



Euromaster DK Holding A/S

Krøyer Kielbergs Vej 3, 1.

DK-8660 Skanderborg

Central Business Registration No: 33307012

Annual report 2017

The Annual General Meeting adopted the annual report on 31.05.2018

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	6
Consolidated Income statement for 2017	9
Consolidated balance sheet at 31.12.2017	10
Consolidated statement of changes in equity for 2017	12
Consolidated cash flow statement for 2017	13
Notes to consolidated financial statements	14
Parent Income statement for 2017	17
Parent balance sheet at 31.12.2017	18
Parent statement of changes in equity for 2017	20
Notes to parent financial statements	21
Accounting policies	23

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: 01.01.2017 - 31.12.2017

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

Board of Directors

Karl de Quick, Chairman
Philippe Berther
Ove Bjørn Eichler

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 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 31.05.2018

Executive Board

Ove Bjørn Eichler
Chief Executive Officer

Board of Directors

Karl de Quick
Chairman

Philippe Berther

Ove Bjørn Eichler

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 01.01.2017 - 31.12.2017, 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 accordance with the Danish Financial statements Act.

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 31.12.2017 and of the results of their operations and the Group's cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

Emphasis of matter regarding circumstances in the financial statements

We draw attention to the section "Change of accounting estimates" in the Accounting policies, which describes the effects of changing the estimate of useful life of buildings to 25 years with a residual value of zero. Our opinion is not modified in respect of this matter.

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 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 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, 31.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Rasmus Brodd Johnsen
State Authorised Public Accountant
Identification number (MNE) 33217

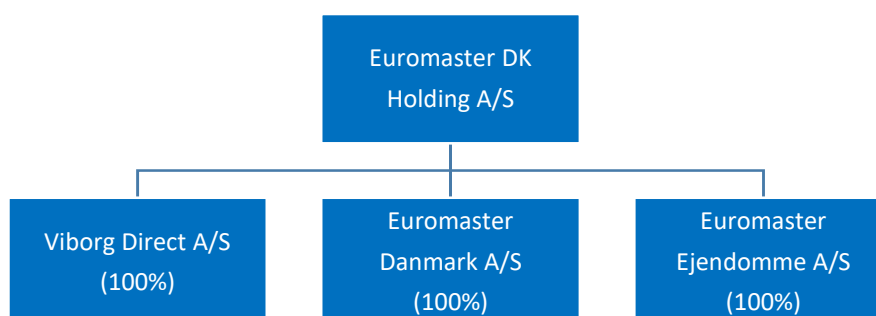
Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	303.382	324.072	322.206	325.610	327.227
Gross profit/loss	82.870	88.333	78.518	74.505	64.426
Operating profit/loss	(29.486)	(13.503)	(21.367)	(40.434)	(37.380)
Net financials	(2.671)	(2.073)	(2.193)	(2.867)	(3.481)
Profit/loss for the year	(31.693)	(14.983)	(22.880)	(42.618)	(39.383)
Total assets	158.368	169.944	170.233	163.733	175.636
Investments in property, plant and equipment	3.879	7.911	6.661	4.504	5.050
Equity	7.788	7.947	22.930	4.810	(16.368)
Cash flows from (used in) operating activities	(17.259)	349	(36.763)	(62.586)	(14.262)
Cash flows from (used in) investing activities	(328)	(5.296)	(6.311)	(4.339)	(4.702)
Ratios					
Net margin (%)	(10,4)	(4,6)	(7,1)	(13,1)	(12,0)
Equity ratio (%)	4,9	4,7	13,5	2,9	(9,3)
Return of net assets (%)	(18,6)	(7,9)	(12,6)	(24,7)	(21,3)

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" 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

During the year, Management has changed the accounting estimate regarding useful life and residual value of buildings to 25 years with a residual value of zero. The change is made in order to align with Group policies and because a useful life of 25 years is assessed to better reflect the market values after many years of heavy use and limited resources for maintenance.

As part of the changed accounting estimate, all accumulated amortizations on buildings have been adjusted. Buildings owned more than 25 years have been valued at zero and the amortizations of remaining buildings have been adjusted to an estimated useful life of 25 years. The change has negatively affected the result and equity with DKK 10.024k after tax.

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 group", where 20% is represented by woman. The group consists of:

1. MD / CEO
2. CFO
3. Sales Manager
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 has been that the "large management group" would be represented by a minimum of 20% women in 2018. This goal has been achieved in 2017.

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 the "large management group", but Euromaster is working to secure that minimum 20% of the "large management group" must be women.

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 DK Holding 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 2017.

Outlook

The Company expects an unchanged level of activities in the year 2018, but an improvement of the results by approximately EUR 1,000 k. (DKK 7,450 k.).

