



Euromaster DK Holding A/S

Krøyer Kielbergs Vej 3, 1.

DK-8660 Skanderborg

Central Business Registration No: 33307012

Annual report 2016

The Annual General Meeting adopted the annual report on 06.06.2017

Chairman of the General Meeting

Name: Regina M. Andersen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	5
Consolidated Income statement for 2016	7
Consolidated balance sheet at 31.12.2016	8
Consolidated statement of changes in equity for 2016	9
Consolidated cash flow statement for 2016	10
Notes to consolidated financial statements	11
Parent Income statement for 2016	15
Parent balance sheet at 31.12.2016	16
Parent statement of changes in equity for 2016	18
Notes to parent financial statements	19
Accounting policies	21

Entity details

Entity

Euromaster DK Holding A/S
Krøyer Kielbergs Vej 3, 1.
DK-8660 Skanderborg

Central Business Registration No: 33307012
Registered in: Skanderborg
Financial year: 01.01.2016 - 31.12.2016

Phone: +4587282828
Fax: +4587282829
Website: www.euromaster.dk
E-mail: info@dk.euromaster.com

Board of Directors

Stéphane Roy, Chairman
Philippe Berther
Alexey Bobrov

Executive Board

Ove Bjørn Eichler, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Værkmestergade 2
DK-8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Euromaster DK Holding A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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

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

Skanderborg, 19.05.2017

Executive Board

Ove Bjørn Eichler
Chief Executive Officer

Board of Directors

Stéphane Roy
Chairman

Philippe Berther

Alexey Bobrov

Independent auditor's report

To the shareholders of Euromaster DK Holding A/S

Opinion

We have audited the consolidated financial statements and parent financial statements of Euromaster DK Holding A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the Parent and the consolidated cash flow statement, including a summary of significant accounting policies. The consolidated financial statements and parent financial statements are prepared in

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016 and of the results of their operations and the Group's cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent 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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial statements Act.

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

Aarhus, 19.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Rasmus Brodd Johnsen
State Authorised Public Accountant

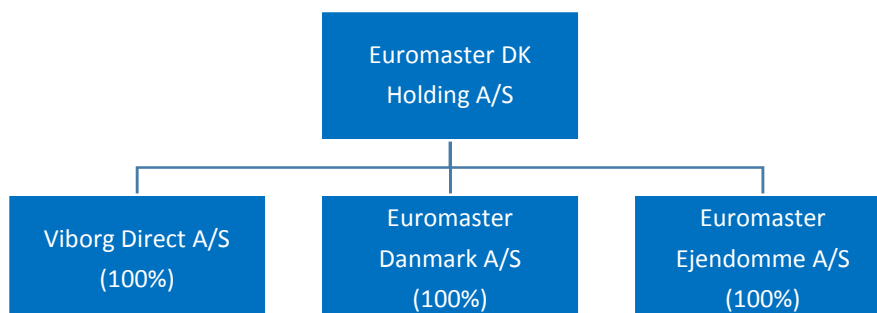
Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	324.072	322.206	325.610	327.227	343.441
Gross profit/loss	88.333	78.518	74.505	64.426	84.470
Operating profit/loss	-13.503	-21.367	-40.434	-37.380	-13.415
Net financials	-2.073	-2.193	-2.867	-3.481	-2.846
Profit/loss for the year	-14.983	-22.880	-42.618	-39.383	-14.888
Total assets	169.944	170.233	163.733	175.636	205.112
Investments in property, plant and equipment	7.911	6.661	4.504	5.050	5.065
Equity	7.947	22.930	4.810	-16.368	3.015
Cash flows from (used in) operating activities	349	-36.763	-62.586	-14.262	-8.872
Cash flows from (used in) investing activities	-5.296	-6.311	-4.339	-4.702	386
Ratios					
Net margin (%)	(4,6)	(7,1)	(13,1)	(12,0)	(4,3)
Equity ratio (%)	4,7	13,5	2,9	(9,3)	1,5
Return of net assets (%)	(7,9)	(12,6)	(24,7)	(21,3)	(6,5)

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The Entity's operating profitability.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.
Return of net assets (%)	$\frac{\text{Operation profit/loss} \times 100}{\text{Total assets}}$	The return generated by the enterprise on the total assets.

Consolidation



Primary activities

The Entity's main activity consists in owning shares in group enterprises.

The Group's primary activity comprises sale of tyres and services on the Danish market.

Management commentary

Development in activities and finances

The operating loss for the year is not in the line with the expectation and is thus not satisfactory.

Disclosures on non-financial issues

Reporting on the underrepresented sex in management

The Group has a gender bias where women represent less than 40% of management. Because of this the Group has chosen to prepare the attached policy to a more gender balance referring to section 99 b of the Danish Financial Statements Act.

