

Dynatest Denmark A/S
Gladsaxevej 342
2860 Søborg
Central Business Registration No
20015632

Annual report 2017

The Annual General Meeting adopted the annual report on 29.06.2018

Chairman of the General Meeting

Name: Nicholas Liebach

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Entity details

Entity

Dynatest Denmark A/S
Gladsaxevej 342
2860 Søborg

Central Business Registration No: 20015632
Registered in: Gladsaxe
Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Christian Møller Christensen
Anders Sørensen
Christian Lannig Nielsen

Executive Board

Christian Lannig Nielsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København 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 Dynatest Denmark A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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.

Copenhagen, 28.06.2018

Executive Board

Christian Lanng Nielsen

Board of Directors

Christian Møller Christensen

Anders Sørensen

Christian Lanng Nielsen

Independent auditor's report

To the shareholders of Dynatest Denmark A/S

Opinion

We have audited the financial statements of Dynatest Denmark A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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 financial statements

Management is responsible for the preparation of 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 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 financial statements unless Management either intends to liquidate the Entity 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:

Independent auditor's report

- 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the 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.

Copenhagen, 28.06.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jens Sejer Pedersen
State Authorised Public Accountant
Identification number (MNE) mne14986

Management commentary

Primary activities

Dynatest Denmark A/S is a provider of pavement engineering consulting services and equipment. The company manufactures pavement measurement equipment, provides pavement consultancy and design services, incl. unique software tools for use in planning and maintenance of pavements for airports, roads and pathways.

Development in activities and finances

The development of Dynatest Denmark is closely linked to the development and performance of the Dynatest Group.

Turnaround initiatives that have been implemented in the Group in 2017 have also been implemented in Dynatest Denmark, with a substantial effect on financial performance.

Focus have been put on establishment of a scalable business platform and creating a sales approach and organization that can deliver increased sales and profitability.

Uncertainty relating to recognition and measurement

When preparing the Company's annual report, it is necessary that Management, in accordance with legislative provisions, makes a number of accounting judgements and estimates which form the basis for the annual report. Material accounting judgements and estimates made by Management are described in the paragraph "managements material judgements and estimates" under accounting policies, to which we refer.

The accounting judgements and estimate made primarily relates to the sufficiency of the Company's financing. Such estimates are made on the basis of assumptions which Management considers being reasonable and realistic, but which by its nature are uncertain.

Outlook

Our expectations for 2018 are positive. Initiatives already implemented and the plan to implement further optimizations in 2018 are expected to deliver a continued positive development in financial performance.

Our expectations are that 2018 will generate a positive operating profit before interests and taxes, and that the Company, with the sufficient credit lines can meet its liquidity requirements.

The parent company, Dynatest International A/S, has in connection with the annual report for 2017 issued a letter of support to Dynatest Denmark A/S thus securing that the planned activities for 2018 can be financed.

Based heron the financial statements for the financial year 2017 are presented under a going concern assumption.

Management commentary

Events after the balance sheet date

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

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Gross profit	2	8.327.974	362
Distribution costs	2	(1.562.908)	(3.494)
Administrative costs	2	<u>(13.285.574)</u>	<u>(12.818)</u>
Operating profit/loss		(6.520.508)	(15.950)
Other financial income		933	89
Other financial expenses	3	<u>(1.429.584)</u>	<u>(1.063)</u>
Profit/loss before tax		(7.949.159)	(16.924)
Tax on profit/loss for the year	4	<u>964.000</u>	<u>217</u>
Profit/loss for the year		<u>(6.985.159)</u>	<u>(16.707)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(6.985.159)</u>	<u>(16.707)</u>
		<u>(6.985.159)</u>	<u>(16.707)</u>

Balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK'000
Other fixtures and fittings, tools and equipment		12.746.989	15.751
Property, plant and equipment	5	12.746.989	15.751
Deposits		754.760	753
Fixed asset investments	6	754.760	753
Fixed assets		13.501.749	16.504
Raw materials and consumables		5.137.853	3.104
Manufactured goods and goods for resale		4.603.043	1.937
Prepayments for goods		0	931
Inventories		9.740.896	5.972
Trade receivables		4.641.275	8.308
Contract work in progress		3.856.714	1.430
Receivables from group enterprises		0	4.332
Deferred tax	7	2.802.000	1.838
Other receivables		493.592	1.040
Prepayments	8	663.188	235
Receivables		12.456.769	17.183
Cash		85.568	4.477
Current assets		22.283.233	27.632
Assets		35.784.982	44.136

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Contributed capital		500.000	500
Retained earnings		<u>(37.153.316)</u>	<u>(30.168)</u>
Equity		<u>(36.653.316)</u>	<u>(29.668)</u>
Other provisions		<u>414.583</u>	<u>377</u>
Provisions		<u>414.583</u>	<u>377</u>
Finance lease liabilities		11.549.566	133
Payables to group enterprises		<u>25.767.255</u>	<u>32.080</u>
Non-current liabilities other than provisions	9	<u>37.316.821</u>	<u>32.213</u>
Current portion of long-term liabilities other than provisions	9	2.921.336	50
Bank loans		15.537.220	24.629
Prepayments received from customers		288.001	3.541
Trade payables		9.023.166	6.285
Payables to group enterprises		0	37
Other payables		<u>6.937.171</u>	<u>6.672</u>
Current liabilities other than provisions		<u>34.706.894</u>	<u>41.214</u>
Liabilities other than provisions		<u>72.023.715</u>	<u>73.427</u>
Equity and liabilities		<u>35.784.982</u>	<u>44.136</u>
Going concern	1		
Contingent liabilities	10		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
	<u> </u>	<u> </u>	<u> </u>
Equity beginning of year	500.000	(30.168.157)	(29.668.157)
Profit/loss for the year	<u> 0</u>	<u> (6.985.159)</u>	<u> (6.985.159)</u>
Equity end of year	<u> 500.000</u>	<u> (37.153.316)</u>	<u> (36.653.316)</u>

Notes

1. Going concern

As described in the management commentary and in the section Accounting policies – Management’s material judgements and estimates, to which we refer, the planned activities for 2018 expects to generate a positive EBITDA. Based on this, combined with expected funding possibilities from the company’s and the Group’s banking partners, Management find that the Company and the Group have sufficient financing resources.

