**		**Receivables**	**54.538**	**53.902**
5	**2**		**Cash**	**21.346**	**18.454**
69.408	**65.552**		**Total current assets**	**100.788**	**99.245**
108.271	**107.342**		**Total assets**	**127.310**	**128.878**

Balance sheet at 31 December kDKK

Parent Company			Equity and liabilities	Group	
2016	2015	**Notes**		**2016**	2015
22.721	22.721		Share capital	22.721	22.721
25.930	26.271		Retained earnings	25.930	26.271
942	-		Reserve for development projects	942	-
49.593	**48.992**	14	**Total shareholders' equity**	**49.593**	**48.992**
-	-		Provisions for pensions and similar liabilities	13.809	7.937
9.446	2.151		Negative equity group enterprises	-	-
3.790	3.971		Deferred tax liability	3.790	3.971
238	206		Warranty provisions	535	504
13.474	**6.327**	**15**	**Provisions**	**18.134**	**12.413**
14.771	13.952		Long term loan from group enterprises	14.771	13.952
-	-		Other long term liabilities	38	61
14.771	**13.952**	**16**	**Long-term liabilities**	**14.809**	**14.013**
3.410	2.296		Debt to Credit Institutions	3.410	2.296
108	1.988		Prepayments received from customers	1.321	4.150
11.436	13.692		Trade payables	14.891	16.787
3.019	5.462		Payables to group enterprises	3.019	5.462
2.305	2.858	17	Income tax	2.309	2.862
7.464	8.612	18	Other payables	16.059	16.741
2.691	3.163	19	Deferred income	3.763	3.163
30.433	**38.071**		**Short-term liabilities**	**44.773**	**53.460**
45.204	**52.023**		**Total liabilities other than provisions**	**59.582**	**67.473**
108.271	**107.342**		**Total equity and liabilities**	**127.310**	**128.878**

20	Security for loans and contingent liabilities
23	Ownership structure and transactions with related parties
24	Events occuring after the end of the financial year 2016

Cash flow statement

kDKK

Notes		Group 2016	2015
	Operating income of ordinary activities	11.482	12.155
21	Adjustments	6.509	5.270
22	Changes in working capital	(3.072)	(4.126)
	Net interest and similar payments received and made	(2.680)	1.240
	Income tax paid	(3.270)	(507)
	Cash flows from operating activities before net financials	**8.969**	**14.033**
	Additions of intangible assets	(3.883)	(4.280)
	Additions of property, plant and equipment	(3.300)	(3.008)
	Additions of investments	(10)	(64)
	Disposals of property, plant and equipment	1.648	533
	Cash flows from investing activities	**(5.545)**	**(6.819)**
	Borrowings of long term debt	(23)	(8)
	Borrowings from group enterprises	(1.624)	3.901
	Cash flows from financing activities	**(1.647)**	**3.892**
	Changes in cash and cash equivalents	**1.777**	**11.106**
	Cash and cash equivalents at 1/1	16.158	5.052
	Cash and cash equivalents at 31/12	**17.935**	**16.158**
	Cash and cash equivalents at 31/12 include:		
	Cash	21.345	18.454
	Credit institutions, operating cash flow	(3.410)	(2.296)
		17.935	**16.158**

Statement of changes in equity

kDKK

Group	Share capital	Reserve for capitalized develop-ment projects	Retained earnings/ Accumulated loss	Proposed dividend for the year	Total
Shareholders' equity at 1/1 2015	**22.721**	**-**	**17.119**		**39.840**
Adjustments of pension liabilities			1.068		1.068
Exchange valuation of opening balance sheet and other adjustments in subsidiaries			(416)		(416)
Net profit/loss for the year	-		8.500		8.500
Shareholders' equity at 31/12 2015	**22.721**	**-**	**26.271**	**-**	**48.992**
Shareholders' equity at 1/1 2016	**22.721**	**-**	**26.271**	**-**	**48.992**
Adjustments of pension liabilities			(8.044)		(8.044)
Exchange valuation of opening balance sheet and other adjustments in subsidiaries			2.385		2.385
Reserve for capitalized development projects		942	(942)		-
Net profit/loss for the year			6.260		6.260
Shareholders' equity at 31/12 2016	**22.721**	**942**	**25.930**	**-**	**49.593**

