Tajco A/S

Jens Ravns Vej 11A, DK-7100 Vejle

Annual Report for 1 January - 31 December 2017

CVR No 33 57 51 06

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

Flemming Bekker
Chairman

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Tajco 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 give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Vejle, 12 April 2018

Executive Board

Erik Laursen	Flemming Bekker

Board of Directors

Torben Ballegaard Sørensen Chairman	Leif Jensen Deputy Chairman	Frank Lorenz
Susanne Ann-Charlotte Budin		

Independent Auditor's Report

To the Shareholder of Tajco A/S

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

We have audited the Financial Statements of Tajco 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 ("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 Company 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 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 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 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 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- 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 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 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.

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
State Authorised Public Accountant
mne10845

Henrik Berring Rasmussen
State Authorised Public Accountant
mne34157

Company Information

The Company	Tajco A/S Jens Ravns Vej 11A DK-7100 Vejle Telephone: + 45 7532 1411 Website: www.tajco-group.com CVR No: 33 57 51 06 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 Flemming Bekker
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 Company is described by the following financial highlights:

	2017	2016	2015	2014	2013
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	706.355	629.789	704.359	574.150	448.224
Gross profit/loss	53.719	69.402	89.137	93.132	25.364
Profit/loss before financial income and expenses	-8.026	8.583	37.567	47.887	-9.739
Net financials	-3.279	16.073	11.032	10.364	-8.514
Net profit/loss for the year	-6.163	21.125	37.414	44.872	-16.476
Balance sheet					
Balance sheet total	509.220	520.830	439.450	311.755	243.729
Equity	58.199	66.118	93.829	76.175	31.483
Investment in property, plant and equipment	418	563	670	292	868
Number of employees	37	54	50	49	47
Ratios					
Gross margin	7,6%	11,0%	12,7%	16,2%	5,7%
Profit margin	-1,1%	1,4%	5,3%	8,3%	-2,2%
Return on assets	-1,6%	1,6%	8,5%	15,4%	-4,0%
Solvency ratio	11,4%	12,7%	21,4%	24,4%	12,9%
Return on equity	-9,9%	26,4%	44,0%	83,4%	-41,7%

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

The main activity of the Company comprises sale of car parts for the automotive industry (OEM).

The activity of the Company focuses on development, sales, logistics, warehousing and distribution.

Tajco A/S’s main product is exhaust trims for the exhaust systems of passenger cars which are, to a great extent, delivered directly to car factories in Europe and the USA.

Development in the year

The income statement of the Company for 2017 shows a loss of DKK 6,163k, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 58,199k.The result is satisfying taking special items into consideration.

Based on the global economic development and the expectations for the sale of passenger cars, the level of activity is expected to increase in 2018. For 2018 management expects a profit before tax in the range of DKK 5-10 million. .

Exhaust trims are used as a design element on car models. Exhaust trims for exhaust systems are subject to the strict quality requirements of the automotive industry, which places great demands on the Company. To stay ahead of these market demands, our fellow subsidiary in China has been certified under the standards ISO/TS 16949:2009.

Special risks - operating risks and financial risks

Market risks

Due to the significant price fluctuations in the volatile steel market, the Company’s use of stainless steel for the manufacture of products implies a special risk as price increases can only, to a limited extent, be included in the product price.

Management's Review

Foreign exchange risks

The activities abroad imply that profit/loss, cash flows and equity are affected by the development in exchange rates and interest rates in a number of currencies. The Company's policy is not to hedge these commercial currency risks. The Company tries to the greatest extent possible to naturally hedge the risks which occur as a consequence of acting in an international market. Furthermore, the Company monitors currency fluctuations on a current basis and continuously assesses the need for hedging through forward contracts.

Exchange adjustments to investments in subsidiaries which are independent entities are recognised directly in equity. The related exchange risks are generally not hedged as, in the Company's opinion, currency hedging on an ongoing basis of such long-term investments is not optimal based on an overall risk and cost consideration.

External environment

The Company currently incurs a number of expenses to ensure that environmental requirements are met. The environmental permissions required to carry through the Company's activities have been obtained from the relevant authorities in the individual countries. The necessary environmental licences have been obtained in order to be able to carry through activities.

Statement of corporate social responsibility

We refer to the Annual Report of Tajco Group A/S for the statutory report on corporate social responsibility.

Statement on gender composition

We refer to the Annual Report of Tajco Group A/S for the statutory report on gender representation at management levels.

