Tajco Group A/S

Jens Ravns Vej 11A, DK-7100 Vejle

Annual Report for 1 January - 31 December 2017

CVR No 33 57 47 97

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 25/05 2018

Flemming Bekker
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Tajco Group A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Vejle, 12 April 2018

Executive Board

Erik Laursen

Board of Directors

Torben Ballegaard Sørensen Chairman	Leif Jensen Deputy Chairman	Frank Lorenz

Susanne Ann-Charlotte Budin

Independent Auditor's Report

To the Shareholders of Tajco Group A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Tajco Group A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the 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 Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the 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 Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control 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 Group's and the 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 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 responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 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 Company's and the Group'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 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 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 Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the 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.

Aarhus, 12 April 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jesper Lund
statsautoriseret revisor
mne10845

Henrik Berring Rasmussen
statsautoriseret revisor
mne34157

Company Information

The Company	Tajco Group A/S Jens Ravns Vej 11A DK-7100 Vejle Telephone: + 45 7532 1411 Website: www.tajco-group.com CVR No: 33 57 47 97 Financial period: 1 January - 31 December Municipality of reg. office: Vejle
Board of Directors	Torben Ballegaard Sørensen, Chairman Leif Jensen, Deputy Chairman Frank Lorenz Susanne Ann-Charlotte Budin
Executive Board	Erik Laursen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	894.897	794.451	838.992	655.319	483.304
Gross profit/loss	294.814	266.116	263.784	207.207	111.951
Profit/loss before financial income and expenses	52.666	50.284	76.029	68.288	7.916
Net financials	-13.193	-2.301	3.769	3.427	-5.363
Net profit/loss for the year	24.643	35.421	55.985	52.443	2.749
Balance sheet					
Balance sheet total	689.572	642.874	580.792	451.781	311.965
Equity	156.688	141.702	159.136	128.351	68.281
Cash flows					
Cash flows from:					
Investment in property, plant and equipment	-23.006	-22.500	-26.250	-45.112	-21.750
Number of employees	1.148	1.187	1.123	1.011	811
Ratios					
Gross margin	32,9%	33,5%	31,4%	31,6%	23,2%
Profit margin	5,9%	6,3%	9,1%	10,4%	1,6%
Return on assets	7,6%	7,8%	13,1%	15,1%	2,5%
Solvency ratio	22,7%	22,0%	27,4%	28,4%	21,9%
Return on equity	16,5%	23,5%	38,9%	53,3%	4,1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

TAJCO Group develops and manufactures premium tailpipe trims for the global automotive industry. Operations consist of product development, manufacturing and sales for OEM and Tier 1 partners. TAJCO Group products are mainly delivered directly to car manufacturing plants in Europe, Asia and the US.

Development in the year

The consolidated income statement for 2017 shows a profit of TDKK 24,643, which is deemed satisfactory. As per 31.12.2017, the consolidated balance sheet shows an equity of TDKK 156,688.

The past year and follow-up on development expectations from last year

Exhaust trims are used as a design element on most car models. Exhaust trims are subject to the strict quality requirements of the automotive industry and, consequently, the quality demands on TAJCO Group are also great. In order to stay ahead of market demands, all companies within TAJCO Group are certified according to the standard ISO/TS 16949:2009.

The figures for 2017 should be viewed as a reflection of a year-on-year sales increase compared to 2016 by more than 6%. 2018 sales are expected to increase 5-10%. A positive net result for 2018 is expected.

Special risks - operating risks and financial risks

Steel Price Risks

TAJCO Group´s use of stainless steel as raw material creates a specific risk; the potentially significant fluctuations in steel prices in the volatile market may create cost increases, which can only be compensated by setting the price for finished products at a higher level. This pricing increase is only possible to a limited degree.

Currency Risks

Due to the global nature of its operations, TAJCO Group earnings, cash flow and equity are affected by the development in exchange rates and interest rates in several currencies. It is against TAJCO Group policies to hedge these commercial currency risks. To the extent possible, TAJCO Group seeks to naturally hedge the risks, which occur as a consequence of the actions in an international market. Furthermore, TAJCO Group continuously monitor fluctuations in currencies and continuously evaluates the need for hedging by forward contracts.