Parent	Share capital	Reserve for capitalized develop-ment projects	Retained earnings/ Accumulated loss	Proposed dividend for the year	Total
Shareholders' equity at 1/1 2015	**22.721**	**-**	**17.119**	**-**	**39.840**
Adjustments of pension liabilities in subsidiaries			1.068		1.068
Exchange valuation of opening balance sheet and other adjustments in subsidiaries			(416)		(416)
Net profit/loss for the year	-	-	8.500		8.500
Shareholders' equity at 31/12 2015	**22.721**	**-**	**26.271**	**-**	**48.992**
Shareholders' equity at 1/1 2016	**22.721**	**-**	**26.271**	**-**	**48.992**
Adjustments of pension liabilities in subsidiaries			(8.044)		(8.044)
Exchange valuation of opening balance sheet and other adjustments in subsidiaries			2.385		2.385
Reserve for capitalized development projects		942	(942)		-
Net profit/loss for the year			6.260		6.260
Shareholders' equity at 31/12 2016	**22.721**	**942**	**25.930**	**-**	**49.593**

Notes kDKK

Parent Company				Group	
2016	2015	**Notes**		**2016**	2015
		1	**Staff costs**		
28.013	29.409		Wages and salaries	53.568	56.306
1.271	1.319		Pension contribution	1.704	1.820
479	536		Other social security costs etc.	5.222	5.607
29.763	**31.264**		**Total staff costs**	**60.495**	**63.733**
1.147	928		Total salaries and fees paid to members of the Executive and Supervisory Boards	1.147	928
55	58		Average number of employees	111	114
		2	**Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment**		
5.172	2.683		Completed development projects	5.625	3.299
79	52		Acquired rights	142	99
-	-		Goodwill	-	-
363	499		Plant and machinery	363	499
1.572	1.766		Other fixtures and fittings, tools and equipment	3.593	4.113
41	35		Leasehold improvements	41	35
-	-		Profit/(loss) on disposal of intangible assets	-	-
7.226	**5.036**		**Total amortisations/depreciations**	**9.763**	**8.046**

kDKK

Parent Company				Group	
2016	2015	**Notes**		**2016**	2015
		3	**Income from investments in group enterprises**		
-	-		Share of profit in subsidiaries		
(2.801)	(3.400)		Share of loss in subsidiaries		
539	(623)		Changes in internal profit on inventories bought within the group		
(2.262)	(4.023)		**Total income from investments in group enterprises, before tax**		
		4	**Financial income**		
913	783		Interest receivable from group enterprises	-	-
-	390		Exchange gains	-	269
-	6		Other financial income	1.370	1.436
913	**1.179**		**Total financial income**	**1.370**	**1.704**
		5	**Financial expenses**		
340	339		Interest payable, group enterprises	340	339
1.153			Exchange losses	1.304	-
603	868		Other financial expenses	2.406	1.194
2.096	**1.207**		**Total financial expenses**	**4.050**	**1.533**
		6	**Tax on profit/loss from ordinary activities**		
2.611	3.373		Current tax	2.622	3.379
103			Adjustment tax, regarding last year	103	
(183)	447		Deferred tax adjustments	(183)	447
2.531	**3.821**		**Total tax on profit/loss from ordinary activities**	**2.542**	**3.827**
		7	**Proposed appropriation of profit/loss**		
-	-		Proposed dividend		
-	-		Equity method transfer to net revaluation reserve		
6.260	8.500		Retained earnings		

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8 Intangible assets

Group

	Completed development projects	Develop-ment projects in progress	Acquired rights	Goodwill	Total
Cost at 1/1 2016	45.052	533	2.062	1.198	48.846
Exchange adjustments 1/1 and other adjustments	(3)				(3)
Additions in the year	3.430	942	48		4.420
Disposals in the year	4.545	533			5.078
Cost at 31/12 2016	**43.934**	**942**	**2.110**	**1.198**	**48.186**
Amortisation and write-downs at 1/1 2016	24.552	-	1.446	1.198	27.196
Exchange adjustments 1/1 and other adjustments	(1)				(1)
Amortisation in the year	5.625		142		5.767
Reversed amortisations, disposals	4.545				4.545
Amortisation and write-downs at 31/12 2016	**25.631**	**-**	**1.588**	**1.198**	**28.417**
Carrying amount at 31/12 2016	**18.303**	**942**	**522**	**-**	**19.767**

Completed development projects consist of software projects, which is the core value-adding component in Dantec products.

Development projects in progress consist of base software update projects. Technological and market feasibility has been established, and all ressources necessary to complete the projects are available.

