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CVR no. 20 22 26 70

**CALJAN RITE-HITE APS**  
**VED MILEPÆLEN 6 - 8, 8361 HASSELAGER**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2016**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 29 May 2017**

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**Chairman Anders C. Lindenberg**

*The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.*

**CVR NO. 30 20 56 18**

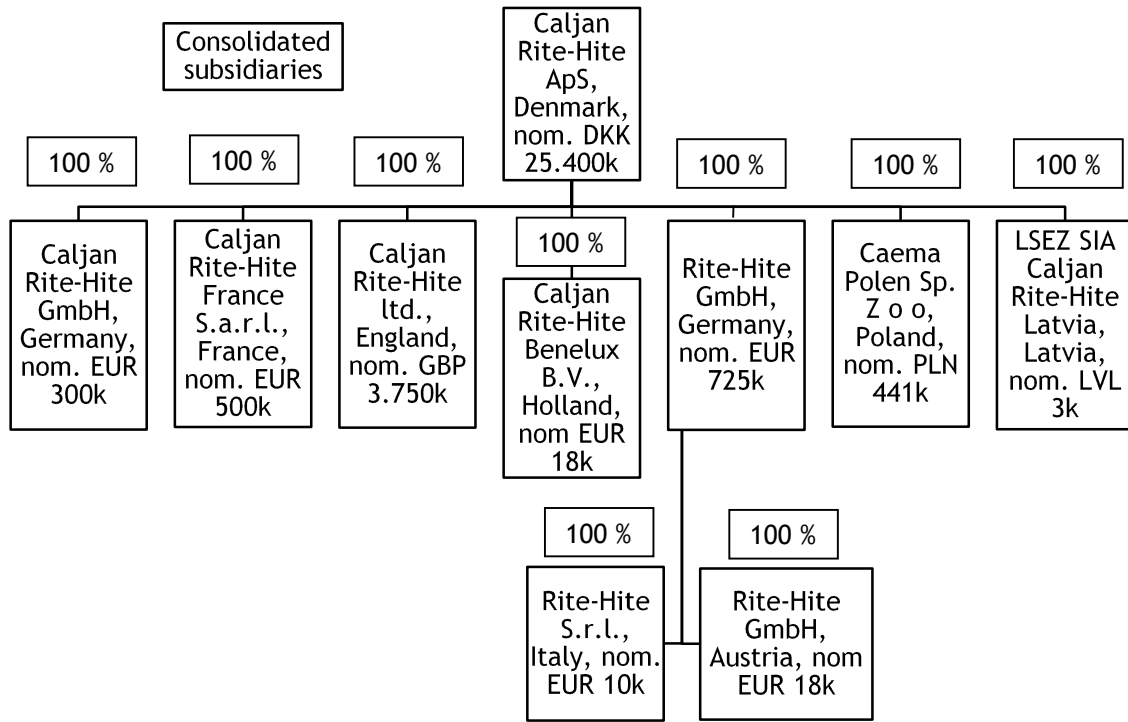
**CONTENTS**

	<b>Page</b>
<b>Company Details</b>	
Company Details.....	3
Group Structure.....	4
<b>Statement and Report</b>	
Statement by Board of Directors and Board of Executives.....	5
Independent Auditor's Report.....	6-8
<b>Management's Review</b>	
Financial Highlights of the group.....	9-10
Management's Review.....	11-14
<b>Consolidated and Parent Company Financial Statements 1 January - 31 December</b>	
Income Statement.....	15
Balance Sheet.....	16-17
Equity.....	18
Cash Flow Statement.....	19
Notes.....	20-26
Accounting Policies.....	27-32

**COMPANY DETAILS**

<b>Company</b>	Caljan Rite-Hite ApS Ved Milepælen 6 - 8 8361 Hasselager  CVR no.: 30 20 56 18 Established: 22 June 1970 Registered Office: Aarhus Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Michael Henry White, Formand Antonio Patrick Catalano Paul Joseph Maly Mark Stephen Kirkish Henrik Olesen Lars Greve Simonsen Brian Jørgensen
<b>Board of Executives</b>	Henrik Olesen
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Kystvejen 29 8000 Aarhus C
<b>Bank</b>	Danske Bank Kannikegade 4-6 8000 Aarhus C  JP Morgan Chase Bank N.A. 125 London Wall London EC2Y 5AJ
<b>Law Firm</b>	Bech-Bruun Værkmestergade 2 8000 Aarhus C

GROUP STRUCTURE



## STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Caljan Rite-Hite ApS for the year 1 January - 31 December 2016.

The Annual Report is presented 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 Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Hasselager, 29 May 2017

Board of Executives

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Henrik Olesen

Board of Directors

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Michael Henry White  
Formand

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Antonio Patrick Catalano

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Paul Joseph Maly

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Mark Stephen Kirkish

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Henrik Olesen

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Lars Greve Simonsen

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Brian Jørgensen

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Caljan Rite-Hite ApS

### Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Caljan Rite-Hite ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows 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 assets, liabilities and financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group and the Parent Company operations as well as the consolidated cash flows of the Group for the financial year 1 January - 31 December 2016 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 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 the Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements and the 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.