Target points for the management

The management of Euromaster consists of a "large management" that has been extended by a marketing manager who is a woman. Therefore 10% of the management is represented by women.

The group consists of:

1. MD / CEO
2. CFO
3. Sales
4. Sales Director
5. Purchasing
6. HR Manager
7. Leasing Manager
8. Regional Manager West
9. Regional Manager East
10. Marketing Manager

The number of women in the tyres industry is relatively low. Therefore the management's goal is that "large management" will come to be represented by minimum 20% women in 2018. It is the management's goal, that men and women has the equal opportunities for making a career in Euromaster. Furthermore, it is important that it is the skills that count when you become part of "SI G" but Euromaster is working towards that minimum 20% of "SI G" must be women.

The target points have been prepared in the end of 2015. Consequently, management has not considered it appropriate to conclude on the target points by the end of the year 2016.

Target points for the Board of Directors

The Board of the Group comprises senior executive from other Euromaster countries. The Board counts three members, all men. It is a goal that the Board shall consist of 33% in 2019.

The number of women in the tyres industry is relatively low. Furthermore, it is important that it is the skills that count when you become part of the Board of Euromaster Danmark A/S.

The target points have been prepared in the end of 2015. Consequently, management has not considered it appropriate to conclude on the target points by the end of the year 2016.

Outlook

The Company expects an unchanged level of activities in the year 2017, but an improvement of the results by approximately EUR 1,000 k. (DKK 7,450 k.).

Corporate social responsibility

Referring to section 99 a of the Danish Financial Statements Act, the Company has no politics regarding social responsibility including environment, climate and human rights.

Events after the balance sheet date

In financial year 2017 the share capital will be increased by payment in cash of a total of at least 31,534 k.DKK from the parent Company. Besides the capital increase in 2017, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual

Consolidated income statement 2016

	Notes	2016 DKK'000	2015 DKK'000
Revenue	1	324.072	322.206
Other operating income		1.911	444
Cost of sales		-173.637	-175.387
Other external expenses	4	-64.013	-68.745
Gross profit/loss		88.333	78.518
Staff costs	2	-95.982	-93.033
Depreciation, amortisation and impairment losses	3	-5.854	-6.103
Other operating expenses		0	-749
Operating profit/loss		-13.503	-21.367
Other financial income		26	824
Other financial expenses	5	-2.099	-3.017
Profit/loss before tax		-15.576	-23.560
Tax on profit/loss for the year	6	593	680
Profit/loss for the year	7	-14.983	-22.880

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Goodwill		0	0
Intangible assets	8	0	0
Land and buildings		47.447	45.189
Other fixtures and fittings, tools and equipment		12.238	10.774
Leasehold improvements		3.933	1.770
Property, plant and equipment	9	63.618	57.733
Fixed assets		63.618	57.733
Manufactured goods and goods for resale		47.070	50.826
Assets held for sale		0	5.057
Inventories		47.070	55.883
Trade receivables		49.665	48.961
Receivables from group enterprises		0	0
Other receivables		6.856	4.951
Income tax receivable		638	680
Prepayments	11	1.530	1.675
Receivables		58.689	56.267
Cash	12	567	350
Current assets		106.326	112.500
Assets		169.944	170.233

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital	12	8.000	8.000
Retained earnings		-53	14.930
Equity		7.947	22.930
Bank loans		9.939	4.775
Prepayments received from customers		863	27
Trade payables		24.116	21.621
Payables to group enterprises		115.482	107.427
Other payables		11.597	13.453
Current liabilities other than provisions		161.997	147.303
Liabilities other than provisions		161.997	147.303
Equity and liabilities		169.944	170.233
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Mortgages and securities	15		
Related parties with controlling interest	16		

Consolidated statement of changes in equity for 2016

	<u>Contributed</u>	<u>Retained</u>	<u>Total</u>
Equity beginning of year	8.000	14.930	22.930
Increase of capital	0	0	0
Profit/loss for the year	0	-14.983	-14.983
Equity	8.000	-53	7.947

Consolidated cash flow statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Operating profit/loss		-13.503	-21.367
Amortisation, depreciation and impairment losses		5.854	6.103
Gains from the sale of property, plant and equipment		-1.386	0
Working capital changes	10	10.822	-19.989
Cash flow from ordinary operating activities		1.787	-35.253
Financial income received		26	824
Financial income paid		-2.099	-3.017
Income taxes refunded/(paid)		635	683
Cash flows from operating activities		349	-36.763
Acquisition etc of property, plant and equipment		-7.911	-6.661
Sale of property, plant and equipment		2.615	350
Cash flows from investing activities		-5.296	-6.311
Cash increase of capital		0	41.000
Cash flows from financing activities		0	41.000
Increase/decrease in cash and cash equivalents		-4.947	-2.074
Cash and cash equivalents beginning of year		-4.425	-2.351
Cash and cash equivalents end of year		-9.372	-4.425
Cash and cash equivalents at year-end are composed of:			
Cash		567	350
Short-term debt to banks		-9.939	-4.775
Cash and cash equivalents end of year		-9.372	-4.425

