KJAER & KJAER A/S

Groennemosevej 6

DK-5700 Svendborg

CVR-no. 25 47 31 08

Annual Report 2015

Presented and adopted at the general meeting

Svendborg 25 May 2016

Chairman

Per S. Lundgren

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Main activity

Kjaer & Kjaer A/S provides automotive mobility solutions tailor made to organizations operating in the International Aid and Development sector, delivering high quality vehicles, motorcycles, parts, accessories as well as a number of supporting services such as worldwide logistical support, insurance and financing. Through an extensive network of local dealers and service partners, customers are provided quality aftersales services as well as given access to the Kjaer Group's center of operational excellence located in Johannesburg, South Africa.

Kjaer & Kjaer A/S is a subsidiary of Kjaer Group A/S. Kjaer & Kjaer adheres to the Kjaer Group Way Of Management and Corporate Social Responsibility policy, whereby Kjaer & Kjaer is committed to the principles articulated in the United Nations Global Compact (UNGC). Kjaer & Kjaer further confirms support for a cleaner environment by joining the UN's environmental initiative "Caring for the Climate".

Development in activities and finances

The international aid and development sector is characterized by organizations which operate both on an international and a local level, managing projects of different character and size. The business is also influenced by single larger deliveries which vary year by year and as such are difficult to forecast.

Faced with the arrival of record number of asylum seekers and shrinking levels of public sympathy, more and more countries are using their foreign aid budgets to foot the bill of feeding and housing newcomers and thus diverting funds from projects and activities in e.g. Sub-Saharan Africa. This will continue to negatively impact the core customers and improve only late 2016 or early 2017. Kjaer & Kjaer has reacted to those unexpected challenges by intitiating various initiatives to get aligned with the exected level of business activitity. 2015 has thus been a tough year with significant impact on our business but while this is of course unsatisfactory and dissapointing, it is more a reflection of the size of the market downturn than it is a measure of the operational performance of the business which was overall satisfying. The busines success builds on a number of strengths: high quality international brands, ability to deliver comprehensive service solutions, a way of management firmly anchored in internationally recognized principles and standards and talented and professional employees who can find innovative solutions. This combination gives the customers peace of mind, higher return on assets as well as time and resources to concentrate on their main activities and fulfil their ambitions. By continuing to invest in the strengths of the company, we are confident in our ability to withstand the difficult market environment and strengthen our position going forward.

Turnover for the year was DKK 122 million, approximately DKK 33 million lower than 2014, mainly due to the difficult market environment.

Initiatives to align with the new market situation were executed well and despite the significant impact from a lower turnover, earnings after tax were improved slightly compared to 2014 and 2013.

In 2016 turnover and earnings after tax are expected at the similar or higher level than in 2015.

Events after the balance sheet date

No events have occurred after the balance sheet date and up to today's date that influence the evaluation of this annual report.

Special risks and their covering

The company is working systematically with risk management with the aim of minimizing, spreading and insuring risks.

Given the company's market focus on developing countries we consider country risks and exchange rate risks to be of special importance to the company in addition to ordinary accepted risks within automotive trade and distribution.

Insurance has been taken out against political risks to inventories in countries outside OECD.

Significant transaction-based exchange rate risks are being hedged in order to maintain low exposure to commercial exchange rate risks.

Financial highlights

M.DKK

	m.DKK	2011	2012	2013	2014	2015
Net turnover		310.9	301.4	187.7	155.2	122.5
Gross profit		41.3	39.2	29.8	24.9	18.0
Gross contribution		23.2	21.7	14.6	11.8	8.3
Earnings before interest, tax and depreciations	EBITDA	9.0	7.7	2.9	3.5	4.2
Earnings before interest and tax	EBIT	8.7	7.3	2.5	3.2	4.0
Financial items, net		-1.9	-1.4	-1.2	-0.8	-0.8
Earnings before Tax	EBT	6.8	5.9	1.3	2.5	3.2
Tax		-1.7	-1.5	-0.4	-0.7	-0.9
Earnings after tax	EAT	5.1	4.4	1.0	1.8	2.3
Fixed assets		2.3	2.4	2.1	2.2	2.0
Inventories		54.1	44.0	24.3	32.7	39.0
Trade receivables		78.3	56.9	27.5	28.4	19.0
Other current assets		0.3	0.5	0.4	0.4	0.0
Total assets		**134.9**	**103.8**	**54.3**	**63.6**	**60.0**
Current liabilities		-70.7	-26.5	-16.2	-11.9	-12.0
Capital employed		**64.2**	**77.3**	**38.1**	**51.8**	**47.9**
Equity		28.6	37.2	32.5	32.4	35.4
Interest bearing debt, net		35.7	40.1	5.7	19.3	12.5
Total balance		154.0	130.1	90.8	106.6	107.5
Ratios:						
Gross margin		13.3%	13.0%	15.9%	16.0%	14.7%
EBITDA-margin		2.9%	2.6%	1.6%	2.3%	3.4%
Earnings to equity ratio	**ROE**	18.5%	13.5%	2.7%	5.4%	6.8%
Return on invested capital after tax	**ROIC**	14.3%	8.3%	3.6%	5.7%	6.1%
Solidity ratio		18.6%	28.6%	35.8%	30.4%	32.9%
Investments in tangible assets		0.3	0.7	0.3	0.3	0.0

