

Dinex Emission Holding A/S

Fynsvej 39
5500 Middelfart
Central Business Registration
No 17084941

Annual report 2016

The Annual General Meeting adopted the annual report on 05.05.2017

Chairman of the General Meeting



Name: Niels Peter Christiansen

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Entity details

Entity

Dinex Emission Holding A/S
Fynsvej 39
5500 Middelfart

Central Business Registration No: 17084941
Registered in: Middelfart
Financial year: 01.01.2016 - 31.12.2016

Phone: 63412500
Fax: 63412525
Website: www.dinex.dk
E-mail: dinex@dinex.dk

Board of Directors

Lene Dinesen, Chairman
Simon Staal Dinesen
Torben Staal Dinesen

Executive Board

Torben Staal Dinesen, CEO

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 Emission Holding A/S for the financial year 01.01.2016 - 31.12.2016.

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 Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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.

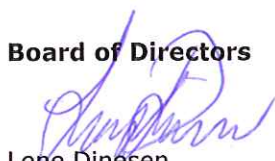
Middelfart, 05.05.2017

Executive Board



Torben Staal Dinesen
CEO

Board of Directors



Lene Dinesen
Chairman



Simon Staal Dinesen



Torben Staal Dinesen

Independent auditor's report

To the shareholders of Dinex Emission Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Dinex Emission Holding A/S for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 05.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556


Thomas Rosquist Andersen
State Authorised Public Accountant


Søren Alsen Lauridsen
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	913.644	810.987	944.778	545.987	559.579
Gross profit/loss	241.605	190.761	220.230	162.493	177.416
EBITDA	82.030	39.984	69.754	126.678	90.631
Operating profit/loss	27.470	15.177	2.160	45.561	81.479
Net financials	-26.837	-21.713	-42.955	-19.746	-15.802
Profit/loss for the year	-8.882	3.125	-25.679	20.085	50.314
Total assets	980.518	1.008.057	1.063.631	727.283	686.609
Investments in property, plant and equipment	82.986	67.142	99.248	83.899	0
Equity incl minority interests	171.794	187.611	190.131	185.946	189.523
Average invested capital incl goodwill	598.751	688.491	717.715	688.237	590.533
Interest bearing debt, net	527.913	560.969	587.755	512.495	394.502
Ratios					
Gross margin (%)	26,4	23,5	23,3	29,8	31,7
Revenue invested capital incl goodwill	1,5	1,2	1,3	0,8	0,9
Financial gearing (%)	3,1	3,0	3,1	2,8	2,1
Return on equity (%)	(4,9)	1,7	(13,7)	10,7	29,5
Equity ratio (%)	17,5	18,6	17,9	25,6	27,6
Return on invested capital including goodwill (%)	13,7	5,6	9,6	19,5	15,8
EBITDA-margin %	9,0	4,9	7,4	17,2	16,6
Operating gearing	6,4	14,0	8,4	3,9	4,4

Management commentary

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

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Revenue/Invested capital incl goodwill	$\frac{\text{Revenue}}{\text{Average invested capital incl goodwill}}$	Turnover rate of capital employed by the entity.
Financial gearing	$\frac{\text{Interest bearing debt, net}}{\text{Equity incl minority interests}}$	The entity's financial gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Return on invested capital including goodwill (%)	$\frac{\text{EBITDA}}{\text{Average invested capital incl goodwill}}$	Profitability rate of capital employed by the entity
EBITDA-margin %	$\frac{\text{Revenue}}{\text{EBITDA}}$	The entity's operating profitability
Operating gearing	$\frac{\text{Interest bearing debt, net}}{\text{EBITDA}}$	The entity's financial gearing adjusted for the profitability

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 relating to 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.