Management commentary

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

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	303.382	324.072
Other operating income		2.687	1.911
Cost of sales		(159.769)	(173.637)
Other external expenses	4	(63.430)	(64.013)
Gross profit/loss		82.870	88.333
Staff costs	2	(94.934)	(95.982)
Depreciation, amortisation and impairment losses	3	(16.547)	(5.854)
Other operating expenses		(875)	0
Operating profit/loss		(29.486)	(13.503)
Other financial income		36	26
Other financial expenses	5	(2.707)	(2.099)
Profit/loss before tax		(32.157)	(15.576)
Tax on profit/loss for the year	6	464	593
Profit/loss for the year	7	(31.693)	(14.983)

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Goodwill		0	0
Intangible assets	8	0	0
Land and buildings		35.283	47.447
Other fixtures and fittings, tools and equipment		10.457	12.238
Leasehold improvements		3.547	3.933
Property, plant and equipment	9	49.287	63.618
Fixed assets		49.287	63.618
Manufactured goods and goods for resale		47.303	47.070
Inventories		47.303	47.070
Trade receivables		51.039	49.665
Other receivables		4.653	6.856
Income tax receivable		500	638
Prepayments	11	1.011	1.530
Receivables		57.203	58.689
Cash	12	4.575	567
Current assets		109.081	106.326
Assets		158.368	169.944

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital	12	8.010	8.000
Retained earnings		(222)	(53)
Equity		7.788	7.947
Bank loans		0	9.939
Prepayments received from customers		614	863
Trade payables		18.833	24.116
Payables to group enterprises		117.449	115.482
Other payables		13.684	11.597
Current liabilities other than provisions		150.580	161.997
Liabilities other than provisions		150.580	161.997
Equity and liabilities		158.368	169.944
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 2017

	Contributed	Retained	Total
Equity beginning of year	8.000	(53)	7.947
Increase of capital	10	31.524	31.534
Profit/loss for the year	0	(31.693)	(31.693)
Equity	8.010	(222)	7.788

Consolidated cash flow statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit/loss		(29.486)	(13.503)
Amortisation, depreciation and impairment losses		16.547	5.854
Gains from the sale of property, plant and equipment		(1.888)	(1.386)
Working capital changes	10	(361)	10.822
Cash flow from ordinary operating activities		(15.188)	1.787
Financial income received		36	26
Financial income paid		(2.707)	(2.099)
Income taxes refunded/(paid)		600	635
Cash flows from operating activities		(17.259)	349
Acquisition etc of property, plant and equipment		(3.879)	(7.911)
Sale of property, plant and equipment		3.551	2.615
Cash flows from investing activities		(328)	(5.296)
Cash increase of capital		31.534	0
Cash flows from financing activities		31.534	0
Increase/decrease in cash and cash equivalents		13.947	(4.947)
Cash and cash equivalents beginning of year		(9.372)	(4.425)
Cash and cash equivalents end of year		4.575	(9.372)
Cash and cash equivalents at year-end are composed of:			
Cash		4.575	567
Short-term debt to banks		0	(9.939)
Cash and cash equivalents end of year		4.575	(9.372)

Notes to consolidated financial statements

	2017	2016
	DKK'000	DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	299.308	319.984
Other EU-countries	4.074	4.088
	303.382	324.072
Revenue by activity		
Light Division	155.685	164.322
Heavy Division	147.697	159.750
	303.382	324.072

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.

	2017	2016
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	86.270	87.179
Pension costs	3.152	3.224
Other social security costs	5.512	5.579
	94.934	95.982

Average number of employees

232	233
------------	------------

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.

	2017	2016
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	16.547	5.854
	16.547	5.854

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

	2017	2016
	DKK'000	DKK'000
Statutory audit services	232	237
Other services	300	158
	532	395

5. Other financial expenses

	2017	2016
	DKK'000	DKK'000
Financial expenses from group enterprises	2.144	1.589
Other financial expenses	563	510
	2.707	2.099

Notes to consolidated financial statements

	2017	2016
	DKK'000	DKK'000
6. Tax on profit/loss for the year		
Adjustment to tax for previous years	38	45
Tax on current year taxable income	(502)	(638)
	(464)	(593)

	2017	2016
	DKK'000	DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	(31.693)	(14.983)
	(31.693)	(14.983)

	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	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000	DKK'000
9. Property, plant and equipment			
Cost beginning of year	73.039	77.082	11.348
Additions	402	3.444	33
Disposals	(6.315)	(9.080)	(419)
Cost end of year	67.126	71.446	10.962
Depreciation and impairment losses beginning of the year	(25.592)	(64.844)	(7.415)
Depreciation for the year	(11.951)	(4.191)	(405)
Reversal regarding disposals	5.700	8.046	405
Depreciation and impairment losses end of the year	(31.843)	(60.989)	(7.415)
Carrying amount end of year	35.283	10.457	3.547