For subsidiaries, which are separate legal entities, the currency adjustments of investments are recognised directly in equity.

Management’s Review

External environment

TAJCO Group continuously invests to ensure that all the environmental requirements are followed, including initiatives to ensure that the use of chemicals does not impact or cause damage on the external environment. The necessary environmental licences have been obtained in order to be able to carry through activities.

Statement of corporate social responsibility

TAJCO Group operates at a global level, with manufacturing facilities in China and Slovakia, as well as sales offices in Denmark, Germany, United States, China and Japan. Subcontractors in China are furthermore used as part of the production. TAJCO Group products are exported globally.

TAJCO Group is aware of its responsibility as an employer and world citizen, and therefore has a great focus on acting in a financially and socially responsible manner. A CSR policy has been developed, approved by the Board of Directors, implemented and integrated in TAJCO Group business strategies. Highlights of the policy are available here. The complete version is available from www.tajco-group.com.

Focus on management of subcontractors

TAJCO Group uses several subcontractors in China. It is essential for TAJCO Group to ensure that these subcontractors follow and comply with the same ethical and social responsibility standards as TAJCO Group.

The determined effort to follow up on this by review of the subcontractors is ongoing to ensure that subcontractors have recorded, implemented and followed up on the policies.

It has been observed that all of TAJCO Group's ethical guidelines have been observed and followed by its subcontractors.

Focus on the development of employees

TAJCO Group focuses both on the professional development of its employees as well as on providing employees with a safe working environment. Employees are motivated and trained internally in quality, environmental and occupational health and safety awareness, and there is now an increased focus on leadership development and of employees in general.

Furthermore, clear terms of employment regarding training, working hours and ethics are referred to in the TAJCO Group Employee Handbook.

At group level, TAJCO monitors and follows up on work safety through the registration of the number of accidents. In 2017, the number of work-related accidents was reduced to 16 compared to 24 in 2016, thereby cementing the very positive trend, which is a sign of TAJCO Group's determined effort within the area of health and safety.

Management's Review

Especially in manufacturing, there will be a continued focus on the accident prevention. Structured risk assessments, safety audits, comprehensive training programmes during onboarding activities as well as on-the-job-training are used as a natural part of operations now. Moreover, training programmes for contractors on-site have also been implemented.

Human rights

It is important for TAJCO Group that all human rights are respected. The TAJCO Group global CSR policy clearly states that TAJCO Group under no circumstances makes use of child labour, thus supporting the ILO Convention regarding minimum ages of employees.

TAJCO Group continuously ensures that all human rights are respected, and there is a continuous follow-up on this.

Focus on anticorruption

There is significant focus on avoidance of corruption of any kind. The TAJCO Group Code of Conduct for Employees is applicable to all employees. This is to ensure that all employees are fully aware of the TAJCO Group's position on ethically correct behaviour. All employees sign the Code of Conduct at employment.

TAJCO Group has implemented, promoted and trained employees in the TAJCO Group Whistleblower system and implemented additional controlling to safeguard the wellbeing of the employees.

Focus on environment

Acknowledging that the manufacturing processes have an impact on the environment, there is significant focus on reducing environmental impact. The international standards for Environmental management ISO 14001:2004 and Occupational Health and Safety OHSAS 18001:2007 are in place at the manufacturing locations.

Both manufacturing facilities in China and Slovakia are inspected regularly by local environmental and safety authorities. During the year, there have been minor deviations, which have been corrected immediately. As a result hereof, TAJCO Group operations are at all times compliant with local environmental requirements.

Energy and environmental considerations are integrated in all TAJCO Group projects by means of an overall evaluation and registration of the energy and environmental impact of the products in relation to the manufacturing process, generation and disposal of production waste, scrap and chromium re-plating.

In 2016, a new, highly efficient waste water treatment plant was established at the TAJCO Group manufacturing facility in Ningbo, China. The treatment plant is fully operational and meeting all applicable regulatory requirements.

