

Flex Holding A/S
Lindevej 15
7100 Vejle
Central Business Registration
No 37331554

Annual report 2017

The Annual General Meeting adopted the annual report on 14.06.2018

Chairman of the General Meeting

Name: Søren Merrild Bie

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Entity details

Entity

Flex Holding A/S

Lindevej 15

7100 Vejle

Central Business Registration No (CVR): 37331554

Registered in: Hedensted

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Søren Merrild Bie, Chairman

Jesper Balleby Larsen

Anders Andersen

Alexis Bonnin Garcia

Executive Board

Anders Andersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Flex Holding A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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

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

Lindved, 14.06.2018

Executive Board

Anders Andersen

Board of Directors

Søren Merrild Bie
Chairman

Jesper Balleby Larsen

Anders Andersen

Alexis Bonnin Garcia

Independent auditor's report

To the shareholders of Flex Holding A/S

Qualified opinion

We have audited the consolidated financial statements and the parent financial statements of Flex Holding A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for possible effect of the matter described in the Basis for qualified opinion section, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for qualified opinion

The Parent recognises investments in group enterprises according to the equity method at a value of DKK 896k. It has not been possible to obtain sufficient audit evidence for the valuation of fixed asset investments recognised in the balance sheet of one of the company's subsidiaries. Investments in group enterprises are therefore potentially overvalued by DKK 1,055k in the Parent's balance sheet. Equity and financial performance for the year are thus potentially overvalued by DKK 1,055k.

In the consolidated financial statements, financial performance for the year, balance sheet total and equity are potentially overvalued by a similar amount.

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as

Independent auditor's report

applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

- 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.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aarhus, 14.06.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Lars Andersen
State Authorised Public Accountant
Identification No (MNE) mne34506

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights			
Key figures			
Gross profit	7.716	11.558	6.935
Operating profit/loss	(488)	886	(1.841)
Net financials	(734)	(973)	(702)
Profit/loss for the year	(1.406)	(330)	(2.297)
Profit/loss for the year excl minority interests	(1.406)	(330)	(2.372)
Total assets	30.205	36.918	38.885
Investments in property, plant and equipment	247	582	3.287
Equity	(817)	334	787
Equity excl minority interests	(817)	334	628
Ratios			
Return on equity (%)	-	(68,6)	(377,7)
Equity ratio (%)	(2,7)	0,9	1,6

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's primary activity consists of holding shares in group enterprises.

The Group's primary activity consists of shipping and haulage business with focus on Southern European markets.

Development in activities and finances

Financial performance for the year was a loss after tax of DKK -1,405,532. The year's loss is considered unsatisfactory.

The loss has been affected by the negative operation in the Polish haulage business.

The lack of drivers in all of Europe has increased the salaries and at times resulted in equipment standing still.

Unusual circumstances affecting recognition and measurement

During the present financial year, Management has observed misstatements in previous year's provisions for payable subsistence allowance etc. to employees in one of the Group's Polish subsidiaries.

The misstatement is attributable to previous financial years and has therefore been adjusted as a material misstatement. The monetary effect of the adjustment is recognised directly in equity at 01.01.2017, and the comparative figures for the financial year for 2017 have been restated. Thus, the adjustment of the material error has no impact on the income statement for the financial year 2017.

We refer to the accounting policies for a further description and to the consolidated and parent statements of changes in equity for the monetary effect of the adjusted misstatement.

Outlook

Management seeks to adjust the business to the current market. It is expected that all business units will gain profit of DKK 1,500k from operations for 2018.

Material assumptions and uncertainties

The financial statements are not based on any special assumptions or uncertainties.

Particular risks

The Group is not affected by risks that are significantly different from those usual for the transport and shipping industry in general.

Environmental performance

The Group, however, does what it can to reduce emissions.

Management commentary

Research and development activities

The Company has no special development activities.

