

Danrec A/S

Vandværksvej 5, 7470 Karup J

Company reg. no. 16 17 17 00

Annual report

1 January - 31 December 2017



The annual report has been submitted and approved by the general meeting on the 11 April 2018.

Detlev Soppert
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the executive board have today presented the annual report of Danrec A/S for the financial year 1 January to 31 December 2017.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Karup J, 5 April 2018

Executive board

Peter Aarup Dahse

Detlev Soppert

Board of directors

Peter Adam

Martin Andreas Gruner

Karsten Panow

The independent auditor's reports

To the shareholder of Danrec A/S

Report on extended review of the annual accounts

We have performed extended review of the annual accounts of Danrec A/S for the financial year 1 January to 31 December 2017. The annual accounts comprise accounting policies used, profit and loss account, balance sheet and notes, and they are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts. We performed the extended review in accordance with the standard from the Danish Business Authority applicable on auditor's reports to small enterprises and in accordance with the standard from the Danish Institute of State Authorised Public Accountants applicable on extended review of annual accounts prepared in accordance with the Danish Financial Statements Act.

This requires that we comply with the Danish Act on Approved Auditors and Audit Firms and with the ethical requirements of the Danish Institute of State Authorised Public Accountants and that we plan and perform our audit procedures with the purpose of achieving moderate assurance as to our opinion on the annual accounts. Furthermore, it requires that we perform particularly required additional procedures with a view to achieving further assurance as to our opinion.

An extended review comprises procedures primarily comprising inquiries to the management and to other persons within the enterprise when appropriate, analytical procedures, and the particularly required additional procedures along with an evaluation of the achieved audit evidence.

The scope of the procedures performed during an extended review is less than in case of an audit, and consequently, we do not express any audit opinion on the annual accounts.

Opinion

Based on the work performed, it is our opinion that the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Statement on the management's review

The management is responsible for the management's review.

The independent auditor's reports

Our opinion on 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 extended review of 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 annual accounts or our knowledge obtained during the extended review, 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 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.

Viborg, 5 April 2018

Ullits & Winther

State Authorised Public Accountants
Company reg. no. 32 09 32 72

Bo Skårup Sørensen

State Authorised Public Accountant
MNE-no 29531

Company data

The company

Danrec A/S
Vandværksvej 5
7470 Karup J

Company reg. no. 16 17 17 00
Established: 1 March 1992
Domicile: Viborg Municipality
Financial year: 1 January - 31 December

Board of directors

Peter Adam
Martin Andreas Gruner
Karsten Panow

Executive board

Peter Aarup Dahse
Detlev Soppert

Auditors

Ullits & Winther
Statsautoriseret Revisionspartnerselskab
Agerlandsvej 1
8800 Viborg

Parent company

DAW Beteiligungs GmbH

Management's review

The principal activities of the company

Like previous years, the principal activity is the treatment of regranulates with output in the shape of finished plates.

Development in activities and financial matters

The profit and loss account covers the period 1 January to 31 December 2017 and shows a result of DKK 2.694.106 against a result of DKK 2.070.445 last year. The balance sheet shows equity of DKK 8.581.417.

The management finds the result satisfactory.

Accounting policies used

The annual report for Danrec A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Accounting policies used

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year.

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Accounting policies used

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Buildings	30 years
Technical plants and machinery	3-22 years
Other plants, operating assets, fixtures and furniture	3-6 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Leasing contracts

Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Inventories

Inventories are measured at cost. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

Debtors

Debtors are measured at face value. In order to meet expected losses, writedown takes place at the net realisable value.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Accounting policies used

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

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.

Liabilities

Liabilities are measured at amortised cost which usually corresponds to the nominal value.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Gross profit	7.622.059	6.262.455
1 Staff costs	-2.547.862	-2.367.954
Depreciation and writedown relating to tangible fixed assets	-1.244.279	-861.509
Results before net financials	3.829.918	3.032.992
Financial income	19.785	5.049
2 Financial costs	-392.597	-380.596
Results before tax	3.457.106	2.657.445
3 Tax on ordinary results	-763.000	-587.000
Results for the year	2.694.106	2.070.445
Proposed distribution of the results:		
Dividend for the financial year	3.800.000	0
Allocated to retained earnings	0	2.070.445
Allocated from results brought forward	-1.105.894	0
Distribution in total	2.694.106	2.070.445