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

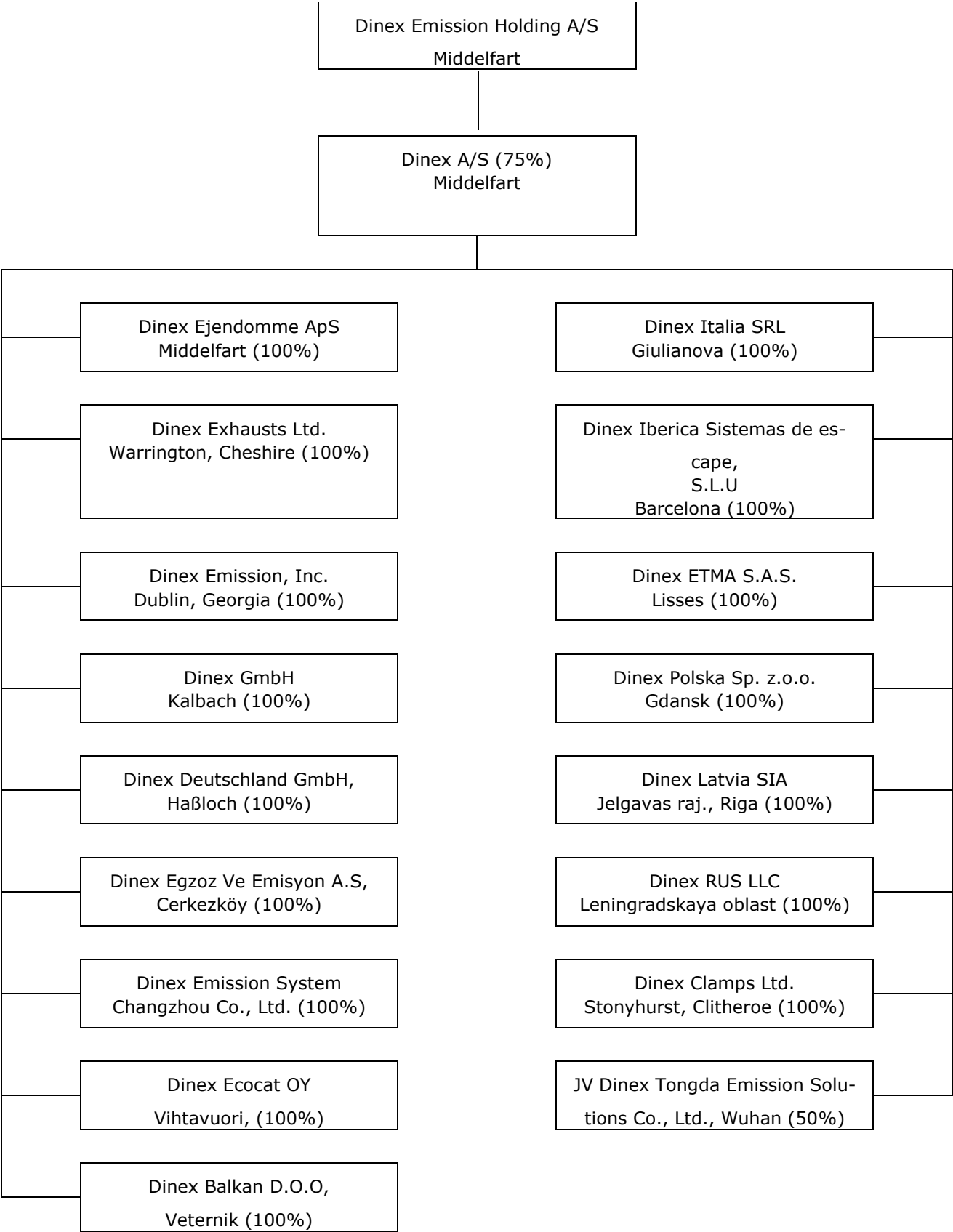
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) is defined as operating profit plus the year's depreciation and amortization of and impairment losses on intangible assets including goodwill.

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 amortization of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses on 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 tax receivable and payable as well as cash are not included in net working capital.

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

Management commentary



Management commentary

Primary activities

As in previous years, the primary activity of the Dinex A/S Group has been development, production and sales of exhaust and emission systems for trucks, buses, vans 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 dieselpowered vehicles On Road and Off Road), including niche sales of catalyst components to a diverse portfolio of applications including passenger cars, larger stationary engines and power plants.

The operating profit (EBIT) of the Group was DKK 27,470 thousand against DKK 15,177 thousand in 2015. The result before tax for the Group was DKK 633 thousand against DKK -6,536 thousand in 2015. The year-end total net result after tax for the Group was DKK -8,882 thousand against DKK 3,125 thousand in 2015.

The 2016 result is influenced by a number of special items with a negative net effect of DKK 18,152 thousand before tax. The most significant special item is the closure of production in Germany affecting both productivity and costs with a total estimated effect of DKK 24,426 of which the majority is redundancy costs of DKK 19,357 thousand; divestiture of buildings in France and Germany gave a positive impact of DKK 9,698 thousand recognized under other operating income.