### Auditor's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about 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 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 Consolidated Financial Statements and the Parent Company Financial Statements.

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

## INDEPENDENT AUDITOR'S REPORT

- 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 Parent 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.

### **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and 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 Management's Review provides the information required under the Danish Financial Statements Act.

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

## INDEPENDENT AUDITOR'S REPORT

Aarhus, 29 May 2017

BDO Statsautoriseret revisionsaktieselskab  
CVR-nr. 20 22 26 70

Jeanette Staal  
State Authorised Public Accountant

Søren Søndergaard Jensen  
State Authorised Public Accountant



**FINANCIAL HIGHLIGHTS OF THE GROUP**

	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
<b>Income statement</b>					
Net revenue.....	626.101	629.411	445.990	439.525	468.370
Gross profit/loss.....	230.669	278.052	172.956	165.009	166.092
Operating profit.....	-52	49.660	440	1.772	16.735
Financial income and expenses, net.....	-1.060	-3.019	-2.718	-1.990	-2.324
Profit/loss for the year before tax.....	-1.112	46.641	-2.278	-218	14.411
Profit/loss for the year.....	-6.435	32.752	-3.712	271	12.618
<b>Balance sheet</b>					
Balance sheet total.....	456.236	384.873	306.650	277.399	281.486
Equity.....	106.176	117.210	83.847	89.488	89.467
Invested capital.....	327.740	237.535	196.357	178.822	90.156
<b>Cash flows</b>					
Cash flows from operating activities.....	-7.907	21.202	-10.808	5.863	29.699
Cash flows from investment-related activities.....	-12.836	-10.383	-20.243	-6.971	-30.707
Cash flows from financing activities.....	24.165	-6.058	25.506	14.711	5.865
Total cash flows.....	3.422	4.761	-5.545	13.603	4.857
Investment in tangible fixed assets.....	-10.633	-8.978	-6.936	-6.119	-13.037
<b>Average number of full-time employees.....</b>	<b>574</b>	<b>521</b>	<b>470</b>	<b>421</b>	<b>413</b>
<b>Ratios</b>					
Gross margin.....	36,8	44,2	38,8	37,5	35,5
Profit margin.....	0,0	7,9	0,1	0,4	3,6
Rate of return.....	0,0	22,9	0,2	1,3	19,7
Solvency ratio.....	23,3	30,5	27,3	32,3	31,8
Return on equity.....	Neg.	32,6	Neg.	0,3	15,2

The ratios stated in the list of key figures and ratios have been calculated as follows:

Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
Rate of return:	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
Invested capital:	$\text{Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities}$
Solvency ratio:	$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$

**FINANCIAL HIGHLIGHTS OF THE GROUP**

*Return on equity:*

$$\frac{\textit{Profit/loss after tax x 100}}{\textit{Average equity}}$$

*The ratios follow in all material respects the recommendations of the Danish Finance Society.*

## MANAGEMENT'S REVIEW

### Principal activities

The Group is working on improving industrial safety, security and productivity worldwide through quality and innovation.

The Group has two divisions:

Logistics, with products such as telescopic conveyers, label and document handling equipment, curves and other conveyer products for loading and unloading general cargo and parcels.

Dock, with products such as dock levelers, industrial doors, shelters and vehicle restraint products.

Besides the parent company, Caljan Rite-Hite ApS, the Group consists of the subsidiaries: Caljan Rite-Hite Ltd., Caljan Rite-Hite GmbH, Caljan Rite-Hite S.a.r.L., Caljan Rite-Hite Benelux BV, Rite-Hite GmbH, Caema Polska SP.Z.O.o., LSEZ SIA Caljan Rite-Hite Latvia, Caljan Rite-Hite Austria GmbH and Rite-Hite S.r.l..

The Group has production in Caljan Rite-Hite ApS, Caljan Rite-Hite GmbH, Rite-Hite GmbH, Caema Polska SP. Z.O.o., LSEZ SIA Caljan Rite-Hite Latvia. Sale is undertaken by all companies.

### Development in activities and financial position

The result for year 2016 of DKK ('000) -1,112 before taxes is below expectations.

After significant growth in 2015, 2016 was a consolidation year with focus on strengthening the organization in order to handle expected growth in years to come.

The negative development in the result for 2016 is mainly driven by a decline in margin, as well as increased staffing cost.

The Group dock division has not performed to expectation. Key reason is ongoing investments in own sales and service channels in Europe, as well as investment in strengthening of the IT infrastructure.

The Group logistic division has performed close to expectation but with lower revenue and result than last year. Order intake throughout 2016 has been increasing resulting in a significant higher backlog going in to 2017.

### Profit/loss for the year compared to future expectations

Due to the Group backlog and expectations for 2017, we foresee an improved result due to increased level of activity.