Balance sheet 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2017</u>	<u>2016</u>
Fixed assets		
4 Land and property	5.410.941	5.595.021
4 Production plant and machinery	5.145.369	1.138.607
4 Other plants, operating assets, and fixtures, and furniture	13.758	19.044
4 Tangible assets under construction and prepayments for tangible assets	174.279	282.194
Tangible fixed assets in total	<u>10.744.347</u>	<u>7.034.866</u>
Fixed assets in total	<u>10.744.347</u>	<u>7.034.866</u>
Current assets		
Raw materials and consumables	981.375	757.008
Manufactured goods and trade goods	<u>4.477.587</u>	<u>4.884.180</u>
Inventories in total	<u>5.458.962</u>	<u>5.641.188</u>
Trade debtors	2.595.129	2.209.329
Amounts owed by group enterprises	64.883	78.674
Deferred tax assets	1.914.000	2.677.000
Other debtors	<u>69.133</u>	<u>66.476</u>
Debtors in total	<u>4.643.145</u>	<u>5.031.479</u>
Available funds	<u>1.136.122</u>	<u>951.825</u>
Current assets in total	<u>11.238.229</u>	<u>11.624.492</u>
Assets in total	<u>21.982.576</u>	<u>18.659.358</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2017</u>	<u>2016</u>
Equity			
	Contributed capital	500.000	500.000
5	Retained earnings	4.281.417	5.387.311
6	Proposed dividend for the financial year	3.800.000	0
	Equity in total	<u>8.581.417</u>	<u>5.887.311</u>
Liabilities			
	Subordinate loan capital	940.546	3.928.668
	Debt to group enterprises	10.608.722	7.160.456
	Long-term liabilities in total	<u>11.549.268</u>	<u>11.089.124</u>
	Trade creditors	921.930	933.224
	Debt to group enterprises	248.054	134.333
	Other debts	681.907	615.366
	Short-term liabilities in total	<u>1.851.891</u>	<u>1.682.923</u>
	Liabilities in total	<u>13.401.159</u>	<u>12.772.047</u>
	Equity and liabilities in total	<u>21.982.576</u>	<u>18.659.358</u>

8 Contingencies

Notes

All amounts in DKK.

	<u>2017</u>	<u>2016</u>
1. Staff costs		
Salaries and wages	2.067.185	1.903.454
Pension costs	423.603	408.308
Other costs for social security	<u>57.074</u>	<u>56.192</u>
	<u>2.547.862</u>	<u>2.367.954</u>
 Average number of employees	 <u>6</u>	 <u>5</u>
 2. Financial costs		
Financial costs, group enterprises	392.590	375.993
Other financial costs	<u>7</u>	<u>4.603</u>
	<u>392.597</u>	<u>380.596</u>
 3. Tax on ordinary results		
Adjustment for the year of deferred tax	<u>763.000</u>	<u>587.000</u>
	<u>763.000</u>	<u>587.000</u>

Notes

All amounts in DKK.

4. Tangible fixed assets

	Land and property	Production plant and machinery	Other plants, operating assets, and fixtures, and furniture	Tangible assets under construction and prepayments for tangible assets
Cost primo	5.774.217	13.068.603	1.778.748	282.194
Additions	0	4.779.481	0	174.279
Disposals	0	-1.588.119	0	0
Transfers	0	282.194	0	-282.194
Cost closing balance	5.774.217	16.542.159	1.778.748	174.279
Depreciation and writedown primo	179.196	11.929.996	1.759.704	0
Depreciation of the year	184.080	1.054.913	5.286	0
Reversal of amortisation or depreciation of assets disposed of	0	-1.588.119	0	0
Depreciation and writedown closing balance	363.276	11.396.790	1.764.990	0
Book value closing balance	5.410.941	5.145.369	13.758	174.279

	31/12 2017	31/12 2016
5. Retained earnings		
Retained earnings opening balance	5.387.311	3.316.866
Retained earnings or loss of the year	-1.105.894	2.070.445
	4.281.417	5.387.311
6. Proposed dividend for the financial year		
Dividend for the financial year	3.800.000	0
	3.800.000	0

Notes

All amounts in DKK.

7. Liabilities

	Instalments first year	Outstanding debt after 5 years	Debt in total 31 Dec 2017	Debt in total 31 Dec 2016
Subordinate loan capital	0	0	940.546	3.928.668
Long-term debt to group entreprises	0	0	10.608.722	7.160.457
	0	0	11.549.268	11.089.125

8. Contingencies

Contingent liabilities

The usual guarantee liabilities as to goods and services rest upon the company.