Events after the balance sheet date

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

Consolidated income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		7.716.435	11.558.244
Staff costs	1	(7.405.833)	(9.536.105)
Depreciation, amortisation and impairment losses	2	(798.419)	(1.135.834)
Operating profit/loss		(487.817)	886.305
Other financial income	3	161.886	432.917
Impairment losses on financial assets		(150.000)	0
Other financial expenses	4	(745.746)	(1.405.602)
Profit/loss before tax		(1.221.677)	(86.380)
Tax on profit/loss for the year	5	(183.855)	(243.631)
Profit/loss for the year	6	(1.405.532)	(330.011)

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Goodwill		0	20.000
Intangible assets	7	0	20.000
Other fixtures and fittings, tools and equipment		982.013	2.497.083
Property, plant and equipment	8	982.013	2.497.083
Deposits		435.681	476.908
Other receivables		1.573.457	1.610.460
Fixed asset investments	9	2.009.138	2.087.368
Fixed assets		2.991.151	4.604.451
Trade receivables		23.774.641	29.380.109
Deferred tax	10	479.400	431.400
Other receivables		1.093.032	516.716
Prepayments	11	184.757	1.106.019
Receivables		25.531.830	31.434.244
Cash		1.681.650	879.661
Current assets		27.213.480	32.313.905
Assets		30.204.631	36.918.356

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		526.316	500.000
Retained earnings		(1.342.965)	(165.994)
Equity		(816.649)	334.006
Finance lease liabilities		0	403.327
Non-current liabilities other than provisions		0	403.327
Current portion of long-term liabilities other than provisions		402.354	1.500.103
Bank loans		3.646.018	5.109.067
Trade payables		19.602.213	25.341.888
Payables to group enterprises		1.322.500	1.935.500
Income tax payable		231.855	151.599
Other payables	12	5.816.340	2.142.866
Current liabilities other than provisions		31.021.280	36.181.023
Liabilities other than provisions		31.021.280	36.584.350
Equity and liabilities		30.204.631	36.918.356
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Group relations	17		
Subsidiaries	18		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	0	557.780	1.057.780
Corrections of material errors	0	0	(723.774)	(723.774)
Adjusted equity, beginning of year	500.000	0	(165.994)	334.006
Increase of capital	26.316	123.684	0	150.000
Transferred from share premium	0	(123.684)	123.684	0
Exchange rate adjustments	0	0	(90.123)	(90.123)
Group contributions etc	0	0	195.000	195.000
Profit/loss for the year	0	0	(1.405.532)	(1.405.532)
Equity end of year	526.316	0	(1.342.965)	(816.649)

Consolidated cash flow statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Operating profit/loss		(487.817)	886.305
Amortisation, depreciation and impairment losses		798.419	1.135.834
Working capital changes	13	3.267.238	(2.732.469)
Cash flow from ordinary operating activities		3.577.840	(710.330)
Financial income received		91.722	432.917
Financial income paid		(678.304)	(1.329.337)
Income taxes refunded/(paid)		(151.599)	(316.222)
Cash flows from operating activities		2.839.659	(1.922.972)
Acquisition etc of property, plant and equipment		(246.775)	(581.811)
Sale of property, plant and equipment		900.000	0
Acquisition of fixed asset investments		(227.730)	0
Sale of fixed asset investments		155.960	586.953
Cash flows from investing activities		581.455	5.142
Reduction of lease commitments		(1.501.076)	(942.567)
Cash increase of capital		150.000	0
Group contributions		195.000	0
Cash flows from financing activities		(1.156.076)	(942.567)
Increase/decrease in cash and cash equivalents		2.265.038	(2.860.397)
Cash and cash equivalents beginning of year		(4.229.406)	(1.369.009)
Cash and cash equivalents end of year		(1.964.368)	(4.229.406)
Cash and cash equivalents at year-end are composed of:			
Cash		1.681.650	879.661
Short-term debt to banks		(3.646.018)	(5.109.067)
Cash and cash equivalents end of year		(1.964.368)	(4.229.406)

Notes to consolidated financial statements

	2017 DKK	2016 DKK
1. Staff costs		
Wages and salaries	7.125.365	8.237.000
Pension costs	215.795	441.050
Other social security costs	45.115	815.959
Other staff costs	19.558	42.096
	7.405.833	9.536.105
Average number of employees	59	64
	Remunera- tion of manage- ment 2017 DKK	Remunera- tion of manage- ment 2016 DKK
Total amount for management categories	460.231	1.165.063
	460.231	1.165.063

Referring to S. 98b of the Danish Financial Statements Act, the distribution of remuneration between the Executive Board and the Board of Directors has not been disclosed.