EBITDA is significantly above the 2015 level and above DKK 100 million when adjusting for special items in cogs and fixed expenses. The improvement is driven by a strong recovery in the Russian market and good growth in the export to Middle East, which was reestablished in 2015; combined with a stable and profitable business in Europe for both AEM and OEM. The US market did not develop as expected; a key customer was significantly impacted by the difficult Oil and Gas Market. The US organization has developed and launched a complete range of Aftermarket Diesel Particulate Filters (DPFs) which secures a strong foundation for profitable growth in the US in the coming years.

The 2016 result includes a tax provision reflecting an expected settlement of an ongoing transfer pricing audit covering the period from 2010-13.

The investment activities is reduced compared to prior years. The investments in 2016 has mainly supported the final stages of the product launch of Euro 6 emission systems in Turkey in 2016 and supports a key launch in China planned for 2017.

Unusual circumstances affecting recognition and measurement

No unusual conditions have been noted in the actual financial year, which might have influenced this annual report positively or negatively.

Management commentary

Outlook

2017 will continue the positive trend seen in revenue and profits. We expect profitable growth driven by a stable European and Russian OEM and AEM market; continued growth in the export business to Middle East; combined with growth in the US driven by the new aftermarket product portfolio and China driven mainly by sales to Dinex' JV company expecting a large product launch in 2017.

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

The level of investments in 2017 is planned to be on a lower level than 2016; with focus on optimization of processes that are already in place. The operation is running a Supply Chain End to End optimization program.

The Chinese joint venture achieved a National 4 nomination in 2015 from one of China's large manufacturers of trucks. The project was changed to a National 5 product during 2016 due to acceleration of Emission norms in China. The JV's ability to adapt to the changes has allowed for a strong position for National 5; 2017 will be the year in which we start production of technology systems.

Dinex continued the development of the Eminizer™ concept in 2016. Eminizer™ is a complete emission exhaust system that meets the emission requirements that are expected to be introduced in 2020. The new system is around 50% smaller and lighter than previous systems. Dinex is in development negotiations with several major truck manufacturers globally.

Management estimates that the Group will achieve a satisfactory positive result in 2017.

Particular risks

1.1.1 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 rollback in emission standards requires change in production plans, product portfolio and similar.

1.1.2 Financial exposure

Dinex is investing in a Joint Venture with a Chinese manufacturer. The return on the investment is highly dependent of the development in the Chinese market for emission products. The introduction of stricter emission standards have been accelerated in China; which affected the JV negatively in 2016 due to customer focus shifting from refining current National 4 solutions to new National 5 solutions. On the other hand the acceleration standard provided the right opportunity to be nominated for a 2017 National 5 application. It is expected that the JV will be start productions of National 5 emission systems during Q2 2017.

Management commentary

1.1.3 Credit risk

The credit risks of the Group are primarily related to trade receivables, which at the end of 2016 were DKK 165.163 thousand against DKK 155,592 thousand in 2015. The customers can be grouped in two main categories one being very large OEM manufactures with strong balance sheets and the second being a diversified portfolio of smaller aftermarket customers. Historic losses are very limited; this was also the case in 2016.

1.1.4 Currency and interests risks

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

The currency risk of the Group is mainly managed through matching of incoming and outgoing payment currencies; active hedging using e.g. instruments is only used to a limited extent. In connection with considerations about the future financing structure of the Dinex Group, Management has examined various possibilities of covering the risks connected with loan financing, cash flow in foreign currency and the related interest costs. In 2016, a total net exchange gain of DKK 7,142 thousand is realized, against a net loss of DKK 5,393 thousand in 2015. The exchange gain is mainly driven by gains in Dinex Russia as a consequence of the recovery in the RUB.

Effective January 1st 2016 Dinex Turkey switch functional currency to EUR due to the fact that the majority of sales is based on EUR pricelists and sourcing of materials and financing of the entities is also based in EUR.

Intellectual capital resources

The employees in the Dinex Group cover a wide field. At year-end, the Group had 1,172 employees, including 74 in Denmark

Research and development activities

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

Statutory report on corporate social responsibility

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

The Group's CSR efforts are outlined below, including the policies and guidelines on which the Group bases its work. The Company's CSR activities are attended to all global sites within the Dinex Group.

Management commentary

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 and communication with staff.

Our CSR focus in 2016 - 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.