Parent

	Completed development projects	Develop-ment projects in progress	Acquired rights	Goodwill	Total
Cost at 1/1 2016	38.215	533	1.885	219	40.852
Additions in the year	3.430	942	48	-	4.420
Disposals in the year	-	533		-	533
Cost at 31/12 2016	**41.645**	**942**	**1.933**	**219**	**44.739**
Amortisation and write-downs at 1/1 2016	18.656	-	1.373	219	20.248
Amortisation and write-downs in the year	5.172		79	-	5.251
Reversed amortisations, disposals	-		-	-	-
Amortisation and write-downs at 31/12 2016	**23.827**	**-**	**1.452**	**219**	**25.499**
Carrying amount at 31/12 2016	**17.818**	**942**	**480**	**-**	**19.240**

Completed development projects consist of software projects, which is the core value-adding component in Dantec products.

Development projects in progress consist of base software update projects. Technological and market feasibility has been established, and all ressources necessary to complete the projects are available.

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9 Property, plant and equipment

Group

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1/1 2016	6.091	27.934	3.153	37.177
Exchange adjustments at 1/1 and other adjustments		128		128
Additions in the year	56	3.114	27	3.197
Disposals in the year	279	2.264	-	2.543
Cost at 31/12 2016	**5.868**	**28.911**	**3.179**	**37.958**
Amortisation and write-downs at 1/1 2016	4.531	22.506	3.060	30.097
Exchange adjustments 1/1 and other adjustments	-	29		29
Amortisation in the year	363	3.593	41	3.997
Reversed amortisations, disposals	247	1.762	-	2.009
Amortisation and write-downs at 31/12 2016	**4.647**	**24.366**	**3.101**	**32.114**
Carrying amount at 31/12 2016	**1.221**	**4.545**	**78**	**5.844**

Parent

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1/1 2016	6.091	13.243	2.666	21.999
Additions in the year	56	1.521	27	1.604
Disposals in the year	279	645	-	924
Cost at 31/12 2016	**5.868**	**14.119**	**2.692**	**22.679**
Amortisation and write-downs at 1/1 2016	4.531	11.796	2.573	18.900
Amortisation in the year	363	1.571	41	1.975
Reversed amortisations, disposals	247	443	-	690
Amortisation and write-downs at 31/12 2016	**4.647**	**12.924**	**2.614**	**20.185**
Carrying amount at 31/12 2016	**1.221**	**1.196**	**78**	**2.495**

		Parent Company	
Notes		**2016**	2015
10	**Investments in group enterprises**		
	Cost at 1/1	47.604	38.462
	Additions in the year	-	9.142
	Cost at 31/12	**47.604**	**47.604**
	Value adjustments at 1/1	(47.624)	(44.253)
	Exchange valuation of opening balance sheet and other adjustments in subsidiaries	2.385	(416)
	Profit shares of the year	(10.845)	(2.332)
	Changes in internal profit	539	(623)
	Value adjustments at 31/12	**(55.544)**	**(47.624)**
	Investments with negative net asset value written down on receivables	24.532	17.574
	Investments with negative value	**24.532**	**17.574**
	Total investments in group enterprises	**16.592**	**17.554**

The Company's shares in group enterprises are:
Profit/loss & Equity stated in kDKK. Share capital stated in local currency.

Name	**Country**	**City**	**Profit/loss 2016**	**Equity**	**Proportion held**	**Share capital**	
Dantec Dynamics, Inc.	USA	Holtsville, NY	(197)	5.952	100,00%	300.000	USD
Dantec Dynamics Ltd.	England	Bristol	(1.663)	(21.413)	100,00%	150.000	GBP
Dantec Dynamics GmbH	Germany	Ulm	(74)	11.889	100,00%	151.000	EUR
Dantec Dynamics S.A.S.	France	Nozay	(1.779)	(408)	100,00%	300.000	EUR
Dantec Dynamics K.K.	Japan	Tokyo	913	(2.709)	100,00%	10.000.000	JPY

Parent Company				Group	
2016	2015	**Notes**		**2016**	2015
		11	**Other Receivables**		
			Deposits:		
533	539		Cost at 1/1	901	837
2			Additions in the year	10	70
	6		Disposals in the year	-	6
535	**533**		**Carrying amount at 31/12**	**911**	**901**

kDKK

Parent Company				Group	
2016	2015	Notes		2016	2015
		12	**Other receivables**		
41	312		VAT and other duties	75	312
127	195		Other receivables	633	1.122
168	**507**		**Total other receivables**	**708**	**1.434**

13 **Prepayments**

Prepayments represent prepaid expenses on subscriptions and housing costs.

