Ordyhna Holding A/S

c/o Simatek A/S
Energivej 3
4180 Sorø

CVR no. 27 61 61 27

Annual report 2017

The annual report was presented and approved at the Company's annual general meeting

On 29 May 2018

chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ordyhna Holding A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Sorø, 8 May 2018
Executive Board:

Jens Jørgensen
CEO

Board of Directors:

Kenneth E. Ajslev Chairman	Torben von Lowzow Deputy Chairman	Thomas W. Dedert
Arve Johan Andresen	Jannick E. Ajslev	

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ordyhna Holding A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Sorø, 8 May 2018
Executive Board:

Jens Jørgensen
CEO

Board of Directors:

Kenneth E. Ajslev
Chairman

Torben von Lowzow
Deputy Chairman

Thomas W. Dedert

Arve Johan Andresen

Jannick E. Ajslev

Independent auditor's report

To the shareholders of Ordyhna Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Ordyhna Holding A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

KPMG

Independent auditor's report

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

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

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

— identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern

— evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

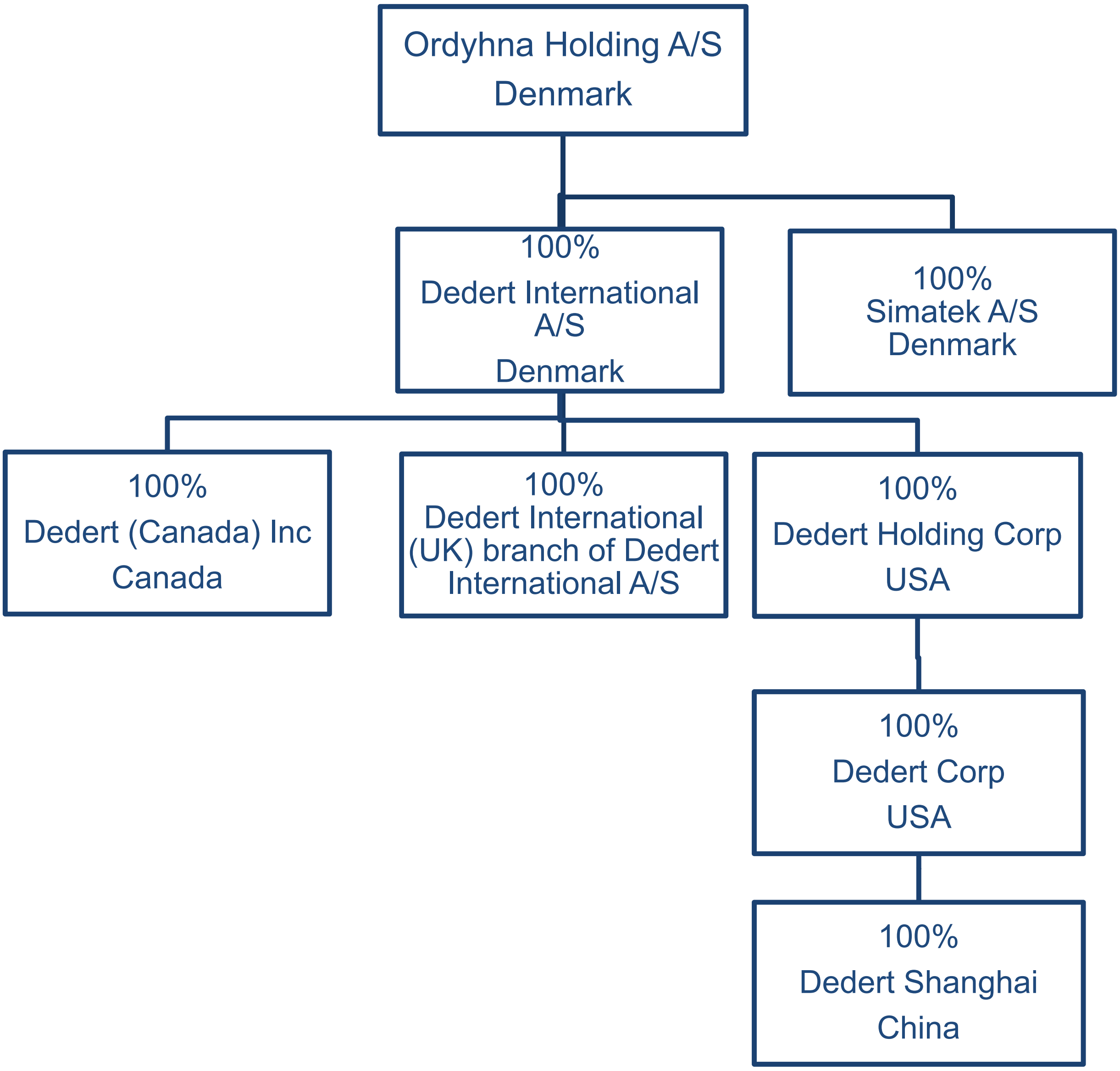
Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 8 May 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
MNE no. 32271