Environment

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

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

Supplier management

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

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

The Group's existing and most significant suppliers are also audited annually, based on similar criteria and the guidelines of the Code of Conduct.

Management commentary

Human Resources

Dinex has increased the focus and priority of human resources (HR) even further in 2016 which will continue into 2017 and onwards. To structure HR activities, Dinex has in 2016 implemented an annual HR wheel where HR activities have been planned annually.

Dinex has identified six must win battles which within HR for our strategy towards 2020;

- 1) Develop R&D competences
- 2) Attract and retain engineering resources
- 3) Assign designated KAMs
- 4) Retain and develop senior managers
- 5) Build HR competences in US and China
- 6) Talent management

Health & Safety

Ensuring a healthy and safe environment for the staff of Dinex involves guaranteeing physical safety and psychological wellbeing. Dinex Group safety committee and regular workplace evaluations focus on following up on accidents and other issues requiring a special effort, in order to reduce the risk of accidents and occupational disease. In 2015, Dinex implemented constant follow up on safety in local and group management teams. This reporting continued into 2016, resulting in a reduction on 70% of reportable accidents compared to 2015.

Dinex has in 2016 further upgraded the Health and Safety program to fully comply with OEM standards scoping all people who visits and are interacting with a Dinex company. In 2016, Dinex upgraded the safety regulations for visitors further on all production sites to ensure a safe environment for visitors and prevent visitors from bringing themselves or employees in danger.

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

Management training & development

It is important for Dinex that managers are developing and leading our people in the best way possible. In 2016, Dinex has therefore implemented a new people Development Assessment Program. The Program aims to; 1) develop our managers, and 2) enable them to develop their employees. Purpose is to ensure that employees at all levels in the organization develop their competences and that Dinex create their own future leaders. Implementation of the Program will continue during 2017, where managers and employees will receive proper training.

Management commentary

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

Dinex is also on a continuous basis investing in education and courses to develop employee's competences to meet both personal and future business needs. As an example, Dinex has invested in an MBA program and Master programs for some Engineers. In 2016, the Dinex top management team met in Denmark where they received leadership and teamwork training.

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 an increase of women in production while we have seen a slight decrease in sales companies from 2015 to 2016.

In 2016, Dinex' production companies employed a total of 20% women compared to 19% in 2015 and 80% compared to 81% men in 2015. For the Group's sales companies, the figures are 33% women in 2016 compared to 35% in 2015 and 67% men in 2015 compared to 65% in 2015. In total, the Dinex group is comprised by 19% women and 79% men. The Executive Committee has defined a target for 2020 to increase the numbers to 30% women and 70% men. Therefore, Dinex will continue to work actively on ensuring a greater balance in the local and group management teams. As an example of Dinex' effort, the Group HR Manager and Group Finance Manager 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' Board of Directors have four members who are all men. 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. However, Dinex also acknowledges that the automotive industry is dominated by men and it might therefore be more challenging to find a suitable female candidate as Dinex will not compromise the professional qualifications for such a candidacy.

Events after the balance sheet date

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

Consolidated income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue	1	913.644	810.987
Production costs	3, 4	-672.039	-620.226
Gross profit/loss		241.605	190.761
Distribution costs		-97.111	-104.578
Administrative costs	2	-129.708	-102.803
Other operating income		21.474	39.847
Other operating expenses		-8.790	-8.050
Operating profit/loss		27.470	15.177
Income from investments in associates		-2.970	-1.687
Other financial income	5	28.552	22.147
Other financial expenses	6	-52.419	-42.173
Profit/loss before tax		633	-6.536
Tax on profit/loss for the year	7	-9.515	9.661
Profit/loss for the year	8	-8.882	3.125

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Completed development projects		43.609	35.325
Acquired licences		3.242	5.679
Goodwill		94.794	99.619
Intangible assets	9	<u>141.645</u>	<u>140.623</u>
Land and buildings		131.427	141.798
Plant and machinery		193.119	165.462
Other fixtures and fittings, tools and equipment		31.810	29.610
Leasehold improvements		0	3.326
Property, plant and equipment in progress		22.187	77.530
Property, plant and equipment	10	<u>378.543</u>	<u>417.726</u>
Investments in associates		10.306	5.158
Other investments		17	17
Deferred tax	13	58.130	45.004
Fixed asset investments	11	<u>68.453</u>	<u>50.179</u>
Fixed assets		<u>588.641</u>	<u>608.528</u>
Raw materials and consumables		67.313	64.036
Work in progress		12.662	14.569
Manufactured goods and goods for resale		75.267	74.968
Inventories		<u>155.242</u>	<u>153.573</u>