Management's Review

Climate Policy

TAJCO Group has not implemented a climate policy.

Statement on gender composition

Diversity among management and employees is central for the continuous development and success of TAJCO Group. This also includes a belief that diversity of gender is an important condition for creating the best results in accordance with the values and the culture of TAJCO Group.

At TAJCO Group, it is acknowledged that, being a supplier to the automotive industry, it is operating in a predominately male dominated environment. Historically, there have been no women in executive or board positions, however, this changed towards the end of 2017, when Susanne Ann-Charlotte Budin joined the TAJCO Group Board of Directors, thereby moving the scales in the right direction. The Board of Directors now has a 25% female representation.

The TAJCO Group target is to have at least 20% female members of the Executive Board and the Board of Directors by the end of 2019.

It is a stated target for TAJCO Group to have at least 20% women on the management team by the end of 2019. The management team has by the end of 2017 a female representation of 31%.

All interested and capable candidates are encouraged to apply for positions within TAJCO Group, regardless of gender, culture or age. However, due to a low employee turnover during 2017, the company has seen a modest increase in women in managerial positions.

Income Statement 1 January - 31 December

	Note	Group 2017 TDKK	Group 2016 TDKK	Parent company 2017 TDKK	Parent company 2016 TDKK
Revenue	1	**894.897**	**794.451**	**0**	**0**
Expenses for raw materials and consumables		-488.451	-413.354	0	0
Other external expenses		-111.632	-114.981	-496	-137
Gross profit/loss		**294.814**	**266.116**	**-496**	**-137**
Staff expenses	2	-211.903	-187.825	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-29.521	-27.136	0	0
Other operating expenses		-724	-871	0	0
Profit/loss before financial income and expenses		**52.666**	**50.284**	**-496**	**-137**
Income from investments in subsidiaries	8	0	0	25.474	35.950
Financial income	3	1.566	11.375	52	1.479
Financial expenses	4	-14.759	-13.676	-621	-2.021
Profit/loss before fax		**39.473**	**47.983**	**24.409**	**35.271**
Tax on profit/loss for the year	5	-14.830	-12.562	234	150
Net profit/loss for the year		**24.643**	**35.421**	**24.643**	**35.421**

Distribution of profit

	Parent company	
	2017	2016
	TDKK	TDKK
Proposed distribution of profit		
Reserve for net revaluation under the equity method	25.472	35.950
Retained earnings	-829	-529
	24.643	**35.421**