### Significant events after the end of the financial year

The Logistic and dock division will most likely in the nearby future, be separated into 2 Group of companies directly owned by Rite-Hite international.

Besides the event above, no events have occurred after the end of the financial year of material importance for the company's financial position.

### Special risks

Activities abroad result in the annual result, cash flows and equity being affected by the development in exchange rates in respect to a number of currencies. It is the company's policy to hedge against commercial foreign exchange exposure. Hedging is mainly done by issuing exchange contracts in connection with entering into sales contracts in foreign currencies.

## MANAGEMENT'S REVIEW

### Environmental situation

#### Environmental goal

It is Caljan Rite-Hite's desire to be an environmentally conscious company and partner. In order to achieve this goal, we will contribute to a sustainable development by reducing waste and energy consumption as well as continuously improving the environmental considerations in Caljan Rite-Hite. We will increase the employees' environmental awareness, place demands on our suppliers, focus on resource consumption, ensure a correct disposal as well as provide for a sound working environment.

#### We have environmentally minded employees

We wish continuously to broaden our employees' resource and environmental awareness which will be done through information about environmental initiatives together with providing the necessary education and training.

#### We guarantee a sound working environment

Caljan Rite-Hite shows consideration for the working environment for the individual employee through a defined working environment policy. Our active safety organization focuses among others on ergonomic designed workstations, RPI (repetitive strain injury) and reductions of work-related injuries to zero. In addition, we follow up on Work Place Assessments and employee satisfaction surveys.

#### We have an eye on the resource consumption

Caljan Rite-Hite desires through energy saving initiatives to reduce its CO<sub>2</sub>-emissions which primarily arises through consumption of heat, electricity and transport. Holding telephone conferences reduces travel activity. Additionally, we work on limiting the consumption on other resources such as water, office supplies, graphical materials and cleaning detergents.

#### We recycle

Caljan Rite-Hite wishes to diminish the environmental impact from the company's waste. This is among others done by sorting paper and cardboard to recycling, handing in toner cassettes, sending batteries and other polluting materials to recycling as well as partial recycling of electrical components. Materials such as iron and metal are gathered and returned to the supplier who recycles these materials.

#### We place demands on our suppliers

Caljan Rite-Hite attaches positive meaning to environmental considerations when choosing suppliers and products. Wherever possible, Caljan Rite-Hite examines potential suppliers' environmental behavior.

#### We consider the environment when developing products

When we develop new products or upgrade existing, our focus is on using materials with the least environmental impact and use of resources.

#### We follow up

Caljan Rite-Hite wants to be able to measure our environmental efforts continually and consequently prioritize the areas with the highest effect. We wish to enter into an open dialogue with customers and partners regarding the result of this effort.

#### We have a mutual responsibility

It is the employees' responsibility that the environmental policy at Caljan Rite-Hite is upheld. Through continuous improvements the management will constantly develop and enhance the environmental profile.

### Knowledge resources

The Group has a strong intellectual capital resource which is mainly the technical departments in Denmark, Latvia and Germany. We do our utmost to preserve these assets through engaging the employees and securing a good and staple work environment.

## MANAGEMENT'S REVIEW

### Research and development activities

The Group's products are continuously adapted and improved as a natural part of the process of making sure we meet the requirements from the market now and in the future. In 2016, the development cost has been at the same level as previous years, i.e. at DKK ('000) 3,500. The year's development projects do not fulfill the accounting criteria for recognition in the Balance Sheet and have consequently been recognized as expenses.

### Future expectations

The Group anticipates a growing level of activities in 2017 compared to 2016. The current level of development will continue in 2017.

### Corporate social responsibility

The Group is committed to conducting its business in compliance with all domestic and foreign laws. Just as importantly, the Group is committed to conducting its business in a way that is fair and ethically correct.

We shall not intentionally mislead, lie to or misrepresent any person or business. All books and records must accurately reflect the company's business operations.

We will not bribe or give anything of value to any customer, subcontractor or supplier, or government official, for the purpose of improperly obtaining or rewarding favorable treatment, apart from normal and customary business entertainment and promotion.

We will not accept any bribes or gifts that are or may be sufficiently large to influence our decision-making.

We will not disclose Rite-Hite's confidential information to third parties and we shall not seek or accept from any person information to which we are not entitled.

We will not misuse, or divert to improper purposes, company resources.

We will not enter into any agreement with any competitor to fix prices or otherwise restrict competition.

We will have no personal, business or financial interests that conflict with or are incompatible with our obligations to Rite-Hite.

We will not, directly or indirectly, donate Group funds to any candidate for political office or political organization. We will not require any employee to make political contributions as a condition of their employment.

We will not discriminate against any person on the basis of race, color, creed, gender, national origin, age, handicap, sexual orientation, or veteran's status.

We will not engage in sexual harassment.

We are working on formalizing this through written policies.

### Child labor

The majority of all suppliers are within Europe. We trust that all our suppliers are in compliance with local laws. We are frequently visiting our suppliers which has let us to believe that child labor is not used by any of our suppliers.