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Trade receivables		165.163	155.592
Other receivables		25.379	64.688
Income tax receivable		3.179	5.839
Prepayments		6.690	5.975
Receivables		<u>200.411</u>	<u>232.094</u>
Cash		<u>36.224</u>	<u>13.862</u>
Current assets		<u>391.877</u>	<u>399.529</u>
Assets		<u>980.518</u>	<u>1.008.057</u>

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital		50.000	50.000
Reserve for development expenditure		14.405	0
Retained earnings		94.046	117.531
Proposed dividend		103	100
Equity attributable to the Parent's owners		158.554	167.631
Share of equity attributable to minority interests		13.240	19.980
Equity		171.794	187.611
Provisions for pension liabilities etc.	14	0	3.096
Deferred tax	13	15.056	5.112
Other provisions		11.301	7.473
Provisions		26.357	15.681
Subordinate loan capital	15	0	15.000
Mortgage debts		22.310	4.921
Bank loans		89.066	120.277
Finance lease liabilities		6.982	15.766
Non-current liabilities other than provisions	16	118.358	155.964
Current portion of long-term liabilities other than provisions	16	84.948	111.175
Bank loans		379.389	349.993
Prepayments received from customers		0	8.497
Trade payables		95.967	83.934
Income tax payable		20.325	15.087
Other payables		83.380	80.115
Current liabilities other than provisions		664.009	648.801
Liabilities other than provisions		782.367	804.765
Equity and liabilities		980.518	1.008.057
Associates	12		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Subsidiaries	20		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	50.000	0	117.531	100
Purchase of treasury shares	0	0	0	0
Ordinary dividend paid	0	0	0	-100
Exchange rate adjustments	0	0	-2.000	0
Fair value adjustments of hedging instruments	0	0	1.727	0
Transfer to reserves	0	14.405	-14.405	0
Profit/loss for the year	0	0	-8.807	103
Equity end of year	50.000	14.405	94.046	103
			Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year			19.980	187.611
Purchase of treasury shares			-2.089	-2.089
Ordinary dividend paid			-4.425	-4.525
Exchange rate adjustments			-353	-2.353
Fair value adjustments of hedging instruments			305	2.032
Transfer to reserves			0	0
Profit/loss for the year			-178	-8.882
Equity end of year			13.240	171.794

Consolidated cash flow statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Operating profit/loss		27.470	15.177
Amortisation, depreciation and impairment losses		54.413	24.750
Working capital changes	17	19.297	5.578
Cash flow from ordinary operating activities		101.180	45.505
Financial income received		28.552	22.147
Financial income paid		-52.419	-42.173
Income taxes refunded/(paid)		-4.846	-2.394
Cash flows from operating activities		72.467	23.085
Acquisition etc of intangible assets		-15.200	-12.198
Acquisition etc of property, plant and equipment		-27.530	-117.434
Sale of property, plant and equipment		35.817	145.286
Acquisition of fixed asset investments		-8.655	-4.128
Cash flows from investing activities		-15.568	11.526
Loans raised		15.787	0
Instalments on loans etc		-79.620	-97.570
Reduction of lease commitments		0	-16.836
Dividend paid		-100	-100
Other cash flows from financing activities		0	15.000
Cash flows from financing activities		-63.933	-99.506
Increase/decrease in cash and cash equivalents		-7.034	-64.895
Cash and cash equivalents beginning of year		-336.131	-271.236
Cash and cash equivalents end of year		-343.165	-336.131
Cash and cash equivalents at year-end are composed of:			
Cash		36.224	13.862
Short-term debt to banks		-379.389	-349.993
Cash and cash equivalents end of year		-343.165	-336.131

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
1. Revenue		
Revenue by geographical market		
Danmark	7.612	805.040
Øvrige lande	906.032	5.947
	913.644	810.987
Revenue by activity		
AEM	249.882	251.867
OEM	663.762	559.120
	913.644	810.987
	2016 DKK'000	2015 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	892	366
Other assurance engagements	3	23
Tax services	1.237	1.084
Other services	224	4.608
	2.356	6.081
	2016 DKK'000	2015 DKK'000
3. Staff costs		
Wages and salaries	204.706	220.744
Pension costs	19.730	13.837
Other social security costs	31.928	34.955
	256.364	269.536
Average number of employees	1.247	1.275
	Remunera- tion of manage- ment 2016 DKK'000	Remunera- tion of manage- ment 2015 DKK'000
Executive Board	6.693	5.925
Board of Directors	713	750
	7.406	6.675
Number of members in Executive Board	3	2

