DAFA A/S

Holmstrupgårdvej 12, DK-8220 Brabrand

Annual Report for 1 January - 31 December 2016

CVR No 17 63 01 80

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/3 2017

Steen Bødtker
Chairman

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Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DAFA A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Århus, 17 March 2017

Executive Board

Bo Ankerfelt
Executive Officer

Board of Directors

Steen Bødtker Chairman	Charlotte Norby	Jacob Norby
Lars Dige Knudsen	Jan Ellegaard	

Independent Auditor's Report

To the Shareholders of DAFA A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of DAFA A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the 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.

Holstebro, 17 March 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Poul Spencer Poulsen
State Authorised Public Accountant

Company Information

The Company	DAFA A/S Holmstrupgårdvej 12 DK-8220 Brabrand Telephone: + 45 +45 87 47 66 66 Facsimile: + 45 +45 87 47 66 00 E-mail: dafa@dafa.dk Website: www.dafa.dk CVR No: 17 63 01 80 Financial period: 1 January - 31 December Municipality of reg. office: Århus
Board of Directors	Steen Bødtker, Chairman Charlotte Norby Jacob Norby Lars Dige Knudsen Jan Ellegaard
Executive Board	Bo Ankerfelt
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Hjaltesvej 16 Postboks 1443 DK-7500 Holstebro
Lawyers	Kromann Reumert Rådhuspladsen 3 DK-8000 Århus C
Bankers	Danske Bank Åboulevarden 69 DK-8000 Århus C

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	130.679	111.238	101.290	97.001	100.227
EBITDA	41.814	36.723	32.055	24.080	26.541
Operating profit/loss	27.355	28.665	22.495	16.463	18.717
Profit/loss before financial income and expenses	28.399	28.522	22.267	16.307	18.867
Net financials	-984	841	1.341	-187	-433
Net profit/loss for the year	21.602	23.238	17.717	11.818	13.360
Balance sheet					
Balance sheet total	296.965	129.259	110.368	114.527	117.351
Equity	102.102	90.314	77.125	84.630	82.904
Cash flows					
Cash flows from:					
- operating activities	38.240	10.841	33.885	21.913	20.818
- investing activities	-133.783	-9.570	-8.478	-7.229	-11.586
including investment in property, plant and equipment	-14.029	-9.123	-9.183	-6.525	-11.736
- financing activities	38.922	-10.479	-25.351	-10.402	2.845
Change in cash and cash equivalents for the year	-56.621	-9.208	56	4.282	12.077
Number of employees	230	152	152	151	159
Ratios					
Return on assets	9,6%	22,1%	20,2%	14,2%	16,1%
Solvency ratio	34,4%	69,9%	69,9%	73,9%	70,6%
Return on equity	22,5%	27,8%	21,9%	14,1%	17,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

DAFA contributes sustainable, long-lasting foam and rubber solutions which seal, absorb and protect. The goal is that customers experience added value by collaborating with DAFA and that they chose DAFA as preferred supplier.

DAFA's product range includes self-adhesive sealing strips, gaskets, thermal and acoustic insulation, packaging, rubber and aluminium profiles.

The solutions are produced and distributed through divisions in Denmark, Poland, Italy, USA and China. In addition there are sales offices in Sweden and Germany.

Development in the year

The income statement of the Group for 2016 shows a profit of TDKK 21,602, and at 31 December 2016 the balance sheet of the Group shows equity of TDKK 102,102.

Profit growth of 5-10% is expected for 2017.

The past year and follow-up on development expectations from last year

I July DAFA acquired the Polish market leader Interchemall sp. z o.o. The merger between the two companies creates a powerful alliance as a significant converter of foam and rubber materials in the global market.

Later in August DAFA joined forces with an Italian start-up business with-in FIPFG sealing technology.

Profit in 2016 was under expected level mainly due to investments in markets and products made to secure growth and further strengthen competiveness.

Special risks - operating risks and financial risks

Operating risks

DAFA A/S's key operating risks relate to the ability to maintain and develop its position at existing customers while increasing the market share.