Balance Sheet 31 December

Assets

	Note	Group 2017	Group 2016	Parent company 2017	Parent company 2016
		TDKK	TDKK	TDKK	TDKK
Software		18.684	27.120	0	0
Intangible assets	6	**18.684**	**27.120**	**0**	**0**
Plant and machinery		80.822	83.092	0	0
Other fixtures and fittings, tools and equipment		2.889	4.330	0	0
Leasehold improvements		4.793	4.496	0	0
Property, plant and equipment in progress		15.607	11.579	0	0
Property, plant and equipment	7	**104.111**	**103.497**	**0**	**0**
Investments in subsidiaries	8	0	0	189.013	173.158
Fixed asset investments		**0**	**0**	**189.013**	**173.158**
Fixed assets		**122.795**	**130.617**	**189.013**	**173.158**
Raw materials and consumables		12.459	9.643	0	0
Work in progress		15.169	12.546	0	0
Finished goods and goods for resale		106.304	120.238	0	0
Inventories		**133.932**	**142.427**	**0**	**0**
Trade receivables		157.182	139.966	0	0
Contract work in progress	9	55.773	51.552	0	0
Receivables from group enterprises		111.347	56.985	0	16.677
Other receivables		1.228	31.549	0	0
Corporation tax		0	0	234	149
Prepayments	10	37.463	16.762	0	0
Receivables		**362.993**	**296.814**	**234**	**16.826**
Cash at bank and in hand		**69.852**	**73.016**	**2**	**4**
Currents assets		**566.777**	**512.257**	**236**	**16.830**
Assets		**689.572**	**642.874**	**189.249**	**189.988**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2017	2016	2017	2016
		TDKK	TDKK	TDKK	TDKK
Share capital		1.000	1.000	1.000	1.000
Reserve for net revaluation under the equity method		0	0	131.811	115.996
Retained earnings		155.688	140.702	23.877	24.706
Equity		**156.688**	**141.702**	**156.688**	**141.702**
Provision for deferred tax	12	2.985	4.163	0	0
Provisions relating to investments in group enterprises		0	0	0	3.645
Other provisions	13	2.562	3.276	0	0
Provisions		**5.547**	**7.439**	**0**	**3.645**
Payables to group enterprises		0	13.000	0	13.000
Long-term debt	14	**0**	**13.000**	**0**	**13.000**
Credit institutions		137.931	162.049	0	0
Trade payables		155.852	129.230	0	0
Contract work in progress, liabilities	9	3.374	2.992	0	0
Payables to group enterprises	14	168.184	136.432	32.495	31.573
Corporation tax		3.776	1.600	0	0
Other payables		58.220	48.430	66	68
Short-term debt		**527.337**	**480.733**	**32.561**	**31.641**
Debt		**527.337**	**493.733**	**32.561**	**44.641**
Liabilities and equity		**689.572**	**642.874**	**189.249**	**189.988**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.000	0	140.702	141.702
Exchange adjustments	0	0	-9.657	-9.657
Net profit/loss for the year	0	0	24.643	24.643
Equity at 31 December	**1.000**	**0**	**155.688**	**156.688**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.000	115.996	24.706	141.702
Exchange adjustments	0	-9.657	0	-9.657
Net profit/loss for the year	0	25.472	-829	24.643
Equity at 31 December	**1.000**	**131.811**	**23.877**	**156.688**

Cash Flow Statement 1 January - 31 December

	Note	Group 2017	Group 2016
		TDKK	TDKK
Net profit/loss for the year		24.643	35.421
Adjustments	15	53.902	41.920
Change in working capital	16	32.761	-48.745
Cash flows from operating activities before financial income and expenses		**111.306**	**28.596**
Financial income		1.566	11.375
Financial expenses		-14.751	-13.675
Cash flows from ordinary activities		**98.121**	**26.296**
Corporation tax paid		-27.647	-18.385
Cash flows from operating activities		**70.474**	**7.911**
Purchase of intangible assets		-4.100	-15.707
Purchase of property, plant and equipment		-23.006	-22.500
Sale of property, plant and equipment		196	909
Cash flows from investing activities		**-26.910**	**-37.298**
Dividend paid		-24.000	-12.000
Other adjustments		0	-392
Cash flows from financing activities		**-24.000**	**-12.392**
Change in cash and cash equivalents		**19.564**	**-41.779**
Cash and cash equivalents at 1 January		-144.480	-102.701
Cash and cash equivalents at 31 December		**-124.916**	**-144.480**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		69.852	73.016
Payables, net, to group enterprises		-56.837	-55.447
Overdraft facility		-137.931	-162.049
Cash and cash equivalents at 31 December		**-124.916**	**-144.480**

Notes to the Financial Statements

		Group		Parent company	
		2017	2016	2017	2016
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Europe	601.423	498.226	0	0
	America	141.144	164.358	0	0
	Asia	148.467	128.672	0	0
	Africa	3.863	3.195	0	0
		894.897	**794.451**	**0**	**0**
	Business segments				
	Trims	791.647	720.480	0	0
	Tools	68.451	51.587	0	0
	Scrap	34.799	22.384	0	0
		894.897	**794.451**	**0**	**0**
2	**Staff expenses**				
	Wages and salaries	181.181	162.691	0	0
	Pensions	2.535	3.233	0	0
	Other social security expenses	25.386	21.106	0	0
	Other staff expenses	2.801	795	0	0
		211.903	**187.825**	**0**	**0**
	Including remuneration to the Executive Board and Board of Directors	**21.326**	**10.216**	**0**	**0**
	Average number of employees	**1.148**	**1.187**	**0**	**0**

