Tajco Group A/S

Jens Ravns Vej 11A, DK-7100 Vejle

Annual Report for 1 January - 31 December 2016

CVR No 33 57 47 97

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/5 2017

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 2016.

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 2016 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2016.

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

Vejle, 25 April 2017

Executive Board

Rolf Manfred Ebbesen
CEO

Board of Directors

Torben Ballegaard Sørensen Chairman	Leif Jensen Deputy Chairman	Frank Lorenz

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 2016 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 2016 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 2016, 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.

Independent Auditor's Report

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.

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, 25 April 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jesper Lund statsautoriseret revisor	Henrik Berring Rasmussen statsautoriseret revisor

Company Information

The Company	Tajco Group A/S Jens Ravns Vej 11A DK-7100 Vejle Telephone: + 45 7532 1411 Facsimile: + 45 7532 4089 Website: www.tajco.dk 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 Frank Lorenz
Executive Board	Rolf Manfred Ebbesen
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				
	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	794.451	838.992	655.319	483.304	306.835
Gross profit/loss	266.116	263.784	207.207	111.951	101.976
Operating profit/loss	51.155	75.649	8.234	-24.195	20.437
Profit/loss before financial income and expenses	50.284	76.029	68.288	7.916	20.319
Net financials	-2.301	3.769	3.427	-5.363	-2.220
Net profit/loss for the year	35.421	55.985	52.443	2.749	14.728
Balance sheet					
Balance sheet total	642.830	580.792	451.781	311.965	193.546
Equity	141.702	159.136	128.351	68.281	66.233
Cash flows					
Cash flows from:					
Investment in property, plant and equipment	-22.500	-26.250	-45.112	-21.750	-23.935
Number of employees	1.187	1.123	1.011	811	602
Ratios					
Gross margin	33,5%	31,4%	31,6%	23,2%	33,2%
Profit margin	6,3%	9,1%	10,4%	1,6%	6,6%
Return on assets	7,8%	13,1%	15,1%	2,5%	10,5%
Solvency ratio	22,0%	27,4%	28,4%	21,9%	34,2%
Return on equity	23,5%	38,9%	53,3%	4,1%	25,2%

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

Main activity

The Group's operations consist of developing, production and sales of Original Equipment Exhaust trims for the automotive industry (OEMs)

Development in the year

The consolidated income statement of the Group for 2016 shows a profit of TDKK 35,421, which is satisfactory. At 31 December 2016 the balance sheet of the Group shows equity of TDKK 141,702.

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

The main product of the Tajco Group, are tailpipes (exhaust trims) for exhaust systems to the Automotive Industry which are mainly delivered directly to car manufacturing plants in Europe, Asia and US.

Exhaust trims are increasingly used as a design element on most car models. Exhaust trims are subject to the strict quality requirements of the automotive industry, which puts great demands on the entire organization of the Group. In order to stay ahead of market demands, all group companies are certified to the standards ISO/TS 16949:2009.

Sales in 2016 remained stable compared to 2015, and sales in 2017 are expected to increase slightly. A positive result for 2017 is expected.

Special risks - operating risks and financial risks

Price risks:
The Company´s use of stainless steel as raw material gives rise to a specific risk, due to significant fluctuation in price in the volatile market for steel, as price increases can only be compensated in the price for finished products, to a limited degree.

Currency risks:
The Group's global operation means that earnings, cash flow, and equity are affected by the development in exchange rates and interest rates in several currencies. The Group´s policy is not to hedge these commercial currency risks. To the extent possible the Group try to naturally hedge the risks which occur as a consequence of the actions in an international market. Furthermore, the Group continuously monitor fluctuations in currencies and continuously evaluates the need for hedging by forward contracts.

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

Management's Review

Basis of earnings

External environment

The Group currently incurs a number of expenses to ensure that all environmental requirements are followed, including that the Group´s use of chemicals etc. does not impact or cause damage to the external environment. The necessary environmental licences have been obtained from the respective authorities in the individual countries in order to be able to carry through the Group´s activities.