Market risks

Due to a high equity ratio, DAFA A/S is exposed to major periodic fluctuations in sales only to a limited extent.

Management's Review

Foreign exchange risks

Due to foreign activities, profit, cash flows and equity are affected by the exchange and interest rate developments for a number of currencies. It is the Company's currency policy not to hedge the currency risks as most transactions are naturally hedged through purchases and sales in the same currencies.

Interest rate risks

Due to its high equity ratio and financial resources, the Company is exposed to interest rate changes only to a limited extent.

Credit risks

According to DAFA A/S's credit policy, all major customers are rated on a current basis. Moreover, receivables from customers are covered by credit insurance to the highest possible extent.

Basis of earnings

Research and development

DAFA A/S continuously develops and improves its products in cooperation with customers. The related costs are charged to the income statement as they are incurred.

Resources spent on own development of new products, implementation of new technology as well as certain IT projects are capitalized under the item completed development projects. During the year, there has been an addition of DKK 318k to this item.

Intellectual capital resources

It is essential for DAFA A/S's continued growth to retain and develop employees; therefore, significant resources are allocated to these efforts.

To ensure competitiveness and efficiency, new technology investments are made continuously alongside continued competence development.

Intellectual capital resources are of great importance to DAFA A/S. In the construction segment, continuous product development is carried out based on knowledge of the market and our customers. In the industry segment, customized quality solutions are developed, in connection with which our employees' know-how of materials and possible solutions is a key factor.

Management's Review

Statement of corporate social responsibility

The family ownership supports DAFA A/S's aspiration for and interest in a sustainable and responsible business.

In practice, sustainability to us means that we will, by attitude, word and deed, respect and balance environmental, financial and social aspects in order to continuously improve DAFA A/S's surroundings, business and organization.

In 2010, DAFA A/S acceded to the UN Global Compact, which provides ten principles concerning respect for human rights, labour, environment and anti-corruption. A set of guidelines to ensure that DAFA A/S employees, in cooperation with customers, suppliers, authorities and other stakeholders, create a responsible development of DAFA A/S's business and surroundings. Therefore, in 2016 DAFA A/S submitted its sixth Communication of Progress for publication on the website:

www.unglobalcompact.org

Parts of DAFA A/S's CSR efforts are focused on limiting DAFA A/S's impact on the surrounding environment, Sustainable building solutions that benefit the environment and the 10 principles of UN Global Compact in the areas of human rights, labor, the environment and anti-corruption.

In this connection, and as part of DAFA A/S's ISO 14001:2015 environmental risk assessment, efforts were directed in 2016 at reducing power consumption and on developing products that support sustainability. Our building products are dense solutions that support sustainable construction and reduces energy consumption to benefit the environment.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2016 of the Group and the results of the activities and cash flows of the Group for the financial year for 2016 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group 2016 TDKK	Group 2015 TDKK	Parent Company 2016 TDKK	Parent Company 2015 TDKK
Gross profit/loss		**130.679**	**111.238**	**99.383**	**99.820**
Staff expenses	1	-88.861	-74.372	-69.697	-66.773
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-13.415	-8.201	-7.963	-7.752
Other operating expenses		-4	-143	0	-143
Profit/loss before financial income and expenses		**28.399**	**28.522**	**21.723**	**25.152**
Income from investments in subsidiaries	3	0	0	5.107	2.416
Financial income	4	1.147	1.775	618	1.919
Financial expenses	5	-2.131	-934	-1.085	-94
Profit/loss before tax		**27.415**	**29.363**	**26.363**	**29.393**
Tax on profit/loss for the year	6	-5.813	-6.125	-4.761	-6.155
Net profit/loss for the year		**21.602**	**23.238**	**21.602**	**23.238**

Distribution of profit

	Parent Company 2016 TDKK	Parent Company 2015 TDKK
Proposed distribution of profit		
Proposed dividend for the year	0	10.000
Reserve for net revaluation under the equity method	1.102	0
Retained earnings	20.500	13.238
	21.602	**23.238**