In the description of accounting policies all key ratios have been defined.

The Board of Directors and the Executive Management have today considered and approved the annual report of Kjaer & Kjaer A/S for the financial year 1 January to 31 December 2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

We believe that the management review contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Svendborg, 25 May 2016

Management

Richard V. Nijhout

Board of directors

Per S. Lundgren
(Chairman)

Richard V. Nijhout

Flemming Eltang

To the shareholder of Kjaer & Kjaer A/S

Report on the financial statements

We have audited the financial statements of Kjaer & Kjaer A/S for the financial year 1 January to 31 December 2015, which comprise the profit and loss, balance sheet, cash flow statement, statement of changes in equity, notes and accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the management review. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management review is consistent with the financial statements.

Odense, 25 May 2016

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33963556

Lars Knage Nielsen

State Authorised

Public Accountant

Profit and loss account 1st January - 31st December 2015

DKK 1,000

Note			Year 2015	Year 2014
1	Net turnover		122,485	155,176
2	Other operating income		1,167	1,001
	Cost of goods sold		-104,471	-130,287
	Other external expenses		-10,903	-14,059
	Gross contribution		**8,278**	**11,831**
3	Staff expenses		-4,089	-8,299
	Earnings before interest, tax and depreciations	**EBITDA**	**4,189**	**3,532**
4	Depreciations		-223	-288
	Earnings before interest and tax	**EBIT**	**3,966**	**3,244**
5	Financial income		1,604	1,094
6	Financial expenses		-2,380	-1,882
	Earnings before tax	**EBT**	**3,190**	**2,456**
7	Tax on current years profit		-881	-692
	EARNINGS AFTER TAX	**EAT**	**2,309**	**1,764**

Proposed distribution of profit:		
Carried forward	2,309	1,764
	2,309	**1,764**

DKK 1,000

Note	Assets	Year 2015	Year 2014
	Other tools and equipment	90	376
8	**Tangible fixed assets**	**90**	**376**
9	Deferred tax assets	1,882	1,803
	Financial fixed assets	**1,882**	**1,803**
	Total fixed assets	**1,972**	**2,179**
10	**Inventories**	**38,978**	**32,728**
	Trade receivables	19,005	28,368
	Receivables on group companies	47,197	42,980
	Other receivables	4	321
	Prepaid expenses	0	31
	Accounts receivable	**66,206**	**71,700**
	Liquid funds	**373**	**15**
	Total current assets	**105,557**	**104,443**
	TOTAL ASSETS	**107,529**	**106,622**

DKK 1,000

Note	Liabilities	Year 2015	Year 2014
	Share capital	20,000	20,000
	Unrealised exch. adj. on hedging of future transactions	0	0
	Result carried forward	15,402	12,432
	Total equity	**35,402**	**32,432**
	Bank debts	58,686	60,821
	Prepayments from customers	3,976	3,069
	Payable to suppliers	2,526	2,891
	Payable to group companies	1,392	1,501
	Corporation tax payable	1,105	0
	Other accounts payable	4,442	5,908
	Total current liabilities	**72,127**	**74,190**
	Liabilities other than provisions	**72,127**	**74,190**
	TOTAL LIABILITIES	**107,529**	**106,622**

11 Recourse guarantee commitments and contigent liabilities
12 Related parties
13 Consolidation

		Year 2015	Year 2014
Earnings before interest, tax and depreciations	EBITDA	4,189	3,532
Financial transactions		-776	-788
Taxes paid		-60	-266
Adjustment for other non-cash operating items		864	-2,453
Change in current assets		3,461	-9,277
Change in short-term debt		-922	-4,325
Cash flow from operations		**6,756**	**-13,577**
Investments in tangible assets		0	-280
Sale of tangible assets		63	134
Cash flow from investments		**63**	**-146**
Loan to group companies		-4,326	-4,997
Cash flow from financial transactions		**-4,326**	**-4,997**
Cash flow of the year, net		**2,493**	**-18,720**
Liquid funds, beginning of the year		-60,806	-42,086
Liquid funds, end of the year		**-58,313**	**-60,806**
Specified as follows:			
Liquid funds		373	15
Bank debts		-58,686	-60,821
Liquid funds net, end of the year		**-58,313**	**-60,806**