Statement of corporate social responsibility

Tajco Group A/S is a global company with production in China and Slovakia. Subcontractors in China are furthermore used as part of the production. The Company´s products are exported globally.

The Group has high focus on developing core business areas and meeting strategic challenges in a financially and socially responsible manner.

Strategic anchoring of social responsibility

Due to the significant focus on social responsibility, the Group has integrated a CSR policy, adopted by the Board, and the CSR policy is implemented in the Groups business strategies. The main highlights from the policy can be read below, and the complete version is available on the Group website link: http://tajco.biz/en/csr- policy

Focus on environment

The Group's production has an impact on both the internal and external environment. Therefore, the Group has and continous to have a significant focus on not only maintaining, but also reducing its environmental impact. As a result of this, the Company has implemented international standards for environmental management and in this context, the Company's manufacturing operation is certified to the international environmental management standard ISO 14001:2004 as well as OHSAS 18001:2007.

The Group has retained the certification in 2016 following an external audit.

Furthermore, both production companies in China and Slovakia are inspected regularly by local environmental and safety authorities. During the year, there has been only minor deviations, and all deviations have been followed up, so the Group at all times is compliant with local environmental requirements.

The Group will integrate energy and environmental considerations in its projects via an overall evaluation and registration of the energy and environmental impact of the products in relation to: the manufacturing process, including the generation and disposal of production waste; scrap; chromium replating.

In 2016, the Group has continuously evaluated the energy and environmental impact which has led to the building of a new highly efficient waste water treatment plant at the Groups China subsidiary.

Focus on the development of employees

The Group focuses on the development of its employees by securing the employees´ working environment. This is achieved by establishing a safe working environment and motivating and training employees through internal courses on quality, environmental and occupational health and safety awareness.

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

In 2016, the Group followed up on the employees working environment through registration the number of industrial accidents in the production company. The production companies have registered 24 accidents in 2016. The production companies continue to have focus on reducing the number of accidents by continuous risk assessments, safety audits and comprehensive training programs at "On-board introduction" as well as "On the job training". Training programs for contractors on-site has also been implemented.

Human rights

It is important for Tajco Group A/S that it respects all human rights. This is implemented in the global CSR policy where it is clearly stated that the Group under no circumstances make use of child labor. Therefore, the Group has chosen to follow the ILO Convention regarding minimum age of employees.

The Group has continued to ensure, as for 2016, that all human rights are respected, and there is a continuous follow-up on this.

Focus on management of subcontractors

The Group make use of several subcontractors in China. It is essential to the Group to ensure that these subcontractors follow and comply with the same ethical and social responsibility as Tajco Group A/S. On the basis of this, the Group ensures continuously that subcontractors comply with the same guidelines as the Group.

In 2016, the Group has continuously followed up on this by review of the subcontractors to ensure that they have recorded and follow up on the implemented policies.

In connection with monitoring of the subcontractors, it has been verified that all of TAJCO's ethical guidelines have been observed.

Focus on anticorruption

The Group has significant focus on avoidance of corruption of any kind. In consequence of that, the Group has a "Code of Conduct" applicable to all employees This is to ensure that all employees are fully aware of the Group's position on ethically correct behaviour.

Management's Review

All employees sign the "Code of Conduct" at employment.

The Group has introduced a Whistle blower system and implemented additional controlling, which so far has not led to criminal charges.

Climate Policy

Tajco Group has not implemented a climate policy.

Statement on gender composition

The Group believes that diversity among management and employees, including that gender representation is an important condition for the Group to continuously develop and create the best results in accordance with the values and the culture of the Group.

The Group is aware that, being a supplier to the automotive industry, it is operating in a predominately - male environment. Therefore, there are no women on the Executive Board and the Board of Directors of the Company at this point. The Group has set a target of having at least 20% female members of the Executive Board and the Board of Directors of the Company by the end of 2019.