Balance Sheet 31 December

Assets

	Note	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
		TDKK	TDKK	TDKK	TDKK
Completed development projects		751	159	736	159
Rights		8	0	0	0
Acquired other similar rights		383	146	383	146
Goodwill		64.359	0	0	0
Development projects in progress		1.229	172	1.229	172
Intangible assets	7	**66.730**	**477**	**2.348**	**477**
Land and buildings		44.934	1.369	920	1.369
Plant and machinery		35.208	24.296	24.566	24.296
Other fixtures and fittings, tools and equipment		10.497	7.641	6.171	4.065
Leasehold improvements		1.575	1.220	1.575	1.220
Prepayments for property, plant and equipment		2.024	583	0	583
Property, plant and equipment	8	**94.238**	**35.109**	**33.232**	**31.533**
Investments in subsidiaries	9	0	0	146.026	449
Other receivables	10	1.463	1.456	1.463	1.456
Fixed asset investments		**1.463**	**1.456**	**147.489**	**1.905**
Fixed assets		**162.431**	**37.042**	**183.069**	**33.915**
Inventories	11	**51.972**	**34.660**	**33.691**	**30.868**

Balance 31. december

Assets

		Group		Parent Company	
	Note	2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
Trade receivables		56.470	46.077	36.619	41.580
Receivables from group enterprises		0	0	20.234	18.641
Other receivables		3.568	1.731	254	333
Corporation tax		1.181	346	650	310
Prepayments		1.177	771	251	249
Receivables		**62.396**	**48.925**	**58.008**	**61.113**
Current asset investments		**4.996**	**0**	**0**	**0**
Cash at bank and in hand		**15.170**	**8.632**	**7**	**10**
Currents assets		**134.534**	**92.217**	**91.706**	**91.991**
Assets		**296.965**	**129.259**	**274.775**	**125.906**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
		TDKK	TDKK	TDKK	TDKK
Share capital		5.000	5.000	5.000	5.000
Reserve for net revaluation under the equity method		0	0	1.288	0
Reserve for development costs		0	0	406	0
Retained earnings		97.102	75.314	95.408	75.314
Proposed dividend for the year		0	10.000	0	10.000
Equity		**102.102**	**90.314**	**102.102**	**90.314**
Provision for deferred tax	12	6.420	2.331	3.189	2.325
Provisions		**6.420**	**2.331**	**3.189**	**2.325**
Mortgage loans		37.500	0	37.500	0
Lease obligations		2.725	1.024	0	0
Long-term debt	13	**40.225**	**1.024**	**37.500**	**0**
Mortgage loans	13	12.500	0	12.500	0
Credit institutions		76.684	8.529	76.269	8.529
Lease obligations	13	1.447	500	0	0
Trade payables		26.377	13.311	18.906	13.124
Payables to group enterprises		0	90	0	90
Corporation tax		1.613	943	0	0
Other payables		29.597	12.217	24.309	11.524
Short-term debt		**148.218**	**35.590**	**131.984**	**33.267**
Debt		**188.443**	**36.614**	**169.484**	**33.267**
Liabilities and equity		**296.965**	**129.259**	**274.775**	**125.906**
Contingent assets, liabilities and other financial obligations	16				
Related parties	17				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revalua-tion under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	5.000	0	0	75.314	10.000	90.314
Ordinary dividend paid	0	0	0	0	-10.000	-10.000
Exchange adjustments relating to foreign entities	0	0	0	186	0	186
Net profit/loss for the year	0	0	0	21.602	0	21.602
Equity at 31 December	**5.000**	**0**	**0**	**97.102**	**0**	**102.102**

Parent Company

	Share capital	Reserve for net revalua-tion under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January	5.000	0	0	75.314	10.000	90.314
Ordinary dividend paid	0	0	0	0	-10.000	-10.000
Exchange adjustments relating to foreign entities	0	186	0	0	0	186
Development costs for the year	0	0	703	-703	0	0
Depreciation, amortisation and impairment for the year	0	0	-297	297	0	0
Net profit/loss for the year	0	1.102	0	20.500	0	21.602
Equity at 31 December	**5.000**	**1.288**	**406**	**95.408**	**0**	**102.102**