Management's review

Group chart



Management's review

Financial highlights for the Group

DKKm	2017	2016	2015	2014	2013
Revenue	415	308	316	254	328
Gross profit/loss	112	84	89	72	89
EBITDA	19	2	11	1	24
Profit/loss from financial income and expenses	-1	1	7	6	-2
Profit/loss for the year	4	-5	11	7	13
Total assets	214	187	226	202	208
Equity	71	105	123	122	137
Cash flows from operating activities	0	12	20	12	-29
Cash flows from investing activities	-7	0	-8	-10	38
Cash flows from financing activities	-2	-15	-10	-18	-20
Total cash flows	-9	-3	2	-16	-10
Operating margin	3.3	Neg.	2.2	Neg.	6.3
Gross margin	30.0	27.3	28.1	28,3	27.3
Solvency ratio	33.2	56.1	54.5	60,4	66.0
Average number of full-time employees	114	111	108	110	113

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios “Recommendations & Ratios". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities

As of 31 December 2017, Ordyhna Holding A/S owns two operating companies: Simatek A/S and Dedert International A/S with Dedert group companies.

Development in activities and financial position

Dedert's operational results for 2017 and cash flow were better than the budget, but the reduction in US corporate taxation and the lower exchange rate of the US dollar towards DKK strongly influenced Dedert's 2017 net result, which was not satisfactory. However the outlook for 2018 is very good given a solid backlog and a strong sales pipeline.

Dedert Group opened a branch of Dedert International A/S in London, UK, during 2017.

Simatek A/S delivered a positive result even though project cancellations in the beginning of 2017 reduced the expected annual result for the company. The ongoing changes to the Company in line with the planned strategy have strengthened the Company considerably.

Outlook for 2018

The outlook for the markets on which the Group operates is satisfactory, and in some segments an increase in activity is expected. Global representation requirements are still increasing, and the ability to sell and execute projects globally remains an important focus in 2018.

For Dedert Corp. the strong ending backlog from 2017 together with continued strong order income in the first quarter of 2018 support the expectation for an improvement in the results for 2018.

For Simatek A/S a result at the same level as 2017 is expected.

Human resources

The total number of employees in 2017 amounted to 114; 64 employees in Denmark and 50 employees in the US and China.

Financial risks

Due to the Group's international activities, results, cash flows and equity are influenced by exchange rate developments.

According to the group exchange policy, commercial foreign exchange risks are considered hedged. Investments and loans designated as equity are not hedged according to the exchange policy.

Management's review

Operating review

Know-how

To ensure future operations, the operating companies must be able to attract and keep on board a broad line of specialists, including engineers and technological experts with dedicated knowledge and experience, to continuously develop state-of-the-art technology and competitive solutions.

Research and development

The subsidiaries continue to develop solutions and standard components to comply with customer demand for enhanced products and lower production costs.

Corporate social responsibility

The Group and the Company have no written corporate social responsibility policies, including impacts on climate, environment and human rights.

Gender equality in Management and the Board of Directors

It is the intention that both women and men should be represented in the Group's Board of Directors and in the Group's Management, but also that board members have relevant industry know-how that supports the governance and management of the Group.

The Group is active within specialised engineering activities in a male-dominated industry.

The Board consists of five men, and the CEO is a man. The target is to have one female board member appointed within four years.

For future replacements of board members, at least one woman will be considered for election every time. There was no replacement of board members in 2017.