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	14.048	11.660
Depreciation on property, plant and equipment	45.934	49.242
Profit/loss from sale of intangible assets and property, plant and equipment	-5.570	-36.152
	54.412	24.750
	2016 DKK'000	2015 DKK'000
5. Other financial income		
Interest income	336	15.790
Exchange rate adjustments	28.216	6.357
	28.552	22.147
	2016 DKK'000	2015 DKK'000
6. Other financial expenses		
Interest expenses	22.175	30.423
Exchange rate adjustments	30.244	11.750
	52.419	42.173
	2016 DKK'000	2015 DKK'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	14.085	12.277
Change in deferred tax for the year	-4.018	-16.736
Adjustment concerning previous years	0	-4.853
Effect of changed tax rates	-552	-349
	9.515	-9.661
	2016 DKK'000	2015 DKK'000
8. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	103	100
Retained earnings	-8.807	1.305
Minority interests' share of profit/loss	-178	1.720
	-8.882	3.125

Notes to consolidated financial statements

	Completed develop- ment projects DKK'000	Acquired licences DKK'000	Goodwill DKK'000
9. Intangible assets			
Cost beginning of year	56.216	20.121	140.058
Exchange rate adjustments	-12	-26	0
Additions	14.405	515	0
Disposals	-3.736	-749	0
Cost end of year	66.873	19.861	140.058
Amortisation and impairment losses beginning of year	-20.890	-14.442	-40.439
Exchange rate adjustments	7	19	0
Reversal of impairment losses	0	751	0
Amortisation for the year	-6.126	-2.947	-4.825
Reversal regarding disposals	3.745	0	0
Amortisation and impairment losses end of year	-23.264	-16.619	-45.264
Carrying amount end of year	43.609	3.242	94.794

Notes to consolidated financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
10. Property, plant and equipment				
Cost beginning of year	182.894	340.920	91.371	17.031
Exchange rate adjustments	3.415	2.963	284	0
Transfers	0	0	17.031	-17.031
Additions	10.371	64.462	8.153	0
Disposals	-13.686	-50.607	-21.294	0
Cost end of year	182.994	357.738	95.545	0
Depreciation and impairment losses beginning of the year	-41.094	-175.457	-61.761	-13.705
Exchange rate adjustments	-31	-1.365	-59	0
Transfers	0	0	-13.705	13.705
Depreciation for the year	-5.946	-32.944	-7.044	0
Reversal regarding disposals	-4.496	45.147	18.834	0
Depreciation and impairment losses end of the year	-51.567	-164.619	-63.735	0
Carrying amount end of year	131.427	193.119	31.810	0
Recognised assets not owned by entity	-	7.252	-	-

Notes to consolidated financial statements

	Property, plant and equipment in progress DKK'000	
10. Property, plant and equipment		
Cost beginning of year		77.531
Exchange rate adjustments		836
Transfers		0
Additions		17.081
Disposals		-73.261
Cost end of year		22.187
Depreciation and impairment losses beginning of the year		0
Exchange rate adjustments		0
Transfers		0
Depreciation for the year		0
Depreciation and impairment losses end of the year		0
Depreciation and impairment losses end of the year		0
Carrying amount end of year		22.187
Recognised assets not owned by entity		-
	Investments in associates DKK'000	Other investments DKK'000
11. Fixed asset investments		
Cost beginning of year	7.361	17
Additions	8.116	0
Cost end of year	15.477	17
Revaluations beginning of year	-2.201	0
Share of profit/loss for the year	-2.970	0
Revaluations end of year	-5.171	0
Carrying amount end of year	10.306	17
	Registered in	Equity inte- rest %
12. Associates		
JV Dinex Tongda Emission Solutions Co., Ltd.	China	50,0

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
13. Deferred tax		
Intangible assets	-8.136	-7.941
Property, plant and equipment	-9.510	-4.905
Inventories	1.108	1.173
Receivables	215	167
Liabilities other than provisions	0	71
Tax losses carried forward	60.930	49.334
	44.607	37.899
Changes during the year		
Beginning of year	37.899	
Recognised in the income statement	8.278	
Recognised directly in equity	-1.570	
End of year	44.607	

14. Provisions for pensions and similar liabilities

In accordance with local legislation a provision for pensions are recongnised.