Cash Flow Statement 1 January - 31 December

	Note	Group 2016	Group 2015
		TDKK	TDKK
Net profit/loss for the year		21.602	23.238
Adjustments	14	19.169	13.628
Change in working capital	15	345	-20.821
Cash flows from operating activities before financial income and expenses		**41.116**	**16.045**
Financial income		1.145	1.775
Financial expenses		-2.130	-935
Cash flows from ordinary activities		**40.131**	**16.885**
Corporation tax paid		-1.891	-6.044
Cash flows from operating activities		**38.240**	**10.841**
Purchase of intangible assets		-2.284	-317
Purchase of property, plant and equipment		-14.029	-9.123
Fixed asset investments made etc		-7	-130
Sale of property, plant and equipment		2.497	0
Business acquisition		-119.960	0
Cash flows from investing activities		**-133.783**	**-9.570**
Reduction of lease obligations		-988	-568
Repayment of payables to group enterprises		-90	0
Raising of mortgage loans		50.000	0
Raising of loans from group enterprises		0	89
Dividend paid		-10.000	-10.000
Cash flows from financing activities		**38.922**	**-10.479**
Change in cash and cash equivalents		**-56.621**	**-9.208**
Cash and cash equivalents at 1 January		103	9.311
Cash and cash equivalents at 31 December		**-56.518**	**103**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		15.170	8.632
Current asset investments		4.996	0
Overdraft facility		-76.684	-8.529
Cash and cash equivalents at 31 December		**-56.518**	**103**

Notes to the Financial Statements

		Group		Parent Company	
		2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
1	**Staff expenses**				
	Wages and salaries	76.837	65.594	60.312	58.705
	Pensions	4.680	4.138	4.440	4.003
	Other social security expenses	4.016	1.927	1.732	1.367
	Other staff expenses	3.328	2.713	3.213	2.698
		88.861	**74.372**	**69.697**	**66.773**
	Including remuneration to the Executive Board and Board of Directors	**2.564**	**2.863**	**2.564**	**2.863**
	Average number of employees	**230**	**152**	**133**	**123**
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	3.494	504	379	504
	Depreciation of property, plant and equipment	9.921	7.697	7.584	7.248
		13.415	**8.201**	**7.963**	**7.752**

		Parent Company	
		2016	2015
		TDKK	TDKK
3	**Income from investments in subsidiaries**		
	Share of profit/loss of subsidiaries	8.384	2.511
	Amortisation of goodwill	-3.277	0
	Change in intercompany profit on inventories purchased within the Group	0	-95
		5.107	**2.416**

Notes to the Financial Statements

		Group		Parent Company	
		2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
4	**Financial income**				
	Interest received from group enterprises	0	0	159	144
	Other financial income	671	7	43	7
	Exchange adjustments, income	416	1.768	416	1.768
	Exchange gains	60	0	0	0
		1.147	**1.775**	**618**	**1.919**
5	**Financial expenses**				
	Other financial expenses	1.996	934	1.085	94
	Exchange loss	135	0	0	0
		2.131	**934**	**1.085**	**94**
6	**Tax on profit/loss for the year**				
	Current tax for the year	5.102	6.233	3.897	6.269
	Deferred tax for the year	711	-108	864	-114
		5.813	**6.125**	**4.761**	**6.155**

Notes to the Financial Statements

7 Intangible assets

Group

	Completed development projects	Rights	Acquired other similar rights	Goodwill	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1.282	1.200	146	0	172	2.800
Net effect from merger and acquisition	15	898	0	0	0	913
Additions for the year	710	0	319	67.472	1.229	69.730
Transfers for the year	172	0	0	0	-172	0
Cost at 31 December	2.179	2.098	465	67.472	1.229	73.443
Impairment losses and amortisation at 1 January	1.124	1.200	0	0	0	2.324
Net effect from merger and acquisition	0	888	0	0	0	888
Amortisation for the year	304	2	82	3.113	0	3.501
Impairment losses and amortisation at 31 December	1.428	2.090	82	3.113	0	6.713
Carrying amount at 31 December	**751**	**8**	**383**	**64.359**	**1.229**	**66.730**