Notes to consolidated financial statements

	2016	2015
	DKK'000	DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	319.984	318.198
Other EU-countries	4.088	4.008
	324.072	322.206
Revenue by activity		
Light Division	164.322	164.409
Heavy Division	159.750	157.797
	324.072	322.206

Light Division includes sales of tyres and related services to smaller vehicles as cars, vans and smaller commercial vehicles. Heavy Division includes sales of tyres and related services to larger industrial vehicles as trucks and agricultural vehicles etc.

	2016	2015
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	87.179	84.380
Pension costs	3.224	2.981
Other social security costs	5.579	5.672
	95.982	93.033

Average number of employees

233 **232**

Referring to section 98 b (3) of the Danish Financial Statements Act, Euromaster DK Holding A/S has not disclosed the remuneration of the Executive Board.

	2016	2015
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	5.854	6.103
	5.854	6.103

	2016	2015
	DKK'000	DKK'000
4. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	237	202
Other services	158	105
	395	307

	2016	2015
	DKK'000	DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	1.589	2.365
Other financial expenses	510	652
	2.099	3.017

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
6. Tax on profit/loss for the year		
Adjustment to tax for previous years	45	0
Tax on current year taxable income	-638	-680
	-593	-680

	2016 DKK'000	2015 DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	-14.983	-22.880
	-14.983	-22.880

	Goodwill DKK'000
8. Intangible assets	
Cost beginning of year	7.400
Additions	0
Disposals	0
Cost end of year	7.400
Amortisation and impairment losses beginning of year	-7.400
Amortisation for the year	0
Impairment losses for the year	0
Reversal regarding disposals	0
Amortisation and impairment losses end of year	-7.400
Carrying amount end of year	0

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
9. Property, plant and equipment			
Cost beginning of year	74.382	74.389	3.814
Transfer from assets held for sale	5.767	0	0
Transfer to and from other items	-7.150	0	7.150
Additions	1.843	5.684	384
Disposals	-1.803	-2.991	0
Cost end of year	73.039	77.082	11.348
Depreciation and impairment losses beginning of the year	-29.193	-63.615	-2.044
Transfer from assets held for sale	-710	0	0
Transfer to and from other items	4.957	0	-4.957
Depreciation for the year	-1.355	-4.085	-414
Impairment losses for the year	0	0	0
Reversal regarding disposals	709	2.856	0
Depreciation and impairment losses end of the year	-25.592	-64.844	-7.415
Carrying amount end of year	47.447	12.238	3.933

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
10. Change in working capital		
Increase/decrease in inventories	3.756	-10.358
Increase/decrease in receivables	-2.464	822
Increase/decrease in trade payables etc.	9.530	-10.453
	10.822	-19.989

11. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

	Number	Par value DKK'000	Nominal value DKK'000
12. Contributed capital			
Ordinary shares	5	800	4.000
Ordinary shares	4	1.000	4.000
	9	1.800	8.000

	2016 DKK'000	2015 DKK'000
13. Unrecognised rental and lease commitments		
Commitments under rental or lease agreements until expiry in total	52.375	47.063
	52.375	47.063

14. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Euromaster DK Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

15. Mortgages and securities

A bank guarantee has been provided totalling DKK 1.745k at 31.12.2016 against DKK 2.283k at 31.12.2015.

Notes to consolidated financial statements

16. Related parties with controlling interest

The following related parties have a controlling interest in Euromaster Danmark A/S:

<i>Name</i>	<i>Registered office</i>	<i>Basis of influence</i>
Compagnie Générale des Etablissements Michelin	France	Ultimate Parent Company
Eurodrive Services and Distribution	France	Group Entreprise, controlling shareholder in Euromaster DK Holding A/S
Euromaster DK Holding A/S	Skanderborg, Denmark	Controlling shareholder

Parent income statement 2016

	Notes	2016 DKK'000	2015 DKK'000
Other external expenses	1	-68	-39
Gross profit/loss		-68	-39
Income from investments in group enterprises		-14.924	-22.852
Other financial income	2	10	11
Other financial expenses	3	-1	0
Profit/loss before tax		-14.983	-22.880
Tax on profit/loss for the year	4	0	0
Profit/loss for the year	5	-14.983	-22.880