We are working on formalizing this through written policies.

## MANAGEMENT'S REVIEW

### **Target figures and policies for the underrepresented gender**

It is the objective of Caljan Rite-Hite ApS to promote diversity, including obtaining a reasonable representation of both women and men in the Board of Directors.

It is also the objective of the Board of Directors to ensure that its members supplement each other in the best possible way with regard to e.g. competence, age, background, sex, and nationality as relevant to the needs of the company.

The recommendation of candidates for the Board of Directors will thus always be based on an assessment of the competences and experience of the individual candidate, how they match the needs of the company and of the contribution to the total efficiency of the Board of Directors.

At present, all board members excluding employee representatives elected at the general meeting are men.

The Board of Directors has set a target of increasing the proportion of women over the next 5 years, so that the percentage of women in the Board of Directors and at other levels of management in Caljan Rite-Hite ApS at least equal the representation of women in the employee base - currently corresponding to 16%.

The target regarding the under-represented gender does not apply to the Group's subsidiaries in foreign countries.

**INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	Note	Group		Parent company	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
<b>NET REVENUE</b> .....	1	<b>626.101</b>	<b>629.411</b>	<b>230.244</b>	<b>281.862</b>
Cost for raw materials and consumables.....		-320.859	-317.705	-144.080	-189.914
Change in inventories of finished goods, work in progress and goods for resale.....		-1.283	19.042	625	2.345
Other operating income.....		2.409	11.990	2.461	12.010
Other external expenses.....	2	-75.699	-64.686	-8.639	-7.938
<b>GROSS PROFIT</b> .....		<b>230.669</b>	<b>278.052</b>	<b>80.611</b>	<b>98.365</b>
Staff costs.....	3	-214.289	-199.967	-55.227	-54.189
Depreciation, amortisation and impairment.....		-15.432	-14.835	-3.724	-4.037
Other operating expenses.....		-1.000	-13.590	-1.000	0
<b>OPERATING LOSS</b> .....		<b>-52</b>	<b>49.660</b>	<b>20.660</b>	<b>40.139</b>
Income from investments in subsidiaries after tax.....		0	0	-24.081	1.984
Other financial income.....	4	523	0	2.841	1.469
Other financial expenses.....	5	-1.583	-3.019	-798	-1.494
<b>PROFIT BEFORE TAX</b> .....		<b>-1.112</b>	<b>46.641</b>	<b>-1.378</b>	<b>42.098</b>
Tax on profit/loss for the year.....	6	-5.323	-13.889	-5.057	-9.346
<b>PROFIT FOR THE YEAR</b> .....	7	<b>-6.435</b>	<b>32.752</b>	<b>-6.435</b>	<b>32.752</b>

## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent company	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Acquired patents and other rights .		7.596	7.576	2.913	3.126
Goodwill.....		11.804	16.509	366	805
<b>Intangible fixed assets.....</b>	<b>8</b>	<b>19.400</b>	<b>24.085</b>	<b>3.279</b>	<b>3.931</b>
Land and buildings.....		39.800	39.152	18.701	18.808
Plant and machinery.....		11.292	11.213	5.887	6.764
Fixtures and fittings, tools and equipment.....		9.402	9.349	1.335	578
Leasehold improvements.....		1.233	1.157	0	0
<b>Tangible fixed assets.....</b>	<b>9</b>	<b>61.727</b>	<b>60.871</b>	<b>25.923</b>	<b>26.150</b>
Investments in subsidiaries.....		0	0	73.677	87.599
<b>Fixed asset investments.....</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>73.677</b>	<b>87.599</b>
<b>FIXED ASSETS.....</b>		<b>81.127</b>	<b>84.956</b>	<b>102.879</b>	<b>117.680</b>
Raw materials and consumables....		35.137	35.739	9.711	12.554
Work in progress.....		49.078	56.359	10.280	7.346
Finished goods and goods for resale.....		33.404	26.888	2.527	1.995
Prepayments for goods.....		132	0	132	0
<b>Inventories.....</b>		<b>117.751</b>	<b>118.986</b>	<b>22.650</b>	<b>21.895</b>
Trade receivables.....		217.130	145.236	16.348	10.380
Receivables from group enterprises.....		1.251	4.246	41.796	49.466
Provision for deferred tax.....		0	0	0	327
Other receivables.....		2.749	3.242	247	843
Receivables corporation tax.....		883	0	0	0
Prepayments and accrued income .	11	5.352	2.617	1.097	337
<b>Receivables.....</b>		<b>227.365</b>	<b>155.341</b>	<b>59.488</b>	<b>61.353</b>
<b>Cash and cash equivalents.....</b>		<b>29.993</b>	<b>25.590</b>	<b>256</b>	<b>1.522</b>
<b>CURRENT ASSETS.....</b>		<b>375.109</b>	<b>299.917</b>	<b>82.394</b>	<b>84.770</b>
<b>ASSETS.....</b>		<b>456.236</b>	<b>384.873</b>	<b>185.273</b>	<b>202.450</b>



## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent company	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Share capital.....		25.400	25.400	25.400	25.400
Retained profit.....		80.776	91.810	80.776	91.810
<b>EQUITY.....</b>		<b>106.176</b>	<b>117.210</b>	<b>106.176</b>	<b>117.210</b>
Pensions and similar obligations....		12.469	11.810	0	0
Provision for deferred tax.....	12	210	1.233	107	0
Other provisions for liabilities.....	13	4.309	3.889	1.404	2.262
<b>PROVISION FOR LIABILITIES.....</b>		<b>16.988</b>	<b>16.932</b>	<b>1.511</b>	<b>2.262</b>
Bank loan.....		146.086	116.951	40.889	22.388
Other bank debt.....		0	4.576	0	4.576
<b>Long-term liabilities.....</b>	14	<b>146.086</b>	<b>121.527</b>	<b>40.889</b>	<b>26.964</b>
Short-term portion of long-term liabilities.....	14	0	394	0	394
Bank debt.....		981	0	981	0
Prepayments received from customers.....		101.147	15.655	4.048	1.028
Trade payables.....		38.635	74.299	15.229	9.906
Payables to group enterprises.....		2.468	715	3.181	25.526
Corporation tax.....		0	11.086	2.493	7.896
Other liabilities.....		43.755	27.055	10.765	11.264
<b>Current liabilities.....</b>		<b>186.986</b>	<b>129.204</b>	<b>36.697</b>	<b>56.014</b>
<b>LIABILITIES.....</b>		<b>333.072</b>	<b>250.731</b>	<b>77.586</b>	<b>82.978</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>456.236</b>	<b>384.873</b>	<b>185.273</b>	<b>202.450</b>
Contingencies etc.	15				
Charges and securities	16				
Related parties	17				
Derivative financial instruments	18				
Consolidated financial statements	19				

## EQUITY

	Group		
	Share capital	Retained profit	Total
Equity at 1 January 2016.....	25.400	91.810	117.210
Change of equity due to correction of errors.....		-2.548	-2.548
<b>Adjusted equity at 1 January 2016.....</b>	<b>25.400</b>	<b>89.262</b>	<b>114.662</b>
Foreign exchange adjustments.....		-1.900	-1.900
Reclassification from deferred tax.....		-151	-151
Proposed distribution of profit.....		-6.435	-6.435
<b>Equity at 31 December 2016.....</b>	<b>25.400</b>	<b>80.776</b>	<b>106.176</b>

	Parent company		
	Share capital	Retained profit	Total
Equity at 1 January 2016.....	25.400	91.810	117.210
Change of equity due to correction of errors.....		-2.548	-2.548
<b>Adjusted equity at 1 January 2016.....</b>	<b>25.400</b>	<b>89.262</b>	<b>114.662</b>
Foreign exchange adjustments.....		-1.900	-1.900
Reclassification from deferred tax.....		-151	-151
Proposed distribution of profit.....		-6.435	-6.435
<b>Equity at 31 December 2016.....</b>	<b>25.400</b>	<b>80.776</b>	<b>106.176</b>

## CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2016 DKK '000	2015 DKK '000
Profit/loss for the year.....	-6.435	32.752
Reversed depreciation of the year.....	15.432	14.835
Reversed tax on profit/loss for the year.....	5.323	13.889
Other adjustments.....	-1.865	12.798
Corporation tax paid.....	-18.738	1.639
Change in inventory.....	1.235	-30.940
Change in receivables.....	-71.141	-49.178
Change in current liabilities (ex bank and tax).....	68.282	25.407
<b>CASH FLOWS FROM OPERATING ACTIVITY.....</b>	<b>-7.907</b>	<b>21.202</b>
Purchase of intangible fixed assets.....	-2.833	-2.532
Purchase of tangible fixed assets.....	-10.633	-8.978
Sale of tangible fixed assets.....	630	1.127
<b>CASH FLOWS FROM INVESTING ACTIVITY.....</b>	<b>-12.836</b>	<b>-10.383</b>
Proceeds from long-term borrowing.....	29.135	-5.683
Repayments of loans.....	-4.970	-375
<b>CASH FLOWS FROM FINANCING ACTIVITY.....</b>	<b>24.165</b>	<b>-6.058</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>3.422</b>	<b>4.761</b>
Cash and cash equivalents at 1. januar.....	25.590	20.829
<b>CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....</b>	<b>29.012</b>	<b>25.590</b>
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents.....	29.993	25.590
Bank debt.....	-981	0
<b>CASH AND CASH EQUIVALENTS, NET DEBT.....</b>	<b>29.012</b>	<b>25.590</b>