Compared to the target for diversity in Executive Board and Board of Directors, there are no changes in 2016. During the year one male member of the board was replaced by a new male board member, leaving the diversity at board level unchaged.

The group has also set up target of having at least 20% women in the management team by end 2019. The company constantly encourage all interested candidates to apply for positions within the company, regardless of their gender, culture or age. Due to af very low employee turnover the company have seen only modest increase in women in management positions during 2016

Going forward, the Group will report on the progress achieved to ensure diversity in connection to the presentation of the Statutory Annual Report.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**794.451**	**838.992**	**0**	**0**
Other operating income		0	380	0	0
Expenses for raw materials and consumables		-413.354	-418.201	0	0
Other external expenses		-114.981	-157.387	-137	-113
Gross profit/loss		**266.116**	**263.784**	**-137**	**-113**
Staff expenses	2	-187.825	-170.829	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-27.136	-16.926	0	0
Other operating expenses		-871	0	0	0
Profit/loss before financial income and expenses		**50.284**	**76.029**	**-137**	**-113**
Income from investments in subsidiaries		0	0	35.950	56.661
Financial income	3	11.375	8.818	1.479	241
Financial expenses	4	-13.676	-5.049	-2.021	-1.011
Profit/loss before fax		**47.983**	**79.798**	**35.271**	**55.778**
Tax on profit/loss for the year		-12.562	-23.813	150	207
Net profit/loss for the year		**35.421**	**55.985**	**35.421**	**55.985**

	Parent company	
	2016	2015
	TDKK	TDKK
Proposed distribution of profit		
Extraordinary dividend paid	0	20.000
Proposed dividend for the year	0	49.000
Reserve for net revaluation under the equity method	35.950	36.661
Retained earnings	-529	-49.676
	35.421	**55.985**

Balance Sheet 31 December

Assets

	Note	Group 2016 TDKK	Group 2015 TDKK	Parent company 2016 TDKK	Parent company 2015 TDKK
Software		27.078	22.101	-42	0
Intangible assets	5	**27.078**	**22.101**	**-42**	**0**
Plant and machinery		83.092	79.330	0	0
Other fixtures and fittings, tools and equipment		4.330	7.207	0	0
Leasehold improvements		4.496	4.435	0	0
		0	0	-42	0
Property, plant and equipment in progress		11.579	10.793	0	0
Property, plant and equipment	6	**103.497**	**101.765**	**-42**	**0**
Investments in subsidiaries	7	0	0	173.158	191.671
Fixed asset investments		**0**	**0**	**173.158**	**191.671**
Fixed assets		**130.575**	**123.866**	**173.074**	**191.671**
Raw materials and consumables		9.643	11.856	0	0
Work in progress		12.546	29.134	0	0
Finished goods and goods for resale		120.238	104.239	0	0
Inventories		**142.427**	**145.229**	**0**	**0**
Trade receivables		139.966	117.884	0	0
Contract work in progress	8	51.552	32.516	0	0
Receivables from group enterprises		56.985	83.465	16.677	2.370
Other receivables		31.549	34.529	0	0
Deferred tax asset	11	0	72	0	0
Corporation tax		0	0	149	207
Prepayments	9	16.762	5.605	0	0
Receivables		**296.814**	**274.071**	**16.826**	**2.577**
Cash at bank and in hand		**73.014**	**37.626**	**2**	**392**
Currents assets		**512.255**	**456.926**	**16.828**	**2.969**
Assets		**642.830**	**580.792**	**189.902**	**194.640**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015
		TDKK	TDKK	TDKK	TDKK
Share capital		1.000	1.000	1.000	1.000
Reserve for net revaluation under the equity method		0	0	115.996	83.901
Retained earnings		140.702	109.136	24.706	25.235
Proposed dividend for the year		0	49.000	0	49.000
Equity		**141.702**	**159.136**	**141.702**	**159.136**
Provision for deferred tax	11	4.163	0	0	0
Provisions relating to investments in group enterprises		0	0	3.645	5.253
Other provisions	12	3.276	7.062	0	0
Provisions		**7.439**	**7.062**	**3.645**	**5.253**
Payables to group enterprises		13.000	0	13.000	0
Long-term debt	13	**13.000**	**0**	**13.000**	**0**
Credit institutions		162.049	134.365	0	0
Trade payables		129.230	117.522	0	0
Contract work in progress, liabilities	8	2.992	1.424	0	0
Payables to group enterprises	13	136.432	90.111	31.573	30.217
Corporation tax		1.600	11.004	0	0
Other payables		48.386	60.168	-18	34
Short-term debt		**480.689**	**414.594**	**31.555**	**30.251**
Debt		**493.689**	**414.594**	**44.555**	**30.251**
Liabilities and equity		**642.830**	**580.792**	**189.902**	**194.640**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.000	0	109.136	49.000	159.136
Ordinary dividend paid	0	0	0	-49.000	-49.000
Exchange adjustments relating to foreign entities	0	0	-3.855	0	-3.855
Net profit/loss for the year	0	0	35.421	0	35.421
Equity at 31 December	**1.000**	**0**	**140.702**	**0**	**141.702**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.000	83.901	25.235	49.000	159.136
Ordinary dividend paid	0	0	0	-49.000	-49.000
Exchange adjustments relating to foreign entities	0	-3.855	0	0	-3.855
Net profit/loss for the year	0	35.950	-529	0	35.421
Equity at 31 December	**1.000**	**115.996**	**24.706**	**0**	**141.702**