Notes to the Financial Statements

		Group		Parent company	
		2017	2016	2017	2016
		TDKK	TDKK	TDKK	TDKK
3	**Financial income**				
	Interest received from group enterprises	1.204	1.285	52	1.479
	Other financial income	362	10.090	0	0
		1.566	**11.375**	**52**	**1.479**
4	**Financial expenses**				
	Interest paid to group enterprises	2.506	3.582	621	2.021
	Other financial expenses	12.253	10.094	0	0
		14.759	**13.676**	**621**	**2.021**
5	**Tax on profit/loss for the year**				
	Current tax for the year	15.788	7.648	-234	-150
	Deferred tax for the year	-2.793	4.236	0	0
	Adjustment of tax concerning previous years	1.835	678	0	0
		14.830	**12.562**	**-234**	**-150**

Notes to the Financial Statements

6 Intangible assets

Group

	Software
	TDKK
Cost at 1 January	46.382
Exchange adjustment	248
Additions for the year	4.213
Cost at 31 December	50.843
Impairment losses and amortisation at 1 January	19.304
Exchange adjustment	630
Amortisation for the year	12.225
Impairment losses and amortisation at 31 December	32.159
Carrying amount at 31 December	**18.684**

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	116.254	9.951	9.572	11.579
Exchange adjustment	-6.908	-386	-490	-291
Additions for the year	493	47	3.069	19.397
Disposals for the year	-46	-977	0	0
Transfers for the year	14.235	626	217	-15.078
Cost at 31 December	124.028	9.261	12.368	15.607
Exchange adjustment	0	92	0	0
Revaluations at 31 December	0	92	0	0
Impairment losses and depreciation at 1 January	33.162	5.621	5.076	0
Exchange adjustment	-1.995	-190	-285	0
Depreciation for the year	12.056	1.804	2.784	0
Reversal of impairment and depreciation of sold assets	-17	-771	0	0
Impairment losses and depreciation at 31 December	43.206	6.464	7.575	0
Carrying amount at 31 December	**80.822**	**2.889**	**4.793**	**15.607**

Notes to the Financial Statements

	Parent company	
	2017	2016
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	53.517	53.517
Additions for the year	3.685	0
Cost at 31 December	57.202	53.517
Value adjustments at 1 January	115.996	132.901
Exchange adjustment	-9.659	-3.855
Net profit/loss for the year	25.474	35.950
Dividend to the Parent Company	0	-49.000
Value adjustments at 31 December	131.811	115.996
Equity investments with negative net asset value transferred to provisions	0	3.645
Carrying amount at 31 December	**189.013**	**173.158**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Tajco A/S	Vejle, Denmark	DKK 900.000	100%
Tajco Manufactoring Co. Ltd.	Ningbo, China	CNY 37.266.346	100%
Tajco Slovakia s.r.o.	Slovakia	EUR 5.000	100%

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the Financial Statements

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
9 Contract work in progress				
Selling price of work in progress	137.148	95.770	0	0
Payments received on account	-84.749	-47.210	0	0
	52.399	**48.560**	**0**	**0**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	55.773	51.552	0	0
Prepayments received recognised in debt	-3.374	-2.992	0	0
	52.399	**48.560**	**0**	**0**

10 Prepayments

Prepayments consist of prepaid expenses relating to concluded contracts, rent, licences, telecommunication and insurance premiums.

	Parent company	
	2017	2016
	TDKK	TDKK
11 Distribution of profit		
Reserve for net revaluation under the equity method	25.472	35.950
Retained earnings	-829	-529
	24.643	**35.421**

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
12 Provision for deferred tax				
Provision for deferred tax at 1 January	4.163	-72	0	0
Amounts recognised in the income statement for the year	-1.178	4.235	0	0
Provision for deferred tax at 31 December	**2.985**	**4.163**	**0**	**0**
Intangible assets	2.426	4.357	0	-9
Property, plant and equipment	-219	-242	0	0
Inventories	-658	0	-313	-313
Contract word in progress	2.404	1.293	0	0
Intercompany profit on inventories	-1.941	-3.455	0	0
Debts	-5.956	-2.732	0	0
Other provisions	-343	-753	0	0
Prepayments	3.457	2.198	0	0
Deferred Dividend tax etc.	4.300	4.222	0	0
Tax loss carry-forward	-485	-725	313	322
	2.985	**4.163**	**0**	**0**

Deferred tax has been provided at 22% corresponding to the current tax rate.