## NOTES

	Group		Parent company		Note
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
<b>Net revenue</b>					<b>1</b>
Revenue, Denmark.....	4.197	3.344	4.197	3.344	
Revenue, Europe.....	581.609	545.256	185.752	197.707	
Revenue, countries outside Europe..	40.295	80.811	40.295	80.811	
	<b>626.101</b>	<b>629.411</b>	<b>230.244</b>	<b>281.862</b>	
<b>Segment details (geography)</b>					
Products.....	460.019	501.038	210.176	266.487	
After sales service.....	166.082	128.373	20.068	15.375	
	<b>626.101</b>	<b>629.411</b>	<b>230.244</b>	<b>281.862</b>	
<b>Fee to statutory auditors</b>					<b>2</b>
Statutory audit.....	957	815	268	231	
Other certified statements.....	78	0	0	0	
Tax Consultancy.....	100	10	11	10	
Other services.....	0	32	0	25	
	<b>1.135</b>	<b>857</b>	<b>279</b>	<b>266</b>	
<b>Staff costs</b>					<b>3</b>
Average number of employees Group: 574 (2015: 521) Parent company: 82 (2015: 89)					
Wages and salaries.....	181.799	172.220	50.132	49.065	
Pensions.....	3.977	4.541	3.337	3.381	
Social security costs.....	27.632	22.315	878	852	
Other staff costs.....	881	891	880	891	
	<b>214.289</b>	<b>199.967</b>	<b>55.227</b>	<b>54.189</b>	
<b>Other financial income</b>					<b>4</b>
Group enterprises.....	0	0	1.713	872	
Other interest income.....	523	0	1.128	597	
	<b>523</b>	<b>0</b>	<b>2.841</b>	<b>1.469</b>	
<b>Other financial expenses</b>					<b>5</b>
Group enterprises.....	0	0	113	86	
Other interest expenses.....	1.583	3.019	685	1.408	
	<b>1.583</b>	<b>3.019</b>	<b>798</b>	<b>1.494</b>	

## NOTES

	Group		Parent company		Note
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
<b>Tax on profit/loss for the year</b>					<b>6</b>
Calculated tax on taxable income of the year.....	5.890	12.187	4.493	7.556	
Adjustment of tax for previous years.....	-63	-531	-68	0	
Adjustment of deferred tax.....	-504	2.233	632	1.790	
	<b>5.323</b>	<b>13.889</b>	<b>5.057</b>	<b>9.346</b>	
<b>Proposed distribution of profit</b>					<b>7</b>
Accumulated profit.....	-6.435	32.752	-6.435	32.752	
	<b>-6.435</b>	<b>32.752</b>	<b>-6.435</b>	<b>32.752</b>	
<b>Intangible fixed assets</b>					<b>8</b>
			Group		
			Acquired patents and other rights	Goodwill	
Cost at 1 January 2016.....			13.025	59.722	
Exchange adjustment at closing rate.....			-33	-1.023	
Additions.....			2.833	0	
<b>Cost at 31 December 2016.....</b>			<b>15.825</b>	<b>58.699</b>	
Amortisation at 1 January 2016.....			5.383	43.213	
Exchange adjustment at closing rate.....			-17	-492	
Depreciation for the year.....			2.863	4.174	
<b>Depreciation at 31 December 2016.....</b>			<b>8.229</b>	<b>46.895</b>	
Carrying amount at 31 December 2016.....			<b>7.596</b>	<b>11.804</b>	
			Parent company		
			Acquired patents and other rights	Goodwill	
Cost at 1 January 2016.....			4.275	5.784	
Additions.....			591	0	
<b>Cost at 31 December 2016.....</b>			<b>4.866</b>	<b>5.784</b>	
Amortisation at 1 January 2016.....			1.149	4.979	
Depreciation for the year.....			804	439	
<b>Depreciation at 31 December 2016.....</b>			<b>1.953</b>	<b>5.418</b>	
Carrying amount at 31 December 2016.....			<b>2.913</b>	<b>366</b>	

## NOTES

Note

## Tangible fixed assets

9

	Group	
	Land and buildings	Plant and machinery
Cost at 1 January 2016.....	62.072	40.120
Exchange adjustment.....	-1.047	-117
Additions.....	2.126	3.051
Disposals.....	1.061	-2.029
<b>Cost at 31 December 2016.....</b>	<b>64.212</b>	<b>41.025</b>
Depreciation and impairment losses at 1 January 2016.....	22.919	28.908
Exchange adjustment.....	-89	-89
Reversal of depreciation of assets disposed of.....	29	-1.991
Depreciation for the year.....	1.553	2.905
<b>Depreciation and impairment losses at 31 December 2016....</b>	<b>24.412</b>	<b>29.733</b>
<b>Carrying amount at 31 December 2016.....</b>	<b>39.800</b>	<b>11.292</b>

	Group	
	Fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2016.....	27.261	3.716
Exchange adjustment.....	-832	-16
Additions.....	4.965	491
Disposals.....	-4.873	0
<b>Cost at 31 December 2016.....</b>	<b>26.521</b>	<b>4.191</b>
Depreciation and impairment losses at 1 January 2016.....	17.976	2.560
Exchange adjustment.....	-301	-10
Reversal of depreciation of assets disposed of.....	-4.641	0
Depreciation for the year.....	4.085	408
<b>Depreciation and impairment losses at 31 December 2016....</b>	<b>17.119</b>	<b>2.958</b>
<b>Carrying amount at 31 December 2016.....</b>	<b>9.402</b>	<b>1.233</b>