DKK 1,000

	Share capital	Unrealised exch.adj. on hedging of future transactions	Carried forward	Proposed dividend for the year	Total equity
Balance 1 January 2014	**20,000**	**347**	**12,173**	**0**	**32,520**
Proposed distribution of profit	0	0	1,764	0	1,764
Change in unrealised hedging	0	-1,852	0	0	-1,852
Reclassification to distributable reserves	0	1,505	-1,505	0	0
Balance 31 December 2014	**20,000**	**0**	**12,432**	**0**	**32,432**
Proposed distribution of profit	0	0	2,309	0	2,309
Change in unrealised hedging	0	661	0	0	661
Reclassification to distributable reserves	0	-661	661	0	0
Balance 31 December 2015	**20,000**	**0**	**15,402**	**0**	**35,402**

The share capital is split in 20,000 shares at nominal value of 1 t.DKK each.

No changes in the share capital has been made for the last 5 years.

DKK 1,000

		Year 2015	Year 2014
1	**Net turnover**		
	Net turnover by activities		
	International Aid & Development	122,485	155,176
		122,485	**155,176**
	Net turnover by regions		
	Africa	89,938	52,472
	Europe	2,369	68,410
	North America	0	21,637
	Asia & Middle East	30,178	12,657
		122,485	**155,176**
2	**Other operating income**		
	Commission income, refunds and compensation etc.	1,167	1,001
		1,167	**1,001**
3	**Staff expenses**		
	Salaries and wages employees	-3,756	-7,723
	Pensions	-246	-407
	Other staff expenses	-87	-169
		-4,089	**-8,299**
	Average number of full-time employees	**7**	**13**
4	**Depreciations**		
	Other tools and equipment	-225	-325
	Loss/profit, sale of tangible assets	2	37
		-223	**-288**
5	**Financial income**		
	Financial income etc. from group companies	1,550	1,080
	Other financial income	54	14
		1,604	**1,094**
6	**Financial expenses**		
	Financial expenses etc. from group companies	-60	-6
	Other financial expenses	-2,320	-1,876
		-2,380	**-1,882**
7	**Tax on current years profit**		
	Danish tax payable on the year's estimated tax assessment	-902	-601
	Adjustments for previous years	-2	-9
	The year's change in deferred tax	151	-5
	Deferred tax, change of tax %	-128	-77
	Tax on current years profit	**-881**	**-692**

DKK 1,000

	Year 2015	Year 2014
8 Tangible fixed assets		
Other tools and equiment		
Purchase value:		
At the beginning of the year	1,418	1,514
Additions	0	280
Disposals	-428	-376
End of the year	990	1,418
Accumulated depreciations:		
At the beginning of the year	-1,042	-996
Depreciation of the year	-225	-325
Depreciated on sold assets	367	279
End of the year	-900	-1,042
Book value end of the year	**90**	**376**

	Year 2015	Year 2014
9 Deferred tax assets		
Property, plant and equipment	-1,716	-1,725
Inventories	-147	-60
Other accounts payable	0	0
Receivables	-19	-18
	-1,882	**-1,803**
Net value is recognised in the balance sheet as follows:		
Deferred tax assets:	-1,882	-1,803
	-1,882	**-1,803**

	Year 2015	Year 2014
10 Inventories		
Manufactured goods and goods for resale	38,978	25,735
Prepayments for goods	0	6,993
	38,978	**32,728**

DKK 1,000

11 Recourse guarantee commitments and contigent liabilities

	Actual debt	Maximum liability
The company has guaranteed for bank debt and guarantees in the parent company Kjaer Group A/S and Auto Kjaer A/S	66,917	140,000
The company has guaranteed for other financial Letter of Guarantees issued in security for liabilities in Kjaer Group A/S.	15,230	100,000
On the basis of joint VAT registration the company is liable for Kjaer Group A/S total VAT liabilities.	0	Unlimited
Total commitments for liabilities in associated companies	82,147	
Operational lease contracts on company care have been concluded for the years 2016-18		383
Inventories are under retention of title from supplier.		1,563

The Company participates in a Danish joint taxation arrangement in which The Way Forward ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 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. The liability, however, does not exceed an amount equalling the share of capital held by the Company, which is owned directly or indirectly by the ultimate parent.