Income Statement 1 January - 31 December

	Note	2017	2016
		DKK '000	DKK '000
Revenue		**706.355**	**629.789**
Expenses for raw materials and consumables		-554.964	-464.853
Other external expenses		-97.672	-95.534
Gross profit/loss		**53.719**	**69.402**
Staff expenses	1	-50.219	-50.672
EBITDA		**3.500**	**18.730**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-11.526	-10.000
Other operating expenses		0	-147
Profit/loss before financial income and expenses		**-8.026**	**8.583**
Share of profits of subsidiaries	7	11.393	12.126
Financial income	2	2.346	8.446
Financial expenses	3	-17.018	-4.499
Profit/loss before tax		**-11.305**	**24.656**
Tax on profit/loss for the year	4	5.142	-3.531
Net profit/loss for the year		**-6.163**	**21.125**

Distribution of profit

Proposed distribution of profit

Reserve for net revaluation under the equity method	11.393	12.366
Retained earnings	-17.556	8.759
	-6.163	**21.125**

Balance Sheet 31 December

Assets

	Note	2017	2016
		DKK '000	DKK '000
Software		11.027	19.952
Intangible assets	5	**11.027**	**19.952**
Plant and machinery		0	1
Other fixtures and fittings, tools and equipment		267	961
Leasehold improvements		428	117
Property, plant and equipment	6	**695**	**1.079**
Investments in subsidiaries	7	22.929	13.292
Fixed asset investments		**22.929**	**13.292**
Fixed assets		**34.651**	**34.323**
Raw materials and consumables		787	605
Finished goods and goods for resale		59.317	56.432
Inventories		**60.104**	**57.037**
Trade receivables		114.547	84.447
Contract work in progress	8	48.029	42.661
Receivables from group enterprises		188.191	202.953
Other receivables		10.433	35.277
Corporation tax		3.050	0
Prepayments	9	21.482	9.974
Receivables		**385.732**	**375.312**
Cash at bank and in hand		**28.733**	**54.158**
Currents assets		**474.569**	**486.507**
Assets		**509.220**	**520.830**

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK '000	2016 DKK '000
Share capital		900	900
Reserve for net revaluation under the equity method		22.168	12.531
Retained earnings		35.131	52.687
Equity		**58.199**	**66.118**
Provision for deferred tax	11	2.491	4.251
Other provisions	12	1.559	2.986
Provisions		**4.050**	**7.237**
Credit institutions		73.192	102.308
Trade payables		13.821	8.929
Contract work in progress, liabilities	8	3.374	2.992
Payables to group enterprises		154.226	177.149
Corporation tax		0	377
Other payables		202.358	155.720
Short-term debt		**446.971**	**447.475**
Debt		**446.971**	**447.475**
Liabilities and equity		**509.220**	**520.830**
Distribution of profit	10		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	900	12.531	52.687	66.118
Exchange adjustments relating to foreign entities	0	-1.756	0	-1.756
Net profit/loss for the year	0	11.393	-17.556	-6.163
Equity at 31 December	**900**	**22.168**	**35.131**	**58.199**

Notes to the Financial Statements

		2017	2016
		DKK '000	DKK '000
1	**Staff expenses**		
	Wages and salaries	48.673	47.629
	Pensions	1.867	1.955
	Other social security expenses	-371	1.549
	Other staff expenses	50	-461
		50.219	**50.672**
	Including remuneration to the Executive Board and Board of Directors of:		
	Executive Board	23.678	8.760
	Board of directors	2.000	1.456
		25.678	**10.216**
	Average number of employees	**37**	**54**

2 Financial income

	2017	2016
Interest received from group enterprises	2.289	1.585
Other financial income	57	6.861
	2.346	**8.446**

3 Financial expenses

	2017	2016
Interest paid to group enterprises	2.681	3.310
Other financial expenses	14.337	1.189
	17.018	**4.499**

4 Tax on profit/loss for the year

	2017	2016
Current tax for the year	-3.382	-64
Deferred tax for the year	-1.760	3.110
Adjustment of tax concerning previous years	0	485
	-5.142	**3.531**

Notes to the Financial Statements

5 Intangible assets

	Software
	DKK '000
Cost at 1 January	35.896
Additions for the year	2.136
Cost at 31 December	38.032
Impairment losses and amortisation at 1 January	15.944
Amortisation for the year	11.061
Impairment losses and amortisation at 31 December	27.005
Carrying amount at 31 December	**11.027**