## NOTES

Note

	<u>Parent company</u>		
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment
Cost at 1 January 2016.....	35.367	20.504	6.534
Additions.....	740	185	1.361
Disposals.....	0	-1.647	-3.004
<b>Cost at 31 December 2016.....</b>	<b>36.107</b>	<b>19.042</b>	<b>4.891</b>
Depreciation and impairment losses at 1 January 2016.....	16.557	13.741	5.955
Reversal of depreciation of assets disposed of..	0	-1.613	-3.004
Depreciation for the year.....	849	1.027	605
<b>Depreciation and impairment losses at 31 December 2016.....</b>	<b>17.406</b>	<b>13.155</b>	<b>3.556</b>
<b>Carrying amount at 31 December 2016.....</b>	<b>18.701</b>	<b>5.887</b>	<b>1.335</b>

## Fixed asset investments

10

	<u>Group</u>
	Investments in subsidiaries
Cost at 1 January 2016.....	151.064
Additions.....	37.076
<b>Cost at 31 December 2016.....</b>	<b>188.140</b>
Revaluation at 1 January 2016.....	-66.024
Exchange adjustment at closing rate.....	-1.890
Dividend.....	-22.313
Profit/loss for the year.....	-24.236
<b>Revaluation at 31 December 2016.....</b>	<b>-114.463</b>
<b>Carrying amount at 31 December 2016.....</b>	<b>73.677</b>

**NOTES**
**Note**
**Investments in subsidiaries (DKK '000)**

Name and registered office	Equity	Profit/loss for the year	Ownership
Caljan Rite-Hite GmbH, Germany.....	13.339	-2.987	100 %
Caljan Rite-Hite S.a.r.l., France.....	5.578	-6.379	100 %
Caljan Rite-Hite Ltd., England.....	13.747	-720	100 %
Caljan Rite-Hite Latvia Ltd., Latvia.....	15.902	8.703	100 %
Rite-Hite Benelux B.V., Holland.....	5.130	-1.013	100 %
Rite-Hite GmbH, Germany.....	18.628	-22.776	100 %
Caema Polska Sp. Z o o., Poland.....	2.418	469	100 %

**Other companies with controlling interest(DKK '000)**

Name and registered office	Equity	Profit for the year	Ownership
Rite-Hite GmbH, Austria.....	1.286	1.303	100 %
Rite-Hite S.r.l., Italy.....	900	-1.869	100 %

**Prepayments and accrued income**

The amount are prepayments and accrued income.

11

**Provision for deferred tax**

Provision for deferred tax comprises deferred tax on prepayments, inventory, intangible and tangible fixed assets.

12

	Group		Parent company	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Provision for deferred tax, 1 January 2016.....	1.232	-1.001	-327	-2.118
Provisions for the year.....	-504	2.234	434	1.791
Carried back during the year.....	-518	0	0	0
<b>Provision for deferred tax 31 December 2016.....</b>	<b>210</b>	<b>1.233</b>	<b>107</b>	<b>-327</b>

**Other provisions for liabilities**

0-1 år.....	3.016	2.747	983	927
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13

The amounts are the expected liabilities for warranty work.



NOTES

Note

Long-term liabilities

14

	<b>Group</b>			
	1/1 2016 total liabilities	31/12 2016 total liabilities	Repayment next year	Debt outstanding after 5 years
Bank loan.....	116.951	146.086	0	0
Other bank debt.....	4.970	0	0	0
	<b>121.921</b>	<b>146.086</b>	<b>0</b>	<b>0</b>

	<b>Parent company</b>			
	1/1 2016 total liabilities	31/12 2016 total liabilities	Repayment next year	Debt outstanding after 5 years
Bank loan.....	22.388	40.889	0	0
Other bank debt.....	4.970	0	0	0
	<b>27.358</b>	<b>40.889</b>	<b>0</b>	<b>0</b>

Contingencies etc.

15

Deferred tax asset:

The Group has a not recognized a deferred tax asset of DKK ('000) 60.000.

Contingent liabilities

	<b>Group</b>		<b>Parent company</b>	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Lease liabilities (operating leases):				
Within 1 year.....	6.323	4.738	0	0
Between 1 and 5 years.....	10.700	6.505	0	0
After 5 years.....	0	582	0	0
In total.....	17.023	11.825	0	0
Rental obligation:				
In 1 year.....	1.628	1.388	0	0
Between 1 and 5 years.....	5.293	5.552	0	0
After 5 years.....	0	67	0	0
Lease obligations, period of nonterminability 12 months.....	6.921	7.007	0	0

