M-tec Trackunit A/S

Industrivej 10, DK-9490 Pandrup

Annual Report for 1 January - 31 December 2016

CVR No 20 75 01 70

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 5 /5 2017

Thomas Christiansen
Chairman

pwc

Contents

pwc

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of M-tec Trackunit 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 give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

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

Pandrup, 5 May 2017

Executive Board

Jørgen Raguse CEO	Henrik Skovsby CFO

Board of Directors

Lars Dybkjær Chairman	Michael Specht Bruun	Gunnar Evensen

Independent Auditor's Report

To the Shareholder of M-tec Trackunit A/S

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

We have audited the Financial Statements of M-tec Trackunit 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 ("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 Company 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 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 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 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 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 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 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 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.

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.

Aalborg, 5 May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikkel Sthyr
State Authorised Public Accountant

Søren Korgaard-Mollerup
State Authorised Public Accountant

Company Information

The Company	M-tec Trackunit A/S Industrivej 10 DK-9490 Pandrup Telephone: + 45 96 73 74 00 Website: www.trackunit.com CVR No: 20 75 01 70 Financial period: 1 January - 31 December Municipality of reg. office: Jammerbugt
Board of Directors	Lars Dybkjær, Chairman Michael Specht Bruun Gunnar Evensen
Executive Board	Jørgen Raguse Henrik Skovsby
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A DK-9000 Aalborg

Financial Highlights

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

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	57.301	62.064	26.107	23.404	17.487
Operating profit/loss	3.304	-29.848	13.465	10.442	6.970
Profit/loss before financial income and expenses	3.304	-29.848	13.465	10.442	6.970
Net financials	-2.044	1.850	4.502	1.912	1.019
Net profit/loss for the year	-557	-38.582	14.248	9.724	6.196
Balance sheet					
Balance sheet total	155.276	117.786	40.532	26.566	15.456
Equity	77.028	77.748	21.393	13.909	7.272
Investment in property, plant and equipment	4.487	19.831	87	186	271
Number of employees	59	55	57	47	42
Ratios					
Return on assets	2,1%	-25,3%	33,2%	39,3%	45,1%
Solvency ratio	49,6%	66,0%	52,8%	52,4%	47,0%
Return on equity	-0,7%	-77,8%	80,7%	91,8%	170,4%
To present a more true and fair view of the result for the company the following items have been included in financial highlights.					
Operating profit (EBITDA) before special items	35.778	39.911	13.633	10.616	7.059
Operating profit (EBITDA) after special items	18.335	(23.889)	13.633	10.616	7.059

Special items amounts to TDKK 17,443 (2015: TDKK 63,800) and relates to business acquisitions including integration. TDKK 58,800 in 2015 relates to salary costs.

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

Trackunit is among the world's leading companies in the Industrial Internet of Things with a focus on innovative solutions to players within building, construction and industry. Trackunit develops and provides solutions for the entire value chain, from machine manufacturers, machine dealers, machine landlords, contractors for operators. Trackunit services its customers directly from its headquarters in Denmark and through subsidiaries in Sweden, Norway, France, Holland, Germany, England and the United States.

Developments in activities and financial affairs

The balance amounted total 155.3 mill. kr. end of year 2016 compared to 117.8 mill. kr. in 2015. The increase is primarily related to the acquisition of the company Dreyer + Timm GmbH, which end of 2016 was merged into Trackunit's German subsidiary Trackunit GmbH. Profit before tax was 1.3 mill. kr. compared to -28.0 mill. kr. in 2015, while profit after tax amounted to -0.5 mill. kr. against corresponding -38.6 mill. kr. end of 2015.

The economic development in 2016 is considered satisfactory, due to high revenue growth and earnings growth despite cost for growth, since it also noted that the company in 2016 has had special items total of 17.5 million. kr., which is primarily due to one-off costs for new owners acquisition related cost by taking over the company, the acquisition of the German company Dreyer + Timm GmbH and outsourcing of the production.