Events after the balance sheet date

No events have occurred after the balance sheet date that could significantly affect the Company's financial position.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

		Group		Parent Company	
DKK'000	Note	2017	2016	2017	2016
Revenue		415,281	308,216	0	0
Other operating income		66	333	0	0
Raw materials, consumables and goods for resale		-241,558	-185,370	0	0
Other external costs		-61,939	-38,829	-2,234	-1,676
Gross profit/loss		111,850	84,350	-2,234	-1,676
Staff costs	2	-92,712	-82,155	-975	-806
EBITDA		19,138	2,195	-3,209	-2,482
Depreciation on property, plant and equipment		-3,401	-2,852	0	0
Amortisation of intangible assets		-2,177	-2,138	0	0
Operating profit/loss		13,560	-2,795	-3,209	-2,482
Profit/loss in subsidiaries after tax		0	0	6,299	-5,401
Financial income	3	96	1,733	3,180	3,384
Financial expenses	4	-1,320	-865	-1,945	-20
Profit/loss before tax		12,336	-1,927	4,325	-4,519
Tax on profit/loss for the year	5	-8,011	-2,592	0	0
Profit/loss for the year	6	4,325	-4,519	4,325	-4,519

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	2017	2016	2017	2016
ASSETS					
Fixed assets					
Intangible assets	7				
Development projects		1,546	3,062	0	0
Patents and licences		2,633	3,337	0	0
		4,179	6,399	0	0
Property, plant and equipment	8				
Land and buildings		4,393	4,680	0	0
Plant and machinery		1,930	1,348	0	0
Fixtures and fittings, tools and equipment		6,762	7,016	0	0
Leasehold improvements		3,956	4,958	0	0
Property, plant and equipment under construction		11,737	8,070	0	0
		28,778	26,072	0	0
Investments					
Equity investments in subsidiaries	9	0	0	22,830	22,731
Receivables from subsidiaries	10	0	0	67,761	65,261
Non-current receivables		3,455	3,650	0	0
		3,455	3,650	90,591	87,992
Total fixed assets		36,412	36,121	90,591	87,992

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	2017	2016	2017	2016
Current assets					
Inventories					
Raw materials and consumables		8,366	6,911	0	0
Finished goods and goods for resale		6,009	5,350	0	0
		14,375	12,261	0	0
Receivables					
Trade receivables		75,074	31,633	0	0
Contract work in progress	11	13,971	13,762	0	0
Receivables from subsidiaries		0	0	865	3,905
Other receivables		6,741	4,258	996	288
Corporation tax		1,076	61	597	61
Deferred tax assets	12	12,615	21,868	0	0
Prepayments	13	2,552	2,146	26	0
Deposited cash and cash equivalents	19	12,764	11,078	0	89
		124,793	84,806	2484	4,343
Cash at bank and in hand		38,717	53,772	9,506	13,503
Total current assets		177,885	150,839	11,990	17,846
TOTAL ASSETS		214,297	186,960	102,581	105,838

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	2017	2016	2017	2016
EQUITY AND LIABILITIES					
Equity					
Contributed capital	14	49,574	81,574	49,574	81,574
Retained earnings		21,293	23,282	21,293	23,282
Total equity		70,867	104,856	70,867	104,856
Provisions					
Provision for deferred tax		669	734	0	0
Other provisions	15	19,496	22,381	0	0
Total provisions		20,165	23,115	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	16				
Finance lease		57	82	0	0
		57	82	0	0
Current liabilities other than provisions					
Current portion of non-current liabilities other than provisions	16	25	25	0	0
Progress billings/work in progress	11	21,204	18,575	0	0
Credit institutions		29,702	0	29,702	0
Trade payables		53,370	22,461	1,261	927
Income tax payable		1,206	411	0	0
Deferred income		3,332	1,191	0	0
Other payables		14,369	16,244	751	55
		123,208	58,907	31,714	982
Total liabilities other than provisions		123,265	58,989	31,714	982
TOTAL EQUITY AND LIABILITIES		214,297	186,960	102,581	105,838

Contractual obligations, contingencies, etc.	17
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Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Group			
DKK'000	Con-tributed capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	81,574	23,282	0	104,856
Capital decrease	-32,000	0	32,000	0
Extraordinary dividend	0	0	-32,000	-32,000
Transferred over the distribution of profit/loss	0	4,325	0	4,325
Foreign exchange rate adjustment, quasi equity loans	0	-13,014	0	-13,014
Foreign exchange rate adjustment, foreign subsidiary	0	5,946	0	5,946
Actuarial gains and losses on pension obligations	0	754	0	754
Equity at 31 December 2017	49,574	21,293	0	70,867