12 Related parties

The following related parties have a controlling interest in Kjaer & Kjaer A/S

Kjaer Group A/S
Grønnemosevej 6
5700 Svendborg, Denmark
Vat no.: DK 81 31 72 16

Kjaer Group A/S owns 100% of the shares in Kjaer & Kjaer A/S

13 Consolidation

Kjaer & Kjaer A/S is consolidated with Kjaer Group A/S, Svendborg (smallest consolidation) and is consolidated with The Way Forward ApS, Copenhagen (largest consolidation).

The annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C medium enterprises and generally accepted accounting principles.

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

Recognition and measurement
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the group and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the group, and the value of the liabilities 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 item.

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

Income is recognised in the Profit and loss account when earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recorded in the income statement as financial income or financial expenses.

Foreign currency translation
On initial recognition foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies, that have not been settled at the balance sheet date, are translated using the exchange rate at the balance sheet date. Exchange rate differences arising between the rate at the transaction date and the rate at the payment date or the balance sheet date, are recognised in the income statement. Fixed assets purchased in foreign currencies are translated using historical rates. Accordingly inventories are measured at the ruling rate of exchange at date of purchase.

Derivative financial instruments
On initial recognition in the balance sheet derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of a recognised asset or liability are recorded in the Profit and loss account together with changes in the value of the assets or the liabilities hedged.

For derivative financial instruments not complying with the requirements for treatment as hedging instruments, changes in fair value are recognised instantly in the Profit and loss account as financial income or financial expenses.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are entered in the balance sheet and recognised directly on the equity.

PROFIT AND LOSS

Net turnover
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 is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income
Other operating income comprise income of secondary nature as viewed in relation to the Company's primary activities, including material exeptional gains from the sale of intangible assets and property, plant and equipment, subsidies, rental income, etc.

Cost of goods sold
Cost of goods sold comprises direct and indirect costs incurred to earn revenue, including depreciation and maintenance of lease cars as well as realised and unrealised capital gains and losses on payables and transactions in foreign currencies.

Other external expenses
Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Staff costs
Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc for the Company's staff.

Depreciation and amortisation
Depreciation of premises, plant and equipment with a limited useful life is carried out straight-line on the basis of the expected economic and technical lives of these assets which are generally determined as follows:

	Years
Other tools and equipment	3-5

Financial income and expenses
These items comprise interest income and expenses as well as tax surcharge and repayment under the Danish Tax Prepayment Scheme.

Income taxes
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the Profit and loss account by the portion attributable to the profit/loss for the year. In the event that items recognised directly on equity result in changes to the tax liabilities of the company, the impact of such changes is set off when the entry is made on the equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognised and measured applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities. The tax value of the assets is calculated based on the planned use of each asset.

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

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

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

THE BALANCE SHEET

Tangible fixed assets
Fixed assets with limited service time are entered at cost price less depreciations. Financing cost are recognised in the income statement.

In the event that the recoverable amount is lower than the carrying amount, the asset in question is written down.

Inventories
Inventories consist of vehicles, motorcycles and spare parts.

Inventories are measured at the lower of cost using the FIFO method and net realisable value. Financing costs are not included in cost.

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 provisions for bad debts.

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

Financial liabilities
Financial liabilities are recognised at amortised cost, which usually corresponds to nominal value.

THE CASHFLOW STATEMENT
The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the company's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the gross profit less other external and staff expenses adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investment transactions comprises the purchase and sale of property, plant and equipment.

Cash flows from financing activities comprise raising and instalment on long-term debt, receivables and payable to group companies and payment of dividend.

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

KEY FIGURES
Financial highlights are defined and calculated as per below:

EBITDA
Earningsbefore depreciations, interests, tax and minority interests

EBIT
Earningsbefore interest, tax and minority interests

NOPLAT
EBIT less tax

Gross margin
Gross profit * 100 / Net Turnover

EBITDA margin
EBITDA * 100 / Net Turnover

Earnings to Equity ratio (ROE)
Earnings after tax * 100 / Average equity

Return on Capital Employed (ROIC)
NOPLAT * 100 / Average capital employed

Solidity ratio
Total equity * 100 / Total assets

Company
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Board of directors
Per S. Lundgren (Chairman)
Richard V. Nijhout
Flemming Eltang

Management
Richard Nijhout

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