15. Subordinate loan capital

Remunerated at 8,5% p.a. until repayment 23.12.2017.

	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000	Outstanding after 5 years DKK'000
16. Liabilities other than provisions				
Subordinate loan capital	15.000	0	0	0
Mortgage debts	2.322	210	22.310	37.545
Bank loans	64.897	101.659	89.066	15.307
Finance lease liabilities	2.729	7.506	6.982	2.000
Other payables	0	1.800	0	0
	84.948	111.175	118.358	54.852

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
17. Change in working capital		
Increase/decrease in inventories	-1.669	42.574
Increase/decrease in receivables	29.023	-31.062
Increase/decrease in trade payables etc	-8.057	-5.934
	19.297	5.578

	2016 DKK'000	2015 DKK'000
18. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	94.069	19.099

19. Contingent liabilities

Dinex has been requested TP documentation for the years 2010-2013. The documentation has been sent to SKAT at the beginning of 2016 and there has been a dialogue with SKAT throughout the year, but there has not been a final ruling yet.

Notes to consolidated financial statements

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity DKK'000</u>	<u>Profit/loss DKK'000</u>
20. Subsidiaries					
Dinex Exhausts Limited	England	Selskab	100,0	14.880	4.266
Dinex GmbH, Kalbach	Germany	Selskab	100,0	9.027	3.967
Dinex Latvia SIA	Latvia	Selskab	100,0	60.887	14.412
Dinex Italia SRL	Italy	Selskab	100,0	3.719	13
Dinex Polska Sp. z.o.o.	Poland	Selskab	100,0	11.021	1.791
Dinex Iberica Sistemas de escape, S.L.U	Spain	Selskab	100,0	2.873	289
Dinex ETMA S.A.S.	France	Selskab	100,0	13.151	5.503
Dinex Deutschland GmbH	Germany	Selskab	100,0	-3.463	-14.140
Dinex Emission Inc.	USA	Selskab	100,0	-57.227	-18.934
Dinex RUS LLC	Russia	Selskab	100,0	19.129	14.470
Dinex Clamps Ltd.	England	Selskab	100,0	9.082	1.953
Dinex Egzoz Ve Emisyon A.S	Turkey	Selskab	100,0	41.653	-15.493
Dinex Emission System Changzhou Co., Ltd.	China	Selskab	100,0	35.191	-3.644
Dinex Ejendomme ApS	Denmark	Selskab	100,0	27.677	2.346
Dinex Ecocat OY	Finland	Selskab	100,0	68.834	17.060
Dinex Balkan D.O.O.	Serbia	Selskab	100,0	1.225	139
Dinex A/S	Denmark	Selskab	75,0	85.669	-3.395

Notes to consolidated financial statements

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity DKK'000</u>	<u>Profit/loss DKK'000</u>
20. Subsidiaries (continued)					
TD Latoki ApS	Denmark	Selskab	100,0	27.159	2.672

Parent income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Administrative costs		-10	-52
Operating profit/loss		-10	-52
Income from investments in group enterprises		-8.450	2.696
Other financial income	1	350	434
Other financial expenses	2	-594	-1.674
Profit/loss before tax		-8.704	1.404
Tax on profit/loss for the year		0	0
Profit/loss for the year	3	-8.704	1.404

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Investments in group enterprises		158.089	188.936
Deferred tax	5	1.533	1.533
Fixed asset investments	4	159.622	190.469
Fixed assets		159.622	190.469
Receivables from group enterprises		9.632	12.232
Income tax receivable		418	418
Receivables		10.050	12.650
Cash		62	6
Current assets		10.112	12.656
Assets		169.734	203.125

Parent balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital	6	50.000	50.000
Retained earnings		108.452	117.530
Proposed dividend		103	100
Equity		158.555	167.630
Other provisions	7	7.473	7.473
Provisions		7.473	7.473
Bank loans		0	3.500
Non-current liabilities other than provisions		0	3.500
Current portion of long-term liabilities other than provisions		3.500	23.500
Bank loans		125	312
Other payables		81	710
Current liabilities other than provisions		3.706	24.522
Liabilities other than provisions		3.706	28.022
Equity and liabilities		169.734	203.125
Contingent liabilities	8		
Related parties with controlling interest	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	50.000	117.530	100	167.630
Ordinary dividend paid	0	0	-100	-100
Exchange rate adjustments	0	-2.000	0	-2.000
Fair value adjustments of hedging instruments	0	1.727	0	1.727
Profit/loss for the year	0	-8.805	103	-8.702
Equity end of year	50.000	108.452	103	158.555