Cash Flow Statement 1 January - 31 December

	Note	Group 2016	Group 2015
		TDKK	TDKK
Net profit/loss for the year		35.421	55.985
Adjustments	14	41.920	37.107
Change in working capital	15	-48.745	-45.416
Cash flows from operating activities before financial income and expenses		**28.596**	**47.676**
Financial income		11.375	8.818
Financial expenses		-13.677	-5.051
Cash flows from ordinary activities		**26.294**	**51.443**
Corporation tax paid		-18.385	-19.504
Cash flows from operating activities		**7.909**	**31.939**
Purchase of intangible assets		-15.707	-14.179
Purchase of property, plant and equipment		-22.500	-26.250
Sale of property, plant and equipment		909	1.970
Cash flows from investing activities		**-37.298**	**-38.459**
Repayment of loan to credit institutions		0	-1.719
Dividend paid		-12.000	-30.000
Cash flows from financing activities		**-12.000**	**-31.719**
Change in cash and cash equivalents		**-41.389**	**-38.239**
Cash and cash equivalents at 1 January		-103.093	-64.854
Cash and cash equivalents at 31 December		**-144.482**	**-103.093**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		73.014	37.626
Payables, net, to group enterprises		-55.447	-6.645
Overdraft facility		-162.049	-134.074
Cash and cash equivalents at 31 December		**-144.482**	**-103.093**

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK

1 Revenue

Geographical segments

	2016	2015	2016	2015
Europe	498.226	541.689	0	0
America	164.358	179.150	0	0
Asia	128.672	114.604	0	0
Africa	3.195	3.549	0	0
	794.451	**838.992**	**0**	**0**

Business segments

	2016	2015	2016	2015
Trims	720.480	763.782	0	0
Tools	51.587	42.296	0	0
Scrap	22.384	32.914	0	0
	794.451	**838.992**	**0**	**0**

2 Staff expenses

	2016	2015	2016	2015
Wages and salaries	162.691	151.096	0	0
Pensions	3.233	1.729	0	0
Other social security expenses	21.106	17.676	0	0
Other staff expenses	795	328	0	0
	187.825	**170.829**	**0**	**0**
Including remuneration to the Executive Board and Board of Directors	**10.216**	**8.333**	**0**	**0**
Average number of employees	**1.187**	**1.123**	**0**	**0**