The economic development in 2016 should be seen in the light of the company in 2016 has strengthened the organization in several areas as Sales and Marketing and R&D.

In 2016 Trackunit decided to terminate the cooperation with the former trading partner LoJack in the United States. Hereafter the company has started up building their own organization in the US market, since it is expected that just the US market will be a major driver of business growth in the future.

In order to strengthen the company's future growth prospects, the company at the end of 2016 decided to outsource production. Furthermore, the company has decided to move the company headquarters from Pandrup to the new address in Aalborg. This will further strengthen our ability to attract new talent to the company's future development.

The Group has during 2016 expanded the number of employees to 59 employees at the end of 2016 against 55 in 2015.

Significant changes in operations and financial matters

Outsourcing of the company's production is expected to give the company greater flexibility and economies of scale. Trackunit will continue to undertake the development of new hardware, while the production will be carried out by BB Electronics.

Management's Review

Uncertainty regarding the recognition and measurement

Determining the carrying amounts of certain assets and liabilities requires an estimate of how future events will affect the value of these assets and liabilities at the balance sheet date. The estimates are based on assumptions that management believes to be reasonable, but which are inherently uncertain.The calculation of inventories it made a qualified estimate of product warehouse expected future obsolescence.

Unusual conditions that affect recognition and measurement

Besides the estimates and uncertainty there is no unusual factors have affected recognition and measurement of the Company's results and status.

Outlook

Management expects continued high growth in 2017, with expected increasing sales of its tracking devices as well as continued growth in subscription revenue.

As mentioned above the company has in 2016 strengthened the organization with new hires, which will continue into 2017 and affect the company's costs. Even the expected higher cost level in 2017 the management expect an increase on the net result due to higher growth in revenue and gross profit.

The Group expects continued positive liquidity flow in 2017.

Significant assumptions and uncertainties

There are no material conditions and uncertainties in addition to already mentioned that affect the company's results and balance sheet.

Risk factors

Management believes that there related specific risks to the Group's activities go beyond what follows from the general industry and societal development.

Activities in foreign countries and hereby earnings, exchange rates and interest rates of various currencies affect cash flows and equity. Adjustment of investments in subsidiaries and associates that are independent entities, are recognized directly in equity. Currency risks related thereto are not hedged, except for the British pound hedged up to and including the end of 2018. For other exchange risks, the Group believes that it will not be relevant from an overall risk and cost perspective.

The bearing debt is covered completely and therefore do not constitute a risk in relation to the profit.

Besides the above there are no special risks that affect the Company's results and status.

Management's Review

Certification

The group was in 2013 for the first time certified to ISO 9001: 2008 standard and works continuously to maintain this certification.

Through the above ISO certification as well as close monitoring of its suppliers to meet the company's high standards for environmentally focused production the company assure continuous focus on minimizing environmental impact. The company's outsourcing of production contributes further to the company's environmental impact is reduced, as the production is now a part of an environmentally optimized production environment.

Development activities

The development activities primarily include development of next generation Trackunit products. The company continues to increase its development activities for the benefit of its products and thus customers.

Subsequent events

An agreement for the sale of the company's existing headquarters in Pandrup worth 4 mill. kr. post balance sheet date has been made. Besides this, there are no significant events occurred impact after balance sheet date.

Income Statement 1 January - 31 December

	Note	2016	2015
		TDKK	TDKK
Gross profit/loss		**57.301**	**62.064**
Staff expenses	1	-38.966	-85.953
Profit/loss before depreciation		**18.335**	**-23.889**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-15.031	-5.959
Profit/loss before financial income and expenses	3	**3.304**	**-29.848**
Income from investments in subsidiaries		1.279	2.209
Financial income	4	325	403
Financial expenses	5	-3.648	-762
Profit/loss before tax		**1.260**	**-27.998**
Tax on profit/loss for the year	6	-1.817	-10.584
Net profit/loss for the year		**-557**	**-38.582**

Distribution of profit

Proposed distribution of profit

Reserve for net revaluation under the equity method	1.279	1.962
Retained earnings	-1.836	-40.544
	-557	**-38.582**