	2017 DKK	2016 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	20.000	20.000
Depreciation of property, plant and equipment	861.845	1.115.469
Profit/loss from sale of intangible assets and property, plant and equipment	(83.426)	0
	798.419	1.135.469
	2017 DKK	2016 DKK
3. Other financial income		
Other interest income	91.722	432.917
Exchange rate adjustments	70.164	0
	161.886	432.917

Notes to consolidated financial statements

	2017 DKK	2016 DKK
4. Other financial expenses		
Financial expenses from group enterprises	105.000	17.500
Other interest expenses	302.409	974.363
Exchange rate adjustments	67.442	76.265
Other financial expenses	270.895	337.474
	745.746	1.405.602
	2017 DKK	2016 DKK
5. Tax on profit/loss for the year		
Current tax	231.855	147.931
Change in deferred tax	(48.000)	95.700
	183.855	243.631
	2017 DKK	2016 DKK
6. Proposed distribution of profit/loss		
Retained earnings	(1.405.532)	(330.011)
	(1.405.532)	(330.011)
		Goodwill DKK
7. Intangible assets		
Cost beginning of year		1.115.732
Cost end of year		1.115.732
Amortisation and impairment losses beginning of year		(1.095.732)
Amortisation for the year		(20.000)
Amortisation and impairment losses end of year		(1.115.732)
Carrying amount end of year		0

Notes to consolidated financial statements

		Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment		
Cost beginning of year		4.298.238
Additions		246.775
Disposals		(1.665.000)
Cost end of year		2.880.013
Depreciation and impairment losses beginning of year		(1.801.155)
Depreciation for the year		(861.845)
Reversal regarding disposals		765.000
Depreciation and impairment losses end of year		(1.898.000)
Carrying amount end of year		982.013
Recognised assets not owned by entity		386.108
	Deposits DKK	Other receivables DKK
9. Fixed asset investments		
Cost beginning of year	476.908	1.610.460
Additions	108	227.622
Disposals	(41.335)	(114.625)
Cost end of year	435.681	1.723.457
Impairment losses for the year	0	(150.000)
Impairment losses end of year	0	(150.000)
Carrying amount end of year	435.681	1.573.457

Notes to consolidated financial statements

	2017	2016
	DKK	DKK
10. Deferred tax		
Intangible assets	6.000	5.000
Property, plant and equipment	102.000	63.000
Receivables	33.000	0
Liabilities other than provisions	11.000	11.000
Tax losses carried forward	327.400	352.400
	479.400	431.400
Changes during the year		
Beginning of year	431.400	
Recognised in the income statement	48.000	
End of year	479.400	

During 2017, the Group has carried out a significant restructuring, which is expected to reduce the level of costs in the Group considerably for which reason Management budgets for future profits.

Management therefore expects to use the deferred tax asset in future earnings within the next 3-4 years, and consequently, has not found any indication of impairment of the deferred tax asset.

11. Prepayments

The item comprises the Group's prepaid costs.

