

Dynatest South America Holding ApS

Tempovej 27
2750 Ballerup
Business Registration No
38281194

Annual report 2018

The Annual General Meeting adopted the annual report on 14.06.2019

Chairman of the General Meeting

Name: Nicholas Liebach

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018	8
Balance sheet at 31.12.2018	9
Statement of changes in equity for 2018	11
Notes	12
Accounting policies	15

Entity details

Entity

Dynatest South America Holding ApS
Tempovej 27
2750 Ballerup

Central Business Registration No (CVR): 38281194

Registered in: Ballerup

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Christian Lanng Nielsen, Chairman
Lars Ytting
Helle Lund Bjerre
Christian Ussing-Nielsen

Executive Board

Søren Starup Nielsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København 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 Dynatest South America Holding ApS for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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.

Copenhagen, 14.06.2019

Executive Board

Søren Starup Nielsen
CEO

Board of Directors

Christian Lanng Nielsen
Chairman

Lars Ytting

Helle Lund Bjerre

Christian Ussing-Nielsen

Independent auditor's report

To the shareholders of Dynatest South America Holding ApS

Opinion

We have audited the financial statements of Dynatest South America Holding ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Material uncertainty related to going concern

Regarding the Company's ability to continue operation in 2019 we refer til note 1. We have not come to another conclusion regarding the Material accounting judgements and estimates made by Management with respect to the Company's ability to continue operation in 2019.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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

Independent auditor's report

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 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 financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

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

Independent auditor's report

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the 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.

Copenhagen, 14.06.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Flemming Larsen
State Authorised Public Accountant
Identification No (MNE) mne27790

Management commentary

Primary activities

Dynatest International Group ("Group") is a leading international provider of pavement engineering consulting services and equipment, including unique software tools for use in planning and maintenance of pavements for airports and roads.

Dynatest South America ApS is a subsidiary of Dynatest International A/S, and is the parent company for Dynatest's activities in South America.

Development in activities and finances

The Company has a loss for the year of (11,533) th. DKK, and at December 31, 2018 the Equity amounts to (7,242) th.DKK.

The loss for the year is materially effected by write down of intercompany receivables with an amount of 11,269 th. DKK.

Due to the years financial developments, the Entity has lost more than half of the subscribed capital. For this reason, the Entity falls within the provisions of § 119 in the Danish Companies Act governing loss of capital. Management believes that the capital loss situation will be repaired by means of future income. Therefore, management finds it appropriate to present the 2018 financial statements on a going concern basis.

The Dynatest Group has, since a period in 2015 and 2016 with very poor financial performance, been transformed through a comprehensive turnaround. The turnaround, that has taken place in 2016 and 2017, has involved many changes mainly related to aligning cost with activities, strengthening the business platform and making the business scalable preparing its capability to support future growth. Among other things this has involved organizational changes in management and the sales organization, improved production processes and business processes in general, introduction of transparent reporting supporting decision making and closing down business areas and representations that was not profitable.

During the turnaround, financial performance of the Group has gradually improved and in 2018 the Group has realized a revenue growth of approx. 60% since 2016 and generating a positive profit from operations before depreciations. Although the company has now regained its ability to generate positive EBITDA, management is still not considering it to be a satisfactory level taking into considerations the global market opportunities.

The substantial improvement of the financial performance of the Group in 2018 has had a positive impact on liquidity, although the Group is still not able to cover the liquidity requirements to mitigate the impact from the financial losses realized in 2015-2017 and support a continued high market demand for investment in further development of products and services. This cause the Group to be driven under very tight liquidity.

Management commentary

Up and to now, the operations have been funded by ordinary and temporary credit lines in the Groups main bank, Sydbank, and guaranteed by the primary shareholder SE Blue Equity. The financial services of the Danish Export Credit Agency (EKF) are being used, to the extent that is possible, to secure surety related to certain export activities.

Management and the board of directors have prepared an ambitious budget for 2019 including initiatives to continue the revenue growth and continued investments in the market driven R&D activities and the development of the Group, in general. The overall driver to improved liquidity in the budget for 2019 is expected to be revenue growth. Despite a significantly improved financial performance through 2016-2018 and positive expectations to the 2019 financial performance the Group's ability to generate liquidity to support the growth is still insufficient to mitigate the risk of deviations from budget. Management assess that the chance of achieving the 2019 budget will be essentially improved by the establishment of a more solid funding platform involving either additional funding from the current owners, third party equity funding or extended credit line facilities.

Due to these circumstances the board of directors has initiated a process to search for a partner that can enhance the Group's current liquidity /credit lines and strengthen the equity of the Group. Thus, the continued investments and the fulfillment of the contemplated actives in the 2019 budget is prerequisite that additional credit lines be made available to the Group. It is managements expectation that it will be possible to attract a strategic partner to the Group in the near term.

Outlook

As mentioned in section "Development in activities and finance" the board of directors has initiated initiatives to ensure the continued financing of the Group. But the overall driver to improved liquidity is expected to be revenue growth. It is therefore imperative that the Group's order intake continues the positive trend that has been reported the past couple of years and is prerequisite of the fulfillment of the ambitious 2019 budget.

Dynatest South America Holding ApS is dependant on Dynatest International to ensure financing and payment of the company's financial obligations.