	Parent company			
DKK'000	Con-tributed capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	81,574	23,282	0	104,856
Capital decrease	-32,000	0	32,000	0
Extraordinary dividend	0	0	-32,000	-32,000
Transferred over the distribution of profit/loss	0	4,325	0	4,325
Foreign exchange rate adjustment, quasi equity loans	0	-13,014	0	-13,014
Foreign exchange rate adjustment, foreign subsidiary	0	5,946	0	5,946
Actuarial gains and losses on pension obligations	0	754	0	754
Equity at 31 December 2017	49,574	21,293	0	70,867

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

		Group	
DKK'000	Note	2017	2016
Operating profit/loss		13,560	-2,795
Adjustment for non-cash operating items, etc.:			
Depreciation, amortisation and impairment losses		5,578	4,990
Changes in provisions		-2,885	-442
Cash generated from operations before changes in working capital		16,253	1,753
Changes in working capital	20	-14,849	9,457
Cash generated from operations		1,404	11,210
Financial income		96	26
Financial expense		-588	-865
Corporation tax paid		-536	1,440
Cash flows from operating activities		376	11,811
Acquisition of intangible assets		-33	-1,834
Acquisition of property, plant and equipment		-8,556	-7,217
Changes in non-current receivables		-195	-282
Changes in deposited cash and cash equivalents		1,686	9,811
Cash flows from investing activities		-7,098	478
Repayment of non-current liabilities other than provisions		-25	-24
Bankloan		29,702	0
Dividends (excluding treasury shares)		-32,000	-15,000
Cash flows from financing activities		-2,323	-15,024
Cash flows for the year		-9,045	-2,735
Cash and cash equivalents at the beginning of the year		53,772	53,572
Foreign exchange adjustment		-6,010	2,935
Cash and cash equivalents at year end		38,717	53,772

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Ordyhna Holding A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Ordyhna Holding A/S, and subsidiaries in which Ordyhna Holding A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates. A group chart is included on page 6.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue from the sale of goods for resale, finished goods and contract work in progress which do not meet the criteria for applying the percentage of completion method is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured excluding VAT and taxes charged on behalf of third parties.

Contract work in progress which meet the criteria for applying the percentage of completion method is recognised in accordance herewith. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method). Revenue is recognised when total income and expenses relating to the construction contract and the percentage of completion at the balance sheet date can be reliably measured, and when it is probable that future economic benefits, including payments, will flow to the Company.

Raw materials, consumables and goods for resale

The item comprises costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables and rent and leases.

The item also comprises research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is included.

Other operating income

Other operating income comprises items secondary to the activities of the Group, including gains on the disposal of intangible assets and property, plant and equipment.

Other external expenses

Other external costs comprise costs for distribution, sale, advertising, administration, premises, bad debt losses, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension contributions and other social security costs, etc., to the Group's employees, excluding reimbursements from public authorities.

Other operating costs

Other operating costs comprise items secondary to the activities of the Group, including losses on the disposal of intangible assets and property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Profit/loss in subsidiaries

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of intra-group gains/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Commission paid in connection with bank guarantees provided in relation to contract work in progress is recognised under financial expenses.

Interest expense and other borrowing costs to finance intangible assets and property, plant and equipment which relate to the production period are recognised in cost of the assets.

Tax on profit/loss for the year

Ordyhna Holding A/S is jointly taxed with the Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses). The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well as development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually five to ten years.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 10 years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, energy consumption, staff and depreciation of machinery used.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25-40 years
Plant and machinery	4-10 years
Fixtures and fittings, tools and equipment	2-20 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Investments

Equity investments in subsidiaries in the Parent Company are measured according to the equity method.

Equity investments in subsidiaries are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies with deduction or addition of unrealised gains and losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in subsidiaries with negative net asset values are measured at DKK 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Parent Company has a legal or constructive obligation to cover a negative balance exceeding the receivable, the residual amount is recognised as provisions.

Other receivables and deposits are recognised at amortised cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made.

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual construction contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual construction contract.

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual construction contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

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Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Pension obligations

Pension obligations are the net liabilities of defined benefit obligations and plan assets. The defined benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Plan assets are measured at fair value. Actuarial gains and losses are recognised in other comprehensive income.