Notes kDKK

Parent Company				Group	
2016	2015	Notes		2016	2015
		14	**Equity**		
			Equity		
			The share capital consists of 227,210 shares of DKK 100 nominal value or multiple hereof. The Company's shares are not divided into different classes. The share capital was increased in 2010 with 77,210 shares of DKK 100 paid in cash at face value.		
			Treasury shares:		
9.362	9.362		Number of shares at 1/1	9.362	9.362
-	-		Additions in the year	-	-
9.362	**9.362**		**Number of shares at 31/12**	**9.362**	**9.362**
936	936		Nominal value at 1/1	936	936
-	-		Additions in the year	-	-
936	**936**		**Nominal value at 31/12**	**936**	**936**
4,12%	4,12%		Percentage of share capital at 1/1	4,12%	4,12%
-	-		Dilution due to capital increase	-	-
4,12%	**4,12%**		**Percentage of share capital at 31/12**	**4,12%**	**4,12%**
		15	**Provisions**		
236	205		Warranty provisions	535	504
-	-		Provisions for pensions and similar liabilities	13.809	7.937
9.448	2.151		Negative equity group enterprises	-	-
			Deferred tax liability		
3.971	3.374		Deferred tax at 1/1	3.971	3.374
(181)	598		Change of deferred tax	(181)	598
			Change of deferred tax liability includes:		
(211)	309		Intangible assets	(211)	309
(15)	287		Property, plant and equipment	(15)	287
44	1		Current assets	44	1
3.790	**3.971**		**Deferred tax liability 31/12**	**3.790**	**3.971**
			Deferred tax liability includes:		
4.332	4.543		Intangible assets	4.332	4.543
(643)	(628)		Property, plant and equipment	(643)	(628)
101	57		Current assets	101	57
3.790	**3.971**		**Deferred tax liability 31/12**	**3.790**	**3.971**
			Hereof allocated on companies:		
3.790	3.971		Dantec Dynamics A/S, Danmark	3.790	3.971
3.790	**3.971**		**Deferred tax liability 31/12**	**3.790**	**3.971**
13.474	**6.327**		**Total provisions**	**18.134**	**12.413**

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Parent Company				Group	
2016	2015	**Notes**		**2016**	2015
		16	**Long term debt**		
14.771	13.952		Long term loan from group enterprises	14.771	13.952
-	-		Other long term liabilities falls due within 1 to 5 years	38	61
14.771	**13.952**		**Total long term debt**	**14.809**	**14.013**
		17	**Income tax**		
2.858	-		Income tax at 1/1	2.862	4
2.611	3.360		Current tax in the year	2.615	3.365
(3.163)	(503)		Settled tax	(3.163)	(503)
-	-		Settled by group enterprises	(4)	(4)
2.305	**2.858**		**Income tax at 31/12**	**2.309**	**2.862**
		18	**Other payables**		
-	-		VAT and other tax and duties	2.215	3.754
7.464	8.612		Other account liabilities	13.844	14.987
7.464	**8.612**		**Total other payables**	**16.059**	**18.741**
		19	**Deferred income**		
			Prepayments represent payments received concerning income for services in subsequent reporting years.		
		20	**Security for loans and contingent liabilities**		
538	538		Rent commitments, Skovlunde	538	538
62	143		Other rent and lease commitments	5.278	3.785
214	1.182		Performance guarantees	214	1.182

An all-moneys mortgage of DKK 16 million has been given to Nordea Bank, where the underlying assets represent a carrying amount at 31 December 2016 of DKK 108,3 million.

Notes kDKK

Group			
Notes		**2016**	2015
21	**Cash flow statement - adjustments**		
	Gain on disposal of fixed assets	(1.113)	-
	Amortisation	9.763	8.046
	Changes in provisions	(2.141)	(2.776)
	Total adjustments	**6.509**	**5.270**
22	**Cash flow statement - change in working capital**		
	Change in inventories	1.982	(775)
	Change in receivables	(634)	(8.034)
	Changes in trade payables and other payables etc.	(4.421)	4.683
	Total change in working capital	**(3.072)**	**(4.126)**

23 **Ownership structure and related party transactions**

Ownership:	**Interest**
Nova Instruments LLC, Wakefield, Massachusetts, USA	100,00% of outstanding shares

Related parties:
Dantec Dynamics A/S' related parties with significant control include:
- the parent company
- remuneration for board and management of the enterprises, see note 1

Transactions:
In the year:
- consolidated company transactions were concluded
- ordinary remuneration to management and employees was paid
- services were purchased from affiliated companies

Beyond this, no transactions have been made with the supervisory and executive boards, employees, significant shareholders, group enterprises or other related parties.

24 **Events occuring after the end of the financial year 2016**

No events have occurred after the financial year-end which could significantly affect the Group's financial position.