## NOTES

	<b>Note</b>
<b>Charges and securities</b>	<b>16</b>

	<b>Group</b>		<b>Parent company</b>	
	Carrying amount of assets	Nominal value of mortgage or outstanding debt	Carrying amount of assets	Nominal value of mortgage or outstanding debt
	<b>2016</b> DKK '000	<b>2015</b> DKK '000	<b>2016</b> DKK '000	<b>2015</b> DKK '000
Land and buildings with a carrying amount of.....	18.701	18.809	18.701	18.809
Mortgage deeds registered to the mortgagor totalling tDKK 26,000 providing security on land and buildings as well as other property, plant and equipment at a total.....	18.701	18.809	18.701	18.809

<b>Related parties</b>	<b>17</b>
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**The Controlling interest**

Rite Hite International Inc., 8900 N, Arbon Drive, Wilwaukee, W153223, USA.  
Controlling shareholder

**Other related parties having performed transactions with the company**

Other related parties consists of Executive Board, Board of Directors and subsidiaries and related companies.

**Transactions with related parties**

The company did not carry out any substantial transactions that were not concluded on market conditions.

<b>Derivative financial instruments</b>	<b>18</b>
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Currency	Payment/Expiry	<b>Hedging- transaction Netposition</b>			
		0	0	DKK '000	DKK '000
GBP	2017	0	0	4.281	-75
GBP	2017	0	0	4.359	3
USD	2017	0	0	3.431	-98
USD	2017	0	0	3.504	-23
		<b>0</b>	<b>0</b>	<b>15.575</b>	<b>-193</b>

<b>Consolidated financial statements</b>	<b>19</b>
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The company is a part of the consolidated financial statements of Rite-Hite International Inc., 8900 N, Arbon Drive, Wilwaukee, W153223, USA.

## ACCOUNTING POLICIES

The annual report of Caljan Rite-Hite ApS for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large enterprise.

### Change in accounting policies

The Group has implemented the changes to the Danish Financial Statements Act for enterprises in reporting class C which have been effective from 1 January 2016 according to law nr. 738 af 1. juni 2015. The accounting policies have been changed in the following areas:

- The Group has reevaluated the residual value of buildings  
The change in accounting policies has not affected the result, equity or balancesheet figures.

### Correction of errors

We have found that an incorrect amount of DKK ('000) 2,548 was recognised as result from investment in subsidiaries in 2015. This has been corrected as an error and the comparative figures for the financial year 2015 are adjusted. The error resulted in the following correction at 31 December 2015:

- Equity investments in group enterprises are reduced by DKK ('000) 2,548 because of the non-recognition of wages and salaries payable.
- The result brought forward is reduced by DKK ('000) 2,548.

The corrected error in the financial year 2015 has not affected the results for 2016.

### Consolidated financial statements

The consolidated financial statements include the parent company Caljan Rite-Hite ApS and its subsidiaries in which Caljan Rite-Hite ApS directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the Income Statement under an individual assessment of the useful life. Negative differences are recognised in the Income Statement upon acquisition.

## ACCOUNTING POLICIES

Investments in associates are measured in the balance sheet at the proportional share of the value of the enterprises, calculated under the accounting policies of the parent company and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the income statement after elimination of the proportional share of internal gains and losses.

### Minority interests

The accounting items of the subsidiaries are recognised in full in the consolidated financial statements. The minority interests' proportional share of the results and equity of the subsidiaries is stated as separate items in the allocation of profit/loss and in individual main items under equity.

## INCOME STATEMENT

### Net revenue

Net revenue from sale of finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Provided that sales agreements contain a concurrent agreement on installation after delivery, recognition as revenue is not made of the amount corresponding to the estimated remaining installation expenses until after installation has been completed.

### Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

### Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

### Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

### Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

### Investments in subsidiaries

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

### Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

**ACCOUNTING POLICIES**

**Tax on profit for the year**

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

**BALANCE SHEET**

**Intangible fixed assets**

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company’s position in the market and earnings profile, and the industry-specific conditions.

Patents and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 8 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company’s development activities and which fulfil the criteria for recognition.

**Tangible fixed assets**

Land and buildings, production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings.....	10-60 years	0 %
Production plant and machinery.....	3-10 years	0 %
Other plants, fixtures and equipment.....	3-10 years	0 %
Leasehold improvements.....	3-10 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

**Fixed asset investments**

Investments in subsidiaries are measured in the company’s balance sheet under the equity method.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises’ carrying equity value, calculated in accordance with the parent company’s accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill.

## ACCOUNTING POLICIES

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's deficit.

### **Impairment of fixed assets**

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

### **Inventories**

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

### **Receivables**

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

### **Accruals, assets**

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

## ACCOUNTING POLICIES

### Cash and cash equivalents

Cash and cash equivalents includes bank overdraft and cash in hand.

### Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated for the contract. The provision is recognised as a cost under production costs.

### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Other liabilities are measured at amortised cost equal to nominal value.

## ACCOUNTING POLICIES

### Derivative financial instruments

The initial recognition measures derivative financial instruments in the balance sheet at cost price and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in receivables and liabilities, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under initial cost for the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

### Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

## CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

### Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

### Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

### Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

### Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.