Warranties and projects

Provisions comprise anticipated costs of related to warranties, losses on work in progress, restructurings, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions are measured at net realisable value and recognised based on past experience.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provided amount is recognised in production costs

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

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1 **Accounting policies (continued)**

Cash flow statement

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

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & Ratios". The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests year end x 100}}{\text{Total equity and liabilities at year end}}$

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Notes

		Group		Parent Company	
	DKK'000	2017	2016	2017	2016
2	**Staff costs**				
	Remuneration of the Board of Directors and the Executive Board of the Parent Company	839	800	839	800
	Wages and salaries	75,963	66,297	136	0
	Pensions	6,563	5,176	0	0
	Other social security costs	9,347	9,882	0	6
		92,712	82,155	975	806
	Average number of full-time employees	120	111	1	1

With reference to section 98b(3)(i) of the Danish Financial Statements Act, information on remuneration to the Executive Board and Board of Directors has been shown together.

		Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
3	**Financial income**				
	Interest income from subsidiaries	0	0	3,084	3,133
	Other financial income and exchange rate adjustments	96	1,733	6	251
		96	1,733	3,090	3,384

		Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
4	**Financial expenses**				
	Other financial expenses	1,320	865	1,945	20
		1,320	865	1,945	20

		Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
5	**Tax on profit/loss for the year**				
	Current tax	-1,257	45	0	0
	Adjustment of deferred tax	-6,754	-2,637	0	0
	Adjustment relating to prior years	0	0	0	0
		-8,011	-2,592	0	0

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DKK'000	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
6 Proposed profit appropriation				
Retained earnings	4,325	-4,519	4,325	-4,519
	4,325	-4,519	4,325	-4,519

7 Intangible assets

DKK'000	Group: Development projects	Group: Patents and licences	Group: Total
Cost at 1 January 2017	22,878	6,122	29,000
Exchange rate adjustments	0	-101	-101
Additions	0	33	33
Cost at 31 December 2017	22,878	6,054	28,932
Amortisation and impairment losses at 1 January 2017	-19,816	-2,785	-22,601
Exchange rate adjustments	0	25	25
Amortisation	-1,516	-661	-2,177
Amortisation and impairment losses at 31 December 2017	-21,332	-3,421	-24,753
Carrying amount at 31 December 2017	1,546	2,633	4,179

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8 Property, plant and equipment

	Group					
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equip-ment	Leasehold improve-ments	Property, plant and equipment under construc-tion	Total
Cost at 1 January 2017	9,658	8,832	27,893	7,280	8,070	61,733
Foreign exchange adjustments in foreign entities	0	-645	-2,591	-851	-788	-4,875
Additions	235	1,289	2,543	34	6,945	11,046
Disposals	0	-327	-599	0	-2,490	-3,416
Cost at 31 December 2017	9,893	9,149	27,246	6,463	11,737	64,488
Depreciation and impairment losses at 1 January 2017	-4,978	-7,484	-20,877	-2,322	0	-35,661
Foreign exchange adjustments in foreign entities	0	521	2,006	301	0	2,828
Depreciation	-522	-381	-2,012	-486	0	-3,401
Depreciation on disposals	0	125	399	0	0	524
Depreciation and impairment losses at 31 December 2017	-5,500	-7,219	-20,484	-2,507	0	-35,710
Carrying amount at 31 December 2017	4,393	1,930	6,762	3,956	11,737	28,778
Assets held under finance leases	0	98	0	0	0	98

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DKK'000	Parent Company 2017	Parent Company 2016
9 Equity investments in subsidiaries		
Cost at 1 January	338,060	338,060
Cost at 31 December	338,060	338,060
Value adjustments at 1 January	-358,681	-347,861
Foreign exchange adjustment	5,915	-4,351
Received dividend	0	-3,000
Actuarial gains and losses on pension obligations	754	1,932
Profit/loss for the year	6,299	-5,401
Other adjustments	-222	0
Value adjustments at 31 December	-345,935	-358,681
Carrying amount at 31 December	-7,875	-20,621
Recognised as follows in the financial statements:		
Negative investments set off against receivables from the subsidiaries in question	-30,705	-43,352
Recognised as investments	22,830	22,731
	-7,875	-20,621
10 Receivables from subsidiaries		
Non-current receivable from subsidiary	98,466	108,613
Negative investment set off against receivable from subsidiary	-30,705	-43,352
	67,761	65,261

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DKK'000	Group 2017	Group 2016
11 Contract work in progress		
Contract work in progress	402,374	194,258
Progress billings	-409,607	-199,071
	-7,233	-4,813
that can be specified as follows:		
Contract work in progress (assets)	13,971	13,762
Contract work in progress (liabilities)	-21,204	-18,575
	-7,233	-4,813

DKK'000	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
12 Deferred tax				
Deferred tax at 1 January	21,868	23,782	0	0
Foreign exchange adjustments, foreign entities	0	723	0	0
Adjustment of deferred tax	-9,253	-2,637	0	0
	12,615	21,868	0	0

13 Prepaid costs

Prepaid costs, DKK 2,552 thousand (2016: DKK 2,146 thousand), comprise payments made to suppliers relating to the subsequent financial year.