	2017	2016
	DKK	DKK
12. Other short-term payables		
VAT and duties	3.678.354	1.071.429
Wages and salaries, personal income taxes, social security costs, etc payable	26.693	729.667
Holiday pay obligation	178.154	313.020
Other costs payable	28.750	28.750
	3.911.951	2.142.866
13. Change in working capital		
Increase/decrease in receivables	5.860.291	(152.320)
Increase/decrease in trade payables etc	(2.679.201)	(2.764.478)
Other changes	86.148	184.329
	3.267.238	(2.732.469)

Notes to consolidated financial statements

	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>6.737.218</u>	<u>7.421.827</u>

15. Assets charged and collateral

Bank debt is secured by way of letters of indemnity (floating charge) of DKK 6,000k nominal on intangible assets, property, plant and equipment and receivables.

The carrying amount of mortgaged intangible assets is DKK 0k.

The carrying amount of mortgaged property, plant and equipment is DKK 768k.

The carrying amount of mortgaged receivables is DKK 16,531k.

On behalf of Flex Logistics A/S, the Company's bank has provided payment guarantees of a total of DKK 4,092k.

16. Transactions with related parties

The Group has only had related party transactions conducted on an arm's length basis in the present financial year.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
AA Holding Århus ApS, Nordre Villavej 4, Vejle

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Flex Holding A/S, Lindevej 15, Lindved

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
18. Subsidiaries			
Flex Logistics A/S	Vejle	A/S	100,0
A2B Trans Sp Z.o.o.	Konin, PL	Z.o.o.	100,0
FLex Logistics Spain S.L.	Barcelona, ESP	S.L.	100,0
FLex Logistics Polen Z.o.o.	Konin, PL	Z.o.o.	100,0
FLex Logistics Ltd.	Burgas, BGR	Ltd.	100,0

Parent income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross loss		(26.632)	(15.739)
Income from investments in group enterprises		(1.082.584)	(304.072)
Other financial expenses	2	<u>(105.000)</u>	<u>(17.500)</u>
Profit/loss before tax		(1.214.216)	(337.311)
Tax on profit/loss for the year	3	<u>0</u>	<u>7.300</u>
Profit/loss for the year	4	<u>(1.214.216)</u>	<u>(330.011)</u>

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Investments in group enterprises		896.496	1.874.195
Fixed asset investments	5	896.496	1.874.195
Fixed assets		896.496	1.874.195
Deferred tax		8.400	8.400
Receivables		8.400	8.400
Current assets		8.400	8.400
Assets		904.896	1.882.595

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		526.316	500.000
Retained earnings		(1.151.649)	(165.994)
Equity		(625.333)	334.006
Payables to group enterprises		1.501.479	1.519.839
Other payables		28.750	28.750
Current liabilities other than provisions		1.530.229	1.548.589
Liabilities other than provisions		1.530.229	1.548.589
Equity and liabilities		904.896	1.882.595
Staff costs	1		
Contingent liabilities	6		
Transactions with related parties	7		

Parent statement of changes in equity for 2017

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	0	557.780	1.057.780
Corrections of material errors	0	0	(723.774)	(723.774)
Adjusted equity, beginning of year	500.000	0	(165.994)	334.006
Increase of capital	26.316	123.684	0	150.000
Transferred from share premium	0	(123.684)	123.684	0
Exchange rate adjustments	0	0	(90.123)	(90.123)
Group contributions etc	0	0	195.000	195.000
Profit/loss for the year	0	0	(1.214.216)	(1.214.216)
Equity end of year	526.316	0	(1.151.649)	(625.333)

The Parent's equity at 31.12.2017 amounts to -625,333, whereas the Group's equity amounts to DKK - 816,649 equal to a difference of DKK 191,316.

The difference is attributable to non-recognised negative equity value of investments in group enterprises in the parent financial statements, which has not been adjusted through a write-down of receivables and for which the Parent has not assumed a legal or constructive obligation.