Parent Company

	Completed development projects	Rights	Acquired other similar rights	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1.282	1.200	146	172	2.800
Additions for the year	703	0	319	1.229	2.251
Transfers for the year	172	0	0	-172	0
Cost at 31 December	2.157	1.200	465	1.229	5.051
Impairment losses and amortisation at 1 January	1.124	1.200	0	0	2.324
Amortisation for the year	297	0	82	0	379
Impairment losses and amortisation at 31 December	1.421	1.200	82	0	2.703
Carrying amount at 31 December	**736**	**0**	**383**	**1.229**	**2.348**

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments for property, plant and equipment	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1.397	75.265	46.256	1.727	583	125.228
Exchange adjustment	0	0	-181	0	0	-181
Net effect from merger and acquisition	50.162	27.681	1.548	0	977	80.368
Additions for the year	503	5.641	5.431	571	1.883	14.029
Disposals for the year	-443	-1.452	-265	0	-836	-2.996
Transfers for the year	0	583	0	0	-583	0
Cost at 31 December	51.619	107.718	52.789	2.298	2.024	216.448
Impairment losses and depreciation at 1 January	28	50.969	38.614	509	0	90.120
Exchange adjustment	0	0	-55	0	0	-55
Net effect from merger and acquisition	5.989	16.534	1.276	0	0	23.799
Depreciation for the year	685	6.389	2.605	214	0	9.893
Reversal of impairment and depreciation of sold assets	-17	-1.382	-148	0	0	-1.547
Impairment losses and depreciation at 31 December	6.685	72.510	42.292	723	0	122.210
Carrying amount at 31 December	**44.934**	**35.208**	**10.497**	**1.575**	**2.024**	**94.238**
Including assets under finance leases amounting to	0	0	4.990	0	0	4.990

Notes to the Financial Statements

8 Property, plant and equipment (continued)

Parent Company

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments for property, plant and equipment	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1.397	75.265	41.138	1.727	583	120.110
Additions for the year	0	5.022	4.187	571	0	9.780
Disposals for the year	-443	-1.452	0	0	0	-1.895
Transfers for the year	0	583	0	0	-583	0
Kostpris at 31 December	954	79.418	45.325	2.298	0	127.995
Impairment losses and depreciation at 1 January	28	50.969	37.072	509	0	88.578
Depreciation for the year	23	5.265	2.082	214	0	7.584
Reversal of impairment and depreciation of sold assets	-17	-1.382	0	0	0	-1.399
Impairment losses and depreciation at 31 December	34	54.852	39.154	723	0	94.763
Carrying amount at 31 December	**920**	**24.566**	**6.171**	**1.575**	**0**	**33.232**

Notes to the Financial Statements

	Parent Company	
	2016	2015
	TDKK	TDKK
9 Investments in subsidiaries		
Cost at 1 January	205	205
Additions for the year	144.532	0
Cost at 31 December	144.737	205
Value adjustments at 1 January	-4.005	-4.931
Exchange adjustment	187	-58
Net profit/loss for the year	8.384	2.511
Dividend to the Parent Company	0	-1.432
Amortisation of goodwill	-3.277	0
Change in intercompany profit on inventories	0	-95
Value adjustments at 31 December	1.289	-4.005
Equity investments with negative net asset value amortised over receivables	0	4.249
Carrying amount at 31 December	**146.026**	**449**
Positive differences arising on initial measurement of subsidiaries at net asset value	67.472	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
DAFA China Holding ApS	Danmark	125.000 (DKK)	100%
DAFA Sverige AB	Sverige	100.000 (SEK)	100%
DAFA Deutschland GmbH	Tyskland	25.000 (EUR)	100%
DAFA US Inc.	USA	20.000 (USD)	100%
Interchemall sp. z o.o.	Polen	2.196.000 (PLN)	100%
Siglo S.r.l	Italien	10.000 (EUR)	100%