14 Contributed capital

The contributed capital comprises 49,574,000 shares at a nominal value of DKK 1 per share. All shares rank equally.

Changes in contributed capital during the past five years can be specified as follows:

DKK'000	2017	2016	2015	2014	2013
Balance at 1 January	81,574	81,574	81,574	94,216	94,216
Redemption of contributed capital	-32,000	0	0	-12,642	0
	49,574	81,574	81,574	81,574	94,216

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	Group		Parent Company	
DKK'000	2017	2016	2017	2016
15 Other provisions				
Warranties	3,341	2,045	0	0
Project specific warranties	931	1,744	0	0
Pension obligations	15,224	18,592	0	0
Other provisions at 31 December	19,496	22,381	0	0

Pension obligations can be specified as follows:

	Group	
DKK'000	2017	2016
Defined benefit obligation	63,094	69,664
Fair value of plan assets	-47,870	-51,072
Net pension obligation	15,224	18,592

Of provisions, DKK 15,224 thousand is expected to fall due after more than five years.

16 Non-current liabilities other than provisions

Non-current liabilities other than provisions can be specified as follows:

	Group		Parent Company	
DKK'000	2017	2016	2017	2016
Finance leases				
Short-term	57	25	0	0
Long-term	25	82	0	0
	82	107	0	0

Of total non-current liabilities other than provisions, DKK 0 falls due after more than five years.

Collateral is disclosed in note 20.

17 Contractual obligations, contingencies, etc.

Contingent assets

The Group has deferred tax assets of DKK 11 million, and the Parent Company has deferred tax assets of DKK 4 million which have not been recognised in the financial statements due to uncertainty regarding the future utilisation.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

17 Contractual obligations, contingencies, etc. (continued)

Contingent liabilities

Some current and former executives of the group have been sued with a claim of €1.7 mill related to a project delivered before 2010. Our legal assessments have inferred, that the claim is unfounded in its entirety. In addition, the claim is subject to insurance coverage, before it could impact the company.

Lease obligations

Lease obligations (operating leases) falling due within five years amount to DKK 2,333 thousand.

Obligations relating to the lease of office premises amount to DKK 15,717 thousand whereof DKK 4,046 falls due after 5 years.

Guarantees

The Group has provided delivery and performance guarantees relating to projects. These guarantees may entail a liability that will not be recognised until the facilities have been delivered or put into operation. It is Management's assessment that the Group has met the provided guarantees, and consequently, no costs have been recognised in this respect. Bank guarantees of DKK 11,343 thousand have been provided in this respect.

Parent Company

The Parent Company guarantees lease obligations for a subsidiary in the amount of DKK 2,116 thousand.

Ordyhna Holding A/S has provided suretyship for a number of subsidiaries' banking arrangements with Danske Bank

The Parent Company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. At 31 December 2017, the net taxes payable to the Danish tax authorities by the companies included in the joint taxation amounted to DKK 0 thousand which is covered in full by on-account payments. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group as a whole is not liable to others.

18 Related party disclosures

Parties exercising control

No single shareholder exercises control.

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

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19 Collateral

Group

Cash of DKK 13 million has been provided as collateral for outstanding bank guarantees regarding ongoing customer projects. The amount will be fully released as the guarantees expire.

Parent Company

No collateral has been provided by the Parent Company.

20 Change in working capital

	Group	
DKK'000	2017	2016
Change in inventories	-2,114	1,047
Change in receivables	-46,539	30,056
Change in trade and other payables	33,804	-21,646
	-14,849	9,457

21 Fees to auditor appointed at the general meeting

	Group		Parent Company	
DKK'000	2017	2016	2017	2016
Statutory audit	225	205	41	40
Tax assistance	37	36	13	12
Other assurance engagements	0	0	0	0
Non-audit services	66	65	26	25
Total fees to KPMG	328	306	80	77