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
10. Change in working capital		
Increase/decrease in inventories	(231)	3.756
Increase/decrease in receivables	1.348	(2.464)
Increase/decrease in trade payables etc.	(1.478)	9.530
	(361)	10.822

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
Ordinary shares	1	10	10
	10	1.810	8.010

	2017 DKK'000	2016 DKK'000
13. Unrecognised rental and lease commitments		
Commitments under rental or lease agreements until expiry in total	42.793	52.375
	42.793	52.375

14. Contingent liabilities

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.

15. Mortgages and securities

A bank guarantee has been provided totalling DKK 1.745k at 31.12.2017 against DKK 1.745k at 31.12.2016.

	Registered in	Corpo- rate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
16. Subsidiaries					
Euromaster Danmark A/S	Skanderborg	A/S	100	(329)	(26.777)
Euromaster Ejendomme A/S	Skanderborg	A/S	100	6.122	(4.878)
Viborg Direct A/S	Skanderborg	A/S	100	417	(10)

17. Related parties with controlling interest

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

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

Parent income statement 2017

	Notes	2017 DKK'000	2016 DKK'000
Other external expenses	1	(41)	(68)
Gross profit/loss		(41)	(68)
Income from investments in group enterprises		(31.665)	(14.924)
Other financial income	2	11	10
Other financial expenses	3	0	(1)
Profit/loss before tax		(31.695)	(14.983)
Tax on profit/loss for the year	4	2	0
Profit/loss for the year	5	(31.693)	(14.983)

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Investments in group enterprises		6.536	13.893
Fixed asset investments	6	6.536	13.893
Fixed assets		6.536	13.893
Receivables from group enterprises		1.294	1.315
Receivables		1.294	1.315
Cash		0	0
Current assets		1.294	1.315
Assets		7.830	15.208

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital	7	8.010	8.000
Retained earnings		(222)	(53)
Equity		7.788	7.947
Provisions for investments in group enterprises	8	0	7.201
Provisions		0	7.201
Other payables		42	60
Current liabilities other than provisions		42	60
Liabilities other than provisions		42	60
Equity and liabilities		7.830	15.208
Contingent liabilities	9		
Mortgages and securities	10		
Related parties with controlling interest	11		

Parent statement of changes in equity for 2017

	Contributed capital	Retained earnings	Total
Equity beginning of year	8.000	(53)	7.947
Increase of capital	10	31.524	31.534
Profit/loss for the year	0	(31.693)	(31.693)
Equity	8.010	(222)	7.788

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
1. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	17	17
Other services	19	50
	36	67
2. Other financial income		
Financial income arising from group enterprises	11	10
	11	10
3. Other financial expenses		
Other financial expenses	0	1
	0	1
4. Tax on profit/loss for the year		
Tax on current year taxable income	(2)	0
	(2)	0
5. Proposed distribution of profit/loss		
Retained earnings	(31.693)	(14.983)
	(31.693)	(14.983)
6. Fixed asset investment		Investments in group enterprises DKK'000
Cost beginning of year		409.268
Additions		34.000
Disposals		0
Cost end of year		443.268
Revaluations beginning of year		(395.375)
Share of profit/loss for the year		(31.665)
Dividend		(2.466)
Other adjustments *		(7.226)
Revaluations end of year		(436.732)
Carrying amount end of year		6.536

* 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

7. Contributed capital	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	5	800	4.000
Ordinary shares	4	1.000	4.000
Ordinary shares	1	10	10
	10	1.810	8.010

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 0 k (2016: DKK 7.201 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.

10. Mortgages and securities

None.

11. Related parties with controlling interest

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

Name	Registered office	Basis of influence
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, except for the changes in accounting estimates below, consistent with those applied last year.

Changes in accounting estimates

The accounting estimate regarding useful life and residual value of buildings has been changed to 25 years with a residual value of zero. The change is made in order to align with Group policies and because a useful life of 25 years is assessed to better reflect the market values after many years of heavy use and limited resources for maintenance.

Buildings owned more than 25 years have been valued at zero and the amortizations of remaining buildings have been adjusted to an estimated useful life of 25 years. The change has increased the amortizations in the financial year by DKK 10.024k. The profit of the year is effected negatively by DKK 10.024k, the total assets have been effected negatively by DKK 10.024k, and the equity has been effected negatively by DKK 10.024k.

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.

Accounting policies

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.

Income statement

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.

Accounting policies

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).

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, sub-suppliers 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	25 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 amount.

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.

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