Parent balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Investments in group enterprises		13.893	21.264
Fixed asset investments	6	13.893	21.264
Fixed assets		13.893	21.264
Receivables from group enterprises		1.315	1.712
Receivables		1.315	1.712
Cash		0	1
Current assets		1.315	1.713
Assets		15.208	22.977

Parent balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital	7	8.000	8.000
Retained earnings		-53	14.930
Equity		7.947	22.930
Provisions for investments in group enterprises	8	7.201	0
Provisions		7.201	0
Other payables		60	47
Current liabilities other than provisions		60	47
Liabilities other than provisions		60	47
Equity and liabilities		15.208	22.977
Contingent liabilities	9		
Mortgages and securities	10		
Related parties with controlling interest	11		

Parent statement of changes in equity for 2016

	Contributed capital	Retained earnings	Total
Equity beginning of year	8.000	14.930	22.930
Increase of capital	0	0	0
Profit/loss for the year	0	-14.983	-14.983
Equity	8.000	-53	7.947

Notes to parent financial statements

1. Fees to the auditor appointed by the Annual General Meeting

	2016 DKK'000	2015 DKK'000
Statutory audit services	17	16
Other services	50	23
	67	39

2. Other financial income

	2016 DKK'000	2015 DKK'000
Financial income arising from group enterprises	10	11
Other financial income	0	0
	10	11

3. Other financial expenses

	2016 DKK'000	2015 DKK'000
Financial expenses from group enterprises	0	0
Other financial expenses	1	0
	1	0

4. Tax on profit/loss for the year

	2016 DKK'000	2015 DKK'000
Adjustment to tax for previous years	0	0
Tax on current year taxable income	0	0
	0	0

5. Proposed distribution of profit/loss

	2016 DKK'000	2015 DKK'000
Retained earnings	-14.983	-22.880
	-14.983	-22.880

6. Fixed asset investment

	Investments in group enterprises DKK'000
Cost beginning of year	409.268
Additions	0
Disposals	0
Cost end of year	409.268

Revaluations beginning of year	-388.004
Share of profit/loss for the year	-14.924
Other adjustments *	7.553
Revaluations end of year	-395.375

Carrying amount end of year	13.893
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* Other adjustments include offsetting of the negative value of investments in group enterprises in receivables from group enterprises. In addition, other adjustments include transfer of further negative value of investments in group enterprises to provision for investments in group enterprises.

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000
7. Contributed capital			
Ordinary shares	5	800	4.000
Ordinary shares	4	1.000	4.000
	9	1.800	8.000

8. Provisions for investments in group enterprises

The value of group enterprises with negative equity is recognised under provisions, because Euromaster DK Holding A/S has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

The provisions for investments in group enterprises amount to DKK 7.201 k (2015: DKK 0 k).

9. Contingent liabilities

The Company serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

The Danish Tax Authorities have raised a claim against the subsidiary Euromaster Danmark A/S for repayment of erroneously reported electricity for the period 2006 to 2016 totalling approx. DKK 1.2 million. The Company's Management disagrees on the claim and will bring the case before the Danish National Tax Tribunal. Legal cost of DKK 0.4 million have been recognised in the annual report for 2016.

10. Mortgages and securities

None.

11. Related parties with controlling interest

The following related parties have a controlling interest in Euromaster Danmark A/S:

<i>Name</i>	<i>Registered office</i>	<i>Basis of influence</i>
Compagnie Générale des Etablissements Michelin	France	Ultimate Parent Company
Eurodrive Services and Distribution	France	Group Entreprise, controlling shareholder in Euromaster DK Holding A/S

Accounting policies

Reporting class

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

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

Recognition and measurement

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

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

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Accounting policies

Revenue

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including gains from the sale of intangible assets and property, plant and equipment and income from property administration.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

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

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including losses from the sale of intangible assets and property plant and equipment and expenses regarding property administration.

Other financial income

Other financial income comprises interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all the Danish group enterprises and other Danish entities within the Michelin Group. The current Danish income is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	29-50 years
Other fixtures and fittings, tools and equipment	3-20 years
Leasehold improvements	5-25 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement under other operation income and other operation expenses.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying ar

Accounting policies

Inventories

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

Cost consists of purchase price plus delivery costs.

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

Assets held for sale

Assets held for sale comprises land and buildings set for sale. Land and buildings set for sale are measured at cost less accumulated depreciation and impairment losses. When set for sale, land and buildings are not depreciated. Land and buildings set for sale are written down to the lower of carrying amount and estimated selling price less completion costs and costs incurred to execute

Receivables

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

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less shortterm