Notes to the Financial Statements

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK

13 Other provisions

Other provisions includes expected losses on contracts.

Other provisions	2.562	3.276	0	0
	2.562	**3.276**	**0**	**0**
The provisions are expected to mature as follows:				
Within 1 year	2.563	3.276	0	0
	2.563	**3.276**	**0**	**0**

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Payables to group enterprises

Between 1 and 5 years	0	13.000	0	13.000
Long-term part	0	13.000	0	13.000
Other short-term debt to group enterprises	168.184	136.432	32.495	31.573
	168.184	**149.432**	**32.495**	**44.573**

Notes to the Financial Statements

		Group	
		2017	2016
		TDKK	TDKK
15	**Cash flow statement - adjustments**		
	Financial income	-1.566	-11.375
	Financial expenses	14.759	13.676
	Depreciation, amortisation and impairment losses	29.521	27.136
	Tax on profit/loss for the year	14.830	12.562
	Exchange adjustment, etc.	-3.642	-79
		53.902	**41.920**
16	**Cash flow statement - change in working capital**		
	Change in inventories	8.495	2.803
	Change in receivables, contract work in progress	-11.434	-49.296
	Change in other provisions	-714	-3.786
	Change in other payables and trade payables etc	36.414	1.534
		32.761	**-48.745**

Notes to the Financial Statements

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK

17 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

Chattel mortgage of a nominal amount of DKK 8 million with pledge on fixtures, fittings and equipment as well as goodwill at a total carrying amount at 31 December of	267	962	0	0

The Group and parent company have guaranteed the bank debt of group enterprises. Bank debt in affiliated companies at 31 December 2017 amounts to TDKK 75.809

The Group has guaranteed DKK 2,627k, regarding its engagment with trading partners.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:				
Within 1 year	1.795	1.130	0	0
Between 1 and 5 years	2.539	1.256	0	0
	4.334	**2.386**	**0**	**0**
Rental obligations, period of non-terminability 45 month	32.874	38.635	0	0

Notes to the Financial Statements

17 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The Danish group companies are jointly and severally liable for fax on the Group's jointly taxed income. The total amount is shown in the Annual Report of Casifa ApS, which acts as the management company of the joint taxation.

18 Related parties

	Basis
Controlling interest	
Casifa ApS	Majority shareholder

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Casifa ApS	Silkeborg

19 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

20 Fee to auditors appointed at the general meeting

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
Audit fee to PricewaterhouseCoopers	701	651	0	66
Tax advisory services	280	267	0	0
Non audit services	538	1.852	0	0
	1.519	**2.770**	**0**	**66**

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Tajco Group A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Consolidated and Parent Company Financial Statements for 2017 are presented in TDKK.

Changes in accounting policies

The Company has implemented the changes resulting from the amendments to the Danish Financial Statements Act, that take effect at 1 January 2016, see Act No 738 of 1 Juni 2015.

The implementation has solely resultet in additional disclosure and a change in presentation in the Annual Report compared with previous years.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Tajco Group A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Notes to the Financial Statements

21 Accounting Policies (continued)

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Notes to the Financial Statements

21 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Contract work in progress (customer tools) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

21 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the parent company and the parent company's Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Software are measured at cost less accumulated amortisation. Software are depreciated over the expected lifetime, which is 3 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost added revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	8 years
Other fixtures and fittings, tools and equipment	3-8 years

Notes to the Financial Statements

21 Accounting Policies (continued)

Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

Notes to the Financial Statements

21 Accounting Policies (continued)

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning contracts, rent, licences, telecommunication and insurance premiums etc.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

21 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in 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 will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

21 Accounting Policies (continued)

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”, ”Payables, net, to Group enterprises” and ”Overdraft facilities”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$