Notes to parent financial statements

	<u>2017</u>	<u>2016</u>
1. Staff costs		
Average number of employees	<u>0</u>	
	<u>2017 DKK</u>	<u>2016 DKK</u>
2. Other financial expenses		
Financial expenses from group enterprises	105.000	17.500
	<u>105.000</u>	<u>17.500</u>
	<u>2017 DKK</u>	<u>2016 DKK</u>
3. Tax on profit/loss for the year		
Change in deferred tax	0	(7.300)
	<u>0</u>	<u>(7.300)</u>
	<u>2017 DKK</u>	<u>2016 DKK</u>
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	0	(35.974)
Retained earnings	(1.214.216)	(294.037)
	<u>(1.214.216)</u>	<u>(330.011)</u>
		<u>Investments in group enterprises DKK</u>
5. Fixed asset investments		
Cost beginning of year		4.501.600
Additions		195.008
Cost end of year		<u>4.696.608</u>
Impairment losses beginning of year		(2.627.405)
Exchange rate adjustments		(90.123)
Share of profit/loss for the year		(1.273.900)
Other adjustments		191.316
Impairment losses end of year		<u>(3.800.112)</u>
Carrying amount end of year		<u>896.496</u>

Of the year's additions at cost under investments in group enterprises, DKK 195,000 relates to group contributions granted to the subsidiary, Flex Logistics A/S.

Notes to parent financial statements

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

6. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2015 for income taxes etc for the jointly taxed entities and from 28 December 2015 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

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7. Transactions with related parties

The Company has only had related party transactions conducted on an arm's length basis in the present financial year.

Accounting policies

Reporting class

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

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Material errors in previous years

During the present financial year, Management has observed misstatements in previous year's provisions for payable subsistence allowance etc. to employees in one of the Group's Polish subsidiaries.

The misstatement is attributable to previous financial years and has therefore been adjusted as a material misstatement. The monetary effect of the adjustment is recognised directly in equity at 01.01.2017, and the comparative figures for the financial year for 2017 have been restated. Thus, the adjustment of the material error has no impact on the income statement for the financial year 2017.

Referring to Section 11(3) of the Danish Financial Statements Act, the following outline states the monetary effect on assets, equity and financial performance in the consolidated financial statements:

	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
Profit for the year according to consolidated financial statements 2016	0	393.763
Staff costs	<u>0</u>	<u>(723.774)</u>
Loss before tax	0	(330.011)
Tax on loss for the year	<u>0</u>	<u>0</u>
Adjusted financial performance	<u>0</u>	<u>(330.011)</u>
Assets according to consolidated financial statements 2016	0	36.918.356
Adjustment of "Deferred tax assets"	<u>0</u>	<u>0</u>
Total adjusted assets	<u>0</u>	<u>36.918.356</u>
Equity according to consolidated financial statements 2016	0	1.057.780
Adjustment	<u>0</u>	<u>(723.774)</u>
Total adjusted equity	<u>0</u>	<u>334.006</u>

Accounting policies

The comparative figures in the financial statements have been restated as follows:

	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
Profit for the year according to financial statements 2016	0	393.763
Income from investments in group enterprises	<u>0</u>	<u>(723.774)</u>
Adjusted financial performance	<u>0</u>	<u>(330.011)</u>
Assets according to financial statements 2016	0	2.606.369
Adjustment of "Investments in group enterprises"	<u>0</u>	<u>(723.774)</u>
Total adjusted assets	<u>0</u>	<u>1.882.595</u>
Equity according to financial statements 2016	0	1.057.780
Adjustment	<u>0</u>	<u>(723.774)</u>
Total adjusted equity	<u>0</u>	<u>334.006</u>

Please refer to the statement of changes in equity in these consolidated and parent financial statements for the impact on the Group's and the Parent's financial position.

Recognition and measurement

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

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

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

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

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

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Accounting policies

Basis of consolidation

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Accounting policies

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

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

Impairment losses on financial assets

Impairment of financial assets comprises impairment of financial assets which are not measured at fair value on a current basis.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

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

Tax on profit/loss for the year

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

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets.

The amortisation periods used are 5 years.

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

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

Other fixtures and fittings, tools and equipment	3-5 years
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Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value

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

Receivables

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Accounting policies

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Income tax receivable or payable

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

Cash flow statement

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

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

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

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

Cash and cash equivalents comprise cash and less short-term bank loans.