Under these preconditions it is Managements assessment that the financial statements for the financial year 2018 are presented under a going concern assumption. Meanwhile management do acknowledge that there is uncertainty as to whether it will be possible to attract a strategic partner and whether the budget for 2019 can be realized as expected, which indicates that doubts can be raised about the Group's ability to continue operation.

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.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK'000</u>
Gross profit		0	0
Administrative expenses		(114.250)	(85)
Operating profit/loss		(114.250)	(85)
Other financial income	2	184.592	76
Impairment losses on financial assets		(11.269.156)	(2.777)
Other financial expenses		(334.219)	(473)
Profit/loss for the year		(11.533.033)	(3.259)
Proposed distribution of profit/loss			
Retained earnings		(11.533.033)	(3.259)
		(11.533.033)	(3.259)

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK'000</u>
Investments in group enterprises		3	0
Receivables from group enterprises		0	4.855
Fixed asset investments	3	<u>3</u>	<u>4.855</u>
Fixed assets		<u>3</u>	<u>4.855</u>
Cash		<u>12.103</u>	<u>4.558</u>
Current assets		<u>12.103</u>	<u>4.558</u>
Assets		<u>12.106</u>	<u>9.413</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK'000</u>
Contributed capital	4	75.000	75
Retained earnings		<u>(7.316.694)</u>	<u>4.216</u>
Equity		<u>(7.241.694)</u>	<u>4.291</u>
Debt to other credit institutions		5.211.808	4.967
Payables to group enterprises		<u>1.685.488</u>	<u>0</u>
Non-current liabilities other than provisions	5	<u>6.897.296</u>	<u>4.967</u>
Trade payables		0	85
Other payables		<u>356.504</u>	<u>70</u>
Current liabilities other than provisions		<u>356.504</u>	<u>155</u>
Liabilities other than provisions		<u>7.253.800</u>	<u>5.122</u>
Equity and liabilities		<u>12.106</u>	<u>9.413</u>
Going concern	1		
Contingent liabilities	6		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	75.000	4.216.339	4.291.339
Profit/loss for the year	0	(11.533.033)	(11.533.033)
Equity end of year	75.000	(7.316.694)	(7.241.694)

Notes

1. Going concern

Due to the years financial developments, the Entity has lost more than half of the subscribed capital. For this reason, the Entity falls within the provisions of § 119 in the Danish Companies Act governing loss of capital. Management believes that the capital loss situation will be repaired by means of future income. Therefore, management finds it appropriate to present the 2018 financial statements on a going concern basis.

The management commentary, to which we refer, states how the Group's future activities are expected to be financed.

The planned activities for 2019 expects to generate a positive EBITDA. Despite a significantly improved financial performance through 2016-2018 and positive expectations to the 2019 financial performance, the Group's ability to generate liquidity to support the growth is still insufficient to mitigate the risk of deviations from budget. Management assess that the chance of achieving the 2019 budget will be essentially improved by the establishment of a more solid funding platform involving either additional funding from the current owners, third party equity funding or extended credit lines.

The Group's business, by nature, include sales and activities from which the timing of actual cash flow can be difficult to predict detailed. The planned activities - including continued strengthening of topline and EBITDA during the financial year 2019 compared to the financial year 2018 - is based on assumptions which Management consider to be reasonable and realistic, but which by nature include a level of uncertainty.

If the assumptions is not realized as expected, the financing resources and thereby the sufficiency of liquidity for financing the Group's activities can be affected negatively, and/or the timing of investments being made, may be incurred.

Under these preconditions it is Managements assessment that the Financial Statements for the financial year 2018 are presented under a going concern assumption.

Management do acknowledge the necessity of attracting a strategic partner or achieve other means of funding to the Group's ability to continue its operations. Management also acknowledge that there is uncertainty as to whether it will be possible to attract a strategic partner and whether the budget for 2019 can be realized as expected, which indicates that doubts can be raised about the Group's ability to continue operation.

Notes

	2018	2017
	DKK	DKK'000
2. Other financial income		
Financial income arising from group enterprises	184.592	76
	184.592	76

	Invest- ments in group enterprises DKK	Receivables from group enterprises DKK
3. Fixed asset investments		
Cost beginning of year	3	7.631.669
Additions	0	12.603.099
Disposals	0	(6.188.509)
Cost end of year	3	14.046.259
Impairment losses beginning of year	0	(2.777.103)
Investments with negative equity value depreciated over receivables	0	(11.269.156)
Impairment losses end of year	0	(14.046.259)
Carrying amount end of year	3	0

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK	Profit/loss DKK
Investments in group enterprises comprise:					
Dynatest Colombia SpA	Columbia	SpA	100,0	(5.474.609)	(476.301)
Dynatest Peru SpA	Peru	SpA	100,0	(4.527.097)	(2.219.151)
Dynatest Chile SpA	Chile	SpA	100,0	(4.755.780)	(3.247.533)

Notes

	Number	Par value DKK	Nominal value DKK
4. Contributed capital			
Share capital	75.000	1	75.000
	75.000		75.000

	Outstanding after 5 years DKK
5. Liabilities other than provisions	
Debt to other credit institutions	3.333.000
	3.333.000

6. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Dynatest Finance ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

As security for debt to other credit institutions the Company has provided security for 1m USD in fixture and equipment, which currently is in use in the South American subsidiaries.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are stated below.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets etc.

Impairment of financial assets

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

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities etc.

Balance sheet

Investments in group enterprises

Investments in group enterprises are measured at cost.

Investments 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.

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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