Balance Sheet 31 December

Assets

	Note	2016	2015
		TDKK	TDKK
Completed development projects		9.870	1.394
Goodwill		35.084	39.470
Development projects in progress		863	8.602
Intangible assets	7	**45.817**	**49.466**
Land and buildings		4.000	8.894
Plant and machinery		1.530	5.288
Other fixtures and fittings, tools and equipment		1.017	36
Property, plant and equipment	8	**6.547**	**14.218**
Investments in subsidiaries	9	8.616	5.948
Deposits	10	801	120
Fixed asset investments		**9.417**	**6.068**
Fixed assets		**61.781**	**69.752**
Inventories	11	**16.200**	**23.554**
Trade receivables		20.020	13.352
Receivables from group enterprises		53.287	6.096
Other receivables		357	66
Prepayments	12	1.541	977
Receivables		**75.205**	**20.491**
Current asset investments		**940**	**20**
Cash at bank and in hand		**1.150**	**3.969**
Currents assets		**93.495**	**48.034**
Assets		**155.276**	**117.786**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		TDKK	TDKK
Share capital		500	500
Share premium account		0	102.800
Reserve for net revaluation under the equity method		3.078	1.962
Reserve for development costs		2.213	0
Retained earnings		71.237	-27.514
Equity	13	**77.028**	**77.748**
Provision for deferred tax	14	2.040	3.664
Provisions		**2.040**	**3.664**
Credit institutions		21.423	3.361
Trade payables		15.360	10.045
Payables to group enterprises		19.050	5.845
Corporation tax		5.455	10.402
Other payables		12.452	4.090
Deferred income	15	2.468	2.631
Short-term debt		**76.208**	**36.374**
Debt		**76.208**	**36.374**
Liabilities and equity		**155.276**	**117.786**
Contingent assets, liabilities and other financial obligations	16		

Statement of Changes in Equity

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	102.800	1.962	0	-27.514	77.748
Exchange adjustments relating to foreign entities	0	0	-163	0	0	-163
Development costs for the year	0	0	0	2.213	-2.213	0
Net profit/loss for the year	0	0	1.279	0	-1.836	-557
Transfer from share premium account	0	-102.800	0	0	102.800	0
Equity at 31 December	**500**	**0**	**3.078**	**2.213**	**71.237**	**77.028**

Notes to the Financial Statements

	2016	2015
	TDKK	TDKK

1 Staff expenses

Wages and salaries	31.460	82.396
Pensions	3.872	2.587
Other social security expenses	599	527
Other staff expenses	3.035	443
	38.966	**85.953**
Average number of employees	**59**	**55**

2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	6.646	4.760
Depreciation of property, plant and equipment	1.769	1.199
Impairment of property	6.616	0
	15.031	**5.959**

3 Special items

To present a more true and fair view of the result for the company the following items have been included in the notes.

Operating profit (EBITDA) before special items	35.778	39.911
- Special items	-17.443	-63.800
- Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-15.031	-5.959
Operating profit according to income statement	**3.304**	**-29.848**

Special items amounts to TDKK 17,443 (2015: TDKK 63,800) and relates to business acquisitions including integration. TDKK 58,800 in 2015 relates to salary costs

4 Financial income

Other financial income	21	24
Exchange gains	304	379
	325	**403**

Notes to the Financial Statements

	2016	2015
	TDKK	TDKK

5 Financial expenses

Other financial expenses	622	238
Exchange adjustments, expenses	3.026	524
	3.648	**762**

6 Tax on profit/loss for the year

Current tax for the year	3.286	10.060
Deferred tax for the year	-1.624	1.185
Adjustment of tax concerning previous years	155	-419
Adjustment of deferred tax concerning previous years	0	-242
	1.817	**10.584**

7 Intangible assets

	Completed development projects	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK
Cost at 1 January	3.195	43.856	8.602
Additions for the year	0	0	2.997
Transfers for the year	10.736	0	-10.736
Cost at 31 December	13.931	43.856	863
Impairment losses and amortisation at 1 January	1.801	4.386	0
Amortisation for the year	2.260	4.386	0
Impairment losses and amortisation at 31 December	4.061	8.772	0
Carrying amount at 31 December	**9.870**	**35.084**	**863**

Development projects relate to development of products that are expected to sellable in a short period of time.