Notes to the Financial Statements

10 Other fixed asset investments

	Group	Parent Company
	Other receiv-ables	Other receiv-ables
	TDKK	TDKK
Cost at 1 January	1.456	1.456
Additions for the year	7	7
Cost at 31 December	1.463	1.463
Carrying amount at 31 December	**1.463**	**1.463**

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK

11 Inventories

	2016	2015	2016	2015
Raw materials and consumables	23.177	17.317	10.308	15.315
Work in progress	2.492	1.418	1.815	1.418
Finished goods and goods for resale	25.058	15.318	21.568	13.528
Prepayments for goods	1.245	607	0	607
	51.972	**34.660**	**33.691**	**30.868**

12 Provision for deferred tax

	2016	2015	2016	2015
Intangible assets	517	42	517	42
Propert, plant and equipment	4.953	1.952	2.218	1.946
Inventories	399	359	399	359
Other provisions	55	-22	55	-22
Tax loss carry-forward	496	0	0	0
	6.420	**2.331**	**3.189**	**2.325**

Notes to the Financial Statements

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
Between 1 and 5 years	37.500	0	37.500	0
Long-term part	37.500	0	37.500	0
Within 1 year	12.500	0	12.500	0
	50.000	**0**	**50.000**	**0**
Lease obligations				
Between 1 and 5 years	2.725	1.024	0	0
Long-term part	2.725	1.024	0	0
Within 1 year	1.447	500	0	0
	4.172	**1.524**	**0**	**0**

	Group	
	2016	2015
	TDKK	TDKK

14 Cash flow statement - adjustments

Financial income	-1.147	-1.775
Financial expenses	2.131	934
Depreciation, amortisation and impairment losses, including losses and gains on sales	12.372	8.344
Tax on profit/loss for the year	5.813	6.125
	19.169	**13.628**

15 Cash flow statement - change in working capital

Change in inventories	-5.453	-6.097
Change in receivables	2.741	-15.183
Change in trade payables, etc	3.057	459
	345	**-20.821**

Notes to the Financial Statements

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK

16 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	Group 2016 TDKK	Group 2015 TDKK	Parent Company 2016 TDKK	Parent Company 2015 TDKK
Land and buildings with a carrying amount of	44.934	1.369	920	1.369

Rental and lease obligations

	Group 2016 TDKK	Group 2015 TDKK	Parent Company 2016 TDKK	Parent Company 2015 TDKK
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	5.735	5.248	4.861	4.516
Between 1 and 5 years	2.060	2.221	1.888	1.331
	7.795	**7.469**	**6.749**	**5.847**

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

DAFA A/S is liable for all bank balances in DAFA Sverige AB. The bank debt per December 31, 2016 amounts to TDKK 0.

DAFA A/S is liable for all bank balances in DAFA Deutschland GmbH. The bank debt per December 31, 2016 amounts to TEUR 56.

DAFA A/S has guaranteed TDKK 25 towards owners association.

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
J. Norby Holding ApS	Parent Company
Jacob Norby	Majority shareholder in Parent Company

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

C. Norby Holding ApS, Aarhus C, Denmark
J. Norby Holding ApS, Højbjerg, Denmark

Notes, Accounting Policies

Basis of Preparation

The Annual Report of DAFA A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2016 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, DAFA A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes, Accounting Policies

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in “Amortisation, depreciation and impairment losses”.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Notes, Accounting Policies

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes, Accounting Policies

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprises, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish sub si di a ries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount and are amortised over 3-5 years.

Notes, Accounting Policies

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	40-50	years
Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	3-10	years
Leasehold improvements	10	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

Notes, Accounting Policies

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposit.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable including trade receivables.

Prepayments

Prepayments comprise prepaid expenses concerning consumption taxes, licenses, insurance etc.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes, Accounting Policies

Deferred tax assets and lia bi li ties

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Notes, Accounting Policies

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand” and ”Overdraft facilities”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$