6 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK '000	DKK '000	DKK '000
Cost at 1 January	104	2.963	318
Additions for the year	0	18	400
Disposals for the year	0	-376	0
Cost at 31 December	104	2.605	718
Impairment losses and depreciation at 1 January	103	2.002	201
Depreciation for the year	1	336	89
Impairment losses and depreciation at 31 December	104	2.338	290
Carrying amount at 31 December	**0**	**267**	**428**

Notes to the Financial Statements

		2017	2016
		DKK '000	DKK '000
7	**Investments in subsidiaries**		
	Cost at 1 January	761	573
	Additions for the year	0	188
	Cost at 31 December	761	761
	Value adjustments at 1 January	12.531	230
	Exchange adjustment	-1.756	175
	Net profit/loss for the year	11.393	12.126
	Value adjustments at 31 December	22.168	12.531
	Carrying amount at 31 December	**22.929**	**13.292**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Tajco Asia Trading Co. Ltd.	China	CNY 681.260	100%
Tajco North America Inc.	USA	USD 100	100%
Tajco Germany GmbH	Germany	EUR 25.000	100%

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the Financial Statements

	2017	2016
	DKK '000	DKK '000
8 Contract work in progress		
Selling price of work in progress	121.625	76.294
Payments received on account	-76.970	-36.625
	44.655	**39.669**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	48.029	42.661
Prepayments received recognised in debt	-3.374	-2.992
	44.655	**39.669**

9 Prepayments

Prepayments comprise prepaid expenses relating to concluded contracts, rent, licences, telecommunications and insurance premiums, etc.

10 Distribution of profit

	2017	2016
Reserve for net revaluation under the equity method	11.393	12.366
Retained earnings	-17.556	8.759
	-6.163	**21.125**

Notes to the Financial Statements

	2017	2016
	DKK '000	DKK '000

11 Provision for deferred tax

	2017	2016
Provision for deferred tax at 1 January	4.251	1.141
Amounts recognised in the income statement for the year	-1.760	3.110
Provision for deferred tax at 31 December	**2.491**	**4.251**
Intangible assets	2.426	4.390
Property, plant and equipment	-207	-242
Contract work in progress	2.729	1.293
Prepayments	3.459	2.198
Other payables	-5.573	-2.732
Provisions	-343	-656
	2.491	**4.251**

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

12 Other provisions

Other provisions include expected losses on concluded contracts, etc.

	2017	2016
Other provisions	1.559	2.986
	1.559	**2.986**
The provisions are expected to mature as follows:		
Within 1 year	1.559	2.986
	1.559	**2.986**

Notes to the Financial Statements

	2017	2016
	DKK '000	DKK '000

13 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

	2017	2016
Mortgage deed on movable property of nom DKK 8,000,000 secured on fixtures and operating equipment as well as goodwill at a total carrying amount of	267	962

Moreover, the Company has provided a guarantee in respect of bank loans in group enterprises. Bank loans in group enterprises amount to DKK 28,047 at 31 December 2017

The Company has issued a guarantee of DKK 250k in respect of its obligations towards business partners.

Rental and lease obligations

	2017	2016
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	948	671
Between 1 and 5 years	1.111	707
	2.059	**1.378**
Rental obligations, non-cancellable period of up to six months	4.013	3.955

Other contingent liabilities

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

Notes to the Financial Statements

14 Related parties

	Basis
Controlling interest	
Tajco Group A/S, Vejle	Sole shareholder

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of the immediate Parent Company Tajco Group A/S and its ultimate Parent Company Casifa ApS.

Name	Place of registered office
Casifa ApS	Silkeborg
Tajco Group A/S	Vejle

15 Subsequent events

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

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Tajco 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 accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK '000.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Tajco Group A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Tajco Group A/S, the Company has not prepared a cash flow statement.

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, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Revenue

In accordance with section 96 of the Danish Financial Statements Act, the Company has not disclosed revenue broken down by business segments and geographical segments as such disclosures may cause material damage to the Company.

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 Company.

Contract work in progress (construction contracts) 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 Company. 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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 Company, 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 Casifa ApS and danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

16 Accounting Policies (continued)

Balance Sheet

Intangible assets

Software is measured at cost less accumulated amortisation. Software is amortised over the expected useful life, which is assessed to be three 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.

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:

Plant and machinery	8 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5-8 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning relating to concluded contracts, rent, licences, telecommunications and insurance premiums, etc.

Equity

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company 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

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

Notes to the Financial Statements

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