Based heron the Financial Statements for the financial year 2017 are presented under the going concern assumption. The planned activities is based on assumptions which Management consider to be reasonable and realistic, but which by nature include a level of uncertainty.

	2017	2016
	DKK	DKK'000
2. Staff costs		
Wages and salaries	17.466.584	21.089
Pension costs	891.142	1.039
Other social security costs	229.784	813
Other staff costs	92.350	420
	18.679.860	23.361
Average number of employees	30	33

	2017	2016
	DKK	DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	398.364	293
Interest expenses	786.382	770
Exchange rate adjustments	244.838	0
	1.429.584	1.063

	2017	2016
	DKK	DKK'000
4. Tax on profit/loss for the year		
Change in deferred tax for the year	(964.000)	(217)
	(964.000)	(217)

Notes

	Other fixtures and fittings, tools and equipment DKK
	<u>DKK</u>
5. Property, plant and equipment	
Cost beginning of year	22.170.681
Additions	41.569
Disposals	<u>(2.127.825)</u>
Cost end of year	<u>20.084.425</u>
Depreciation and impairment losses beginning of the year	(6.419.599)
Depreciation for the year	(1.742.511)
Reversal regarding disposals	<u>824.674</u>
Depreciation and impairment losses end of the year	<u>(7.337.436)</u>
Carrying amount end of year	<u>12.746.989</u>
Book value of assets held under finance leases amounts to 10.608 DKK (2016 : 0 DKK.).	
	Deposits
	<u>DKK</u>
6. Fixed asset investments	
Cost beginning of year	752.860
Additions	<u>1.900</u>
Cost end of year	<u>754.760</u>
Carrying amount end of year	<u>754.760</u>

Notes

	2017	2016
	DKK	DKK'000
7. Deferred tax		
Property, plant and equipment	(1.344.660)	(1.283)
Tax losses carried forward	4.146.660	3.121
	2.802.000	1.838

The deferred tax asset corresponds at maximum to a deferred tax liability in the Parent Company. Since those companies are jointly taxed, the tax asset will be utilized by the Parent Company.

8. Prepayments

Prepayments comprise prepaid expenses.

	Instalments within 12 months 2017 DKK	Instalments within 12 months 2016 DKK'000	Instalments beyond 12 months 2017 DKK
9. Liabilities other than provisions			
Finance lease liabilities	2.921.336	50	11.549.566
Payables to group enterprises	0	0	25.767.255
	2.921.336	50	37.316.821

10. Contingent liabilities

As a security for debt to banks of DKK ('000) 15,500 Dynatest Denmark A/S has issued a floating charge of a nominal amount of DKK ('000) 7,000. The floating charge includes the following assets, with a carrying amount as at 31 December 2017 of:

Fixtures and equipment, DKK ('000) 12,746

Trade receivables, DKK ('000) 8,818

Inventories, DKK ('000) 9,741

Dynatest Denmark A/S has issued guarantees to customers in the amount of DKK ('000) 710.

Dynatest Denmark A/S has signed a tenancy rental agreement for their leasehold with 53 months interminability at 31 May 2022 corresponding to a rent of DKK ('000) 7,375.

Dynatest Denmark A/S has lease payments (operating lease) of DKK ('000) 178 until 2021.

Dynatest Denmark A/S has an obligation to purchase assets held under finance leases for DKK ('000) 1,600 at the end of the lease period.

Notes

Dynatest Denmark A/S participates in a Danish joint taxation arrangement in which Dynatest Finance ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

9. Ownership

The following shareholder is recorded in the company's register of shareholders as owning minimum 5% of the votes or minimum 5% of the share capital:

Dynatest International A/S

Gladsaxevej 342

2860 Søborg

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

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

Managements material judgements and estimates

When preparing the Company's annual report, it is necessary that Management makes a number of accounting judgments and estimates which form the basis for presentation, recognition and measurement of the Company's assets and liabilities. In particular, the accounting judgments and estimates made by Management related to:

- The sufficiency of the Group's financing to continue activities; The Management commentary and note 1 of the financial statements states how the Company's and the Group's future activities are expected to be financed. The planned activities for 2018 expects to generate a positive EBITDA. Based on this, combined with expected funding possibilities from the Company's and the Group's banking partners, Management find that the Company and the Group have sufficient financing resources to continue its activities. The Company's and Group's business, by nature, include sales and activities from which the timing of actual cash flow can be difficult to predict detailed. The planned activities - including continued strengthening of topline and EBITDA during the financial year 2018 compared to the financial year 2017 - is based on assumptions which Management consider to be reasonable and realistic, but which by nature include a level of uncertainty. If the assumptions is not realized as expected, the financing resources and thereby the sufficiency of liquidity for financing the Company's and Group's activities can be affected negatively, and/or the timing of investments being made, may be incurred.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

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

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

Accounting policies

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

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 recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Accounting policies

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, 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.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct costs of materials, components, subsuppliers and labour costs.

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:

Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

Plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs.

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

Receivables

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

Accounting policies

Contract work in progress

Contract work in progress regarding individualized products is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

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 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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

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

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

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.

Accounting policies

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

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

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.

Finance lease liabilities

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

Other financial liabilities

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

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.