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
3 Financial income				
Interest received from group enterprises	1.285	817	1.479	241
Other financial income	10.090	8.001	0	0
	11.375	**8.818**	**1.479**	**241**
4 Financial expenses				
Interest paid to group enterprises	3.582	2.368	2.021	1.010
Other financial expenses	10.094	2.681	0	1
	13.676	**5.049**	**2.021**	**1.011**

5 Intangible assets

Group

	Software
	TDKK
Cost at 1 January	31.089
Exchange adjustment	-330
Additions for the year	15.707
Disposals for the year	-84
Cost at 31 December	46.382
Impairment losses and amortisation at 1 January	8.988
Exchange adjustment	-74
Amortisation for the year	10.432
Reversal of amortisation of disposals for the year	-42
Impairment losses and amortisation at 31 December	19.304
Carrying amount at 31 December	**27.078**

Notes to the Financial Statements

6 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	102.623	11.572	8.982	10.792
Exchange adjustment	-3.587	-184	-304	-377
Additions for the year	16.614	2.326	2.396	21.692
Disposals for the year	-1.408	-1.022	-2.199	-20.528
Transfers for the year	2.012	-2.741	697	0
Cost at 31 December	116.254	9.951	9.572	11.579
Impairment losses and depreciation at 1 January	23.294	4.367	4.544	0
Exchange adjustment	-809	-98	-154	0
Depreciation for the year	11.446	1.957	2.915	0
Reversal of impairment and depreciation of sold assets	-769	-605	-2.199	0
Transfers for the year	0	0	-30	0
Impairment losses and depreciation at 31 December	33.162	5.621	5.076	0
Carrying amount at 31 December	**83.092**	**4.330**	**4.496**	**11.579**

Notes to the Financial Statements

	Parent company	
	2016	2015
	TDKK	TDKK
7 Investments in subsidiaries		
Cost at 1 January	53.517	53.480
Additions for the year	0	37
Cost at 31 December	53.517	53.517
Value adjustments at 1 January	132.901	91.440
Exchange adjustment	-3.855	4.800
Net profit/loss for the year	35.950	56.661
Dividend to the Parent Company	-49.000	-20.000
Value adjustments at 31 December	115.996	132.901
Equity investments with negative net asset value transferred to provisions	3.645	5.253
Carrying amount at 31 December	**173.158**	**191.671**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Tajco A/S	Vejle, Denmark	DKK 900.000	100%	66.118	21.125
Tajco Manufactoring Co. Ltd.	Ningbo, China	CNY 37.266.346	100%	118.787	6.898
Tajco Slovakia s.r.o.	Slovakia	EUR 5.000	100%	-3.645	1.591
Other adjustments				-11.747	6.336
				169.513	35.950

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
8 Contract work in progress				
Selling price of work in progress	95.770	73.335	0	0
Payments received on account	-47.210	-42.243	0	0
	48.560	**31.092**	**0**	**0**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	51.552	32.516	0	0
Prepayments received recognised in debt	-2.992	-1.424	0	0
	48.560	**31.092**	**0**	**0**

9 Prepayments

Prepayments consist primary of prepaid expenses concerning rent, licences, telecommunication and insurance premiums.