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK	TDKK
Cost at 1 January	10.640	9.487	236
Additions for the year	1.923	1.374	1.190
Disposals for the year	0	-8.560	0
Cost at 31 December	12.563	2.301	1.426
Impairment losses and depreciation at 1 January	1.746	4.199	200
Impairment losses for the year	6.616	0	0
Depreciation for the year	201	1.359	209
Reversal of impairment and depreciation of sold assets	0	-4.787	0
Impairment losses and depreciation at 31 December	8.563	771	409
Carrying amount at 31 December	**4.000**	**1.530**	**1.017**

9 Investments in subsidiaries

	2016	2015
	TDKK	TDKK
Cost at 1 January	2.082	2.082
Cost at 31 December	2.082	2.082
Value adjustments at 1 January	1.962	-128
Exchange adjustment	-163	-119
Net profit/loss for the year	1.279	2.210
Value adjustments at 31 December	3.078	1.963
Equity investments with negative net asset value amortised over receivables	3.456	1.903
Carrying amount at 31 December	**8.616**	**5.948**

Notes to the Financial Statements

9 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
M-tec Telematics Oy Ab	Finland	100%
Trackunit GmbH	Germany	100%
Trackunit AS	Norway	100%
Tackunit AB	Sweden	100%
Trackunit SAS	France	100%
Trackunit Ltd	The United Kingdom	100%
M-tec Trackunit America ApS	Denmark	100%
Trackunit BV	Holland	100%

10 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	120
Additions for the year	792
Disposals for the year	-111
Cost at 31 December	801
Carrying amount at 31 December	**801**

11 Inventories

	2016	2015
	TDKK	TDKK
Raw materials and consumables	10.250	16.905
Work in progress	2.839	789
Finished goods and goods for resale	3.111	5.860
	16.200	**23.554**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

13 Equity

The share capital consists of 500,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

14 Provision for deferred tax

	2016 TDKK	2015 TDKK
Provision for deferred tax at 1 January	3.664	2.481
Amounts recognised in the income statement for the year	-1.624	1.186
Provision for deferred tax at 31 December	**2.040**	**3.664**

15 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

16 Contingent assets, liabilities and other financial obligations

Charges and security

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

Land and buildings with a carrying amount of	4.000	8.893

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:		
Within 1 year	3.382	378
Between 1 and 5 years	5.906	0
	9.288	**378**

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of M-tec Holding Danmark ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Willingness has been expressed to support a few subsidiaries.

Notes, Accounting Policies

Basis of Preparation

The Annual Report of M-tec Trackunit 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.

Financial Statements for 2016 are presented in TDKK.

Changes in accounting policies

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of M-Tec Holding Danmark ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of M-Tec Holding Danmark ApS, the Company has not prepared a cash flow statement.

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.

Notes, Accounting Policies

Leases

Leases in terms of which the Company 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 alternative borrowing rate 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 Company.

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

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 Company.

Notes, Accounting Policies

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 enterprice.

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.

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 main activities of the Company, 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.

Notes, Accounting Policies

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 10 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years. determined on the basis of Management's experience with the individual business areas.

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.

Notes, Accounting Policies

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:

Other buildings	50	years
Plant and machinery	3-7	years
Other fixtures and fittings, tools and equipment	3	years

Depreciation period and residual value are reassessed annually.

Assets with a usefull life less than 1 year 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.

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.

Notes, Accounting Policies

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

The cost of goods for resale, raw materials and consumables equals landed cost.

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 recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Current asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Deferred tax assets and liabilities

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 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.

Notes, Accounting Policies

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 or in equity if the deferred tax relates to items recognised in equity.

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, such as loans from credit institutions, 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$