Notes to parent financial statements

	2016 DKK'000	2015 DKK'000
1. Other financial income		
Financial income arising from group enterprises	350	434
	350	434
2. Other financial expenses		
Financial expenses from group enterprises	0	1
Interest expenses	594	1.673
	594	1.674
3. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	103	100
Retained earnings	-8.807	1.304
	-8.704	1.404
4. Fixed asset investments		
Cost beginning of year	202.497	1.533
Cost end of year	202.497	1.533
Revaluations beginning of year	-13.561	0
Amortisation of goodwill	-4.956	0
Share of profit/loss for the year	-3.494	0
Dividend	-22.125	0
Other adjustments	-272	0
Revaluations end of year	-44.408	0
Carrying amount end of year	158.089	1.533
Goodwill on consolidation included in carrying amount	94.794	0

Notes to parent financial statements

	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
5. Deferred tax		
Liabilities other than provisions	1.533	1.533
	<u>1.533</u>	<u>1.533</u>
Changes during the year		
Beginning of year	1.533	
End of year	<u>1.533</u>	

	<u>Number</u>	<u>Par value</u> <u>DKK'000</u>	<u>Nominal</u> <u>value</u> <u>DKK'000</u>
6. Contributed capital			
A-shares	25.000	1	25.000
B-share	25.000	1	25.000
	<u>50.000</u>		<u>50.000</u>

7. Other provisions

Other provisions consist of provision related to the sale of Dinex Invest ApS.

8. Contingent liabilities

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

9. Related parties with controlling interest

The following parties have a controlling interest:

<u>Name</u>	<u>Registered office</u>	<u>Basis of influence</u>
Torben Dinesen	Strandstien 157, Strib DK-5500 Middelfart	CEO and owner

10. Transactions with related parties

Information 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 such transactions in the financial year.

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 for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognized 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 Group 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 Group, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

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

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Dinex A/S 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' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

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

Accounting policies

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. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. 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, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

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 one in effect at the payment date, or the rate at the balance sheet date are recognized 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 recognizing 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 as 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 recognized 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 recognizing 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 recognized 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 recognized asset or a recognized 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 recognized directly in equity. When the hedged transactions are realized, the accumulated changes are recognized 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 recognized 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 recognized in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognized net of VAT, duties and sales discounts.

Production costs

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

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

Accounting policies

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 costs

Administrative expenses comprise expenses incurred for management and administration of the Group, including expenses for the administrative staff and Management, stationery and office supplies as well as depreciation and amortisation.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including subsidies, rental income, licence income etc.

Other operating expenses

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

Income from investments in associates

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

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, 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. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

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

Accounting policies

Balance sheet

Goodwill

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

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

Intellectual property rights etc

Development projects on clearly defined and identifiable products and processes, for which the 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.

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

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

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

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

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For Group-manufactured assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Accounting policies

Interest expenses on loans for financing the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other financing costs are recognized in the income statement.

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

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

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

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

Investments in group enterprises

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

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

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

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

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

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised pro rata internal profits and losses.

Accounting policies

Associates with negative equity are measured at DKK 0, and any receivables from these associates are written down by the share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if there is a legal or constructive obligation to cover the liabilities of the relevant associate.

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

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

Other investments

Securities and other investments are measured at the acquisition price.

Deferred tax

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

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

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

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

Inventories

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

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

Accounting policies

Indirect production costs comprise indirect materials and labor costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortized cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividends are recognised as a liability at the time of adoption at the general meeting. The proposed dividends for the financial year are disclosed as a separate item in equity.

Minority interests

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

Provisions for pension liabilities etc

Provisions for pensions and similar liabilities are measured at net realisable value equal to the present value of expected payments by the individual pension schemes etc.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, loss on contract work in progress, decided and published restructurings, etc.

Other provisions are recognized and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

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

Accounting policies

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

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

Mortgage debt

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

Finance lease liabilities

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

Operating leases

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

Other financial liabilities

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

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

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.

Accounting policies

Cash flow statement

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

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

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

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

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

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