	Parent company	
	2016	2015
	TDKK	TDKK
10 Distribution of profit		
Extraordinary dividend paid	0	20.000
Proposed dividend for the year	0	49.000
Reserve for net revaluation under the equity method	35.950	36.661
Retained earnings	-529	-49.676
	35.421	**55.985**

Notes to the Financial Statements

11 Provision for deferred tax

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Provision for deferred tax at 1 January	-72	-6.011	0	0
Amounts recognised in the income statement for the year	4.235	-5.939	-1	0
Amounts recognised in equity for the year	0	0	1	0
Provision for deferred tax at 31 December	**4.163**	**-72**	**0**	**0**
Intangible assets	4.357	3.334	0	0
Property, plant and equipment	-242	-228	0	0
Contract word in progress	1.293	162	0	0
Intercompany profit on inventories	-3.455	-5.588	0	0
Debts	-2.732	-1.022	0	0
Other provisions	-753	-1.467	0	0
Prepayments	2.198	362	0	0
Deferred Dividend tax etc.	4.222	4.375	0	0
Tax loss carry-forward	-725	0	0	0
Transferred to deferred tax asset	0	72	0	0
	4.163	**0**	**0**	**0**

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

Deferred tax asset

Calculated tax asset	0	72	0	0
Carrying amount	**0**	**72**	**0**	**0**

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK

12 Other provisions

Other provisions includes expected losses on contracts.

Other provisions	3.276	7.062	0	0
	3.276	**7.062**	**0**	**0**

The provisions are expected to mature as follows:

Within 1 year	3.276	7.062	0	0
	3.276	**7.062**	**0**	**0**

13 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	13.000	0	13.000	0
Long-term part	13.000	0	13.000	0
Other short-term debt to group enterprises	136.432	90.111	31.573	30.217
	149.432	**90.111**	**44.573**	**30.217**

Notes to the Financial Statements

	Group	
	2016	2015
	TDKK	TDKK
14 Cash flow statement - adjustments		
Financial income	-11.375	-8.818
Financial expenses	13.676	5.049
Depreciation, amortisation and impairment losses	27.136	16.546
Tax on profit/loss for the year	12.562	23.813
Exchange adjustment, etc.	-79	517
	41.920	**37.107**
15 Cash flow statement - change in working capital		
Change in inventories	2.803	-22.622
Change in receivables, contract work in progress	-49.296	-47.343
Change in other provisions	-3.786	3.149
Change in other payables and trade payables etc	1.534	21.400
	-48.745	**-45.416**

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK

16 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

	Group 2016 TDKK	Group 2015 TDKK	Parent company 2016 TDKK	Parent company 2015 TDKK
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 2016 of	962	1.159	0	0

The Group and parent company have guaranteed the bank debt of group enterprises. Bank debt in affiliated companies at 31 December 2016 amounts to TDKK 75.809

The following assets have been placed as security with credit institutions:

	Group 2016 TDKK	Group 2015 TDKK	Parent company 2016 TDKK	Parent company 2015 TDKK
Guaranteed debt amounts	0	409	0	0

Rental and lease obligations

	Group 2016 TDKK	Group 2015 TDKK	Parent company 2016 TDKK	Parent company 2015 TDKK
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	1.130	1.420	0	0
Between 1 and 5 years	1.256	1.745	0	0
	2.386	**3.165**	**0**	**0**
Rental obligations, period of non-termaniability 45 month	38.635	43.926	0	0

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 Caslfa Aps, which acts as the management company of the joint taxation.

Notes to the Financial Statements

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

The Group has guaranteed TDKK 1,684, regarding its engagment with a trading partner.

17 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	Silekeborg

18 Fee to auditors appointed at the general meeting

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Audit fee to PricewaterhouseCoopers	651	645	66	112
Other assurance engagements	0	141	0	0
Tax advisory services	267	224	0	0
Non audit services	1.852	944	0	0
	2.770	**1.954**	**66**	**112**

19 Subsequent events

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

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Tajco Group A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

Consolidated and Parent Company Financial Statements for 2016 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, Accounting Policies

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, Accounting Policies

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 enterprice.

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.

Notes, Accounting Policies

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.

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

Production buildings	20	years
Plant and machinery	8	years
Other fixtures and fittings, tools and equipment	3-8	years
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.

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.

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.

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.

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, Accounting Policies

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, Accounting Policies

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$