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Dynatest International A/S

Gladsaxevej 342
2860 Søborg
Central Business Registration No 64532413

Annual report 2016

The Annual General Meeting adopted the annual report on 04.07.2017

Chairman of the General Meeting

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Name: Nicholas Liebach

Contents

Entity details

Entity
Dynatest International A/S
Gladsaxevej 342
2860 Søborg

Central Business Registration No: 64532413
Registered in: Gladsaxe
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Christian Møller Christensen, formand
Anders Sørensen
Johannes Sloth
Lars Christian Pallesen
Jacob Thalsgård Schambye

Executive Board
Christian Lanng Nielsen, CEO
Lars Ytting, CFO

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 International A/S for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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.

Søborg, 04.07.2017

Executive Board

Christian Lanng Nielsen CEO	Lars Ytting CFO

Board of Directors

Christian Møller Christensen formand	Anders Sørensen	Johannes Sloth
Lars Christian Pallesen	Jacob Thalsgård Schambye	

Independent auditor's report

To the shareholders of Dynatest International A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Dynatest International A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity 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, 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 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

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 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 opinion.

Material uncertainty related to going concern

We refer to the disclosures in the management commentary's paragraph on "Outlook" as well as in note 1 in which Management states that the activities planned for the remaining part of the financial year 2017 are expected to generate additional liquidity in the second half of 2017. On this basis, Management has presented the consolidated financial statements and parent financial statements on the assumption of going concern. In the paragraph "Management's material judgements and estimates" in the accounting policies, Management describes that in case the planned activities are not realised as expected, the capital resources and with it the sufficiency of the liquidity to finance the Group's activities may be affected negatively. We have not qualified our opinion in respect of this issue.

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 applicable, matters related to going concern, and for using the going concern basis of accounting in preparing

Independent auditor's report

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 exits. 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.

Copenhagen, 04.07.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jens Sejer Pedersen
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	115.192	155.400	155.706	118.796	118.357
Gross profit/loss	23.996	37.315	55.684	36.944	35.553
Operating profit/loss	(53.391)	(35.529)	3.823	(1.135)	6.075
Net financials	(4.905)	(696)	(469)	(794)	(782)
Profit/loss for the year	(49.093)	(35.650)	167	(1.849)	4.031
Total assets	115.989	108.952	99.594	100.291	66.742
Investments in property, plant and equipment	7.139	22.844	4.200	5.216	3.610
Equity incl minority interests	34.620	10.693	44.758	17.163	22.035
Employees in average	136	144	107	92	88
Ratios					
Gross margin (%)	20,8	24,0	35,8	31,1	30,0
Net margin (%)	(42,6)	(22,9)	0,1	(1,6)	3,4
Return on equity (%)	(216,7)	(128,6)	0,5	(9,4)	20,2
Equity ratio (%)	29,8	9,8	44,9	17,1	33,0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

Dynatest International A/S is a leading international provider of pavement engineering consulting services and equipment incl. unique software tools for use in planning and maintenance of pavements for airports and roads.

Dynatest International A/S has its headquarter in Copenhagen, Denmark, with subsidiaries in Denmark, USA, UK, South America and New Zealand. The Dynatest group is selling its products and services globally.

Development in activities and finances

The unsatisfactory financial performance Dynatest International A/S experienced in 2015 has continued into 2016 generating a loss of DKK (49.1)m. As per December 31, 2016 the equity amounts to DKK 34.6m. The loss is generated by dropping revenue caused by low sales focus, high staff costs and low productivity. Actions to mitigate further losses were initiated in the first half of 2016 and continued during the year by a new management team.

During the year 2016, the cost base has been reduced to fit the current level of activity. At December 31th 2016 the number of employees was reduced to 111.

Actions to generate more revenue has been initiated. The effect of these initiatives will show in 2017.

The poor profitability has had a substantial negative effect on the liquidity situation of the company which has required infusion of additional capital. The owners, Blue Equity, has during the year infused an additional 73 mill DKK to recover equity and secure the Company's ability to continue its daily operations.

In December, an agreement in principal with Investeringsfonden for udviklingslande (IFU) was finalized in order to strengthen the activities to build a profitable business in South America. IFU has agreed to acquire ownership of 33% of the holding company Dynatest South America ApS, who holds all activities in South America. This agreement was signed in December 2016 and effected in Q1 of 2017 upon all conditions in the agreement being met.

Uncertainty related to recognition and measurement

When preparing the Group and the Company's annual report, it is necessary that Management, in accordance with legislative provisions, makes a number of accounting judgements and estimates which form the basis for the annual report. Material accounting judgements and estimates made by Management are described in the paragraph "managements material judgements and estimates" under accounting policies, to which we refer.
The accounting judgements and estimates made primarily relates to

- The sufficiency of the Group's financing
- The recognition and measurement of development costs

Management commentary

- The measuring of the stage of completion and the value of contract work in progress

Such estimates are made on the basis of assumptions which Management considers reasonable and realistic, but which by nature are uncertain.

Outlook

The outlook for 2017 is positive. The turnaround plan implemented in 2016 is expected to have the full budgeted effect and enable the Group to generate a small positive EBITDA for the financial year 2017, a positive development compared to the significant negative EBITDA for the financial year 2016. The financial performance of the first months of 2017 support the positive development as the year to date (YTD) earning is stronger than the similar period last year and a positive EBITDA is expected for the remaining part of 2017.

To finance the Group’s activities in the financial year 2017, including financing the expected increased activity in sales, a more flexible liquidity preparedness in certain periods of 2017 is required. To support the financing of the activities (going concern) including the requirements of working capital, Dynatest has entered into a sale and lease back agreement with Sydbank. The leasing agreement have been sufficient to finance the negative YTD earning and to re-financing of some existing US loan facilities. The lease agreement is expected to provide Dynatest liquidity to perform its planed activities within the established current credit lines, with a small liquidity buffer.

The planned activities for the remaining part of the financial year 2017, combined with tax refunding late in 2017, is expected to deliver additional liquidity in the second half of 2017, thus the total financing is considered sufficient to cover any periodical fluctuations in liquidity over the remaining part of the year.

On this basis the financial statements for the financial year 2016 are presented under a going concern assumption.

Events after the balance sheet date

No essential events have occurred after the balance sheet date which can influence the evaluation of this annual report.

Consolidated income statement for 2016

	Notes	2016 DKK	2015 DKK'000
Revenue		115.191.530	155.400
Production costs	2	(91.195.871)	(118.085)
Gross profit/loss		**23.995.659**	**37.315**
Distribution costs	2	(10.965.291)	(13.429)
Administrative costs	2	(66.421.257)	(59.415)
Operating profit/loss		**(53.390.889)**	**(35.529)**
Income from investments in associates		357.584	421
Other financial income	3	137.769	177
Other financial expenses	4	(5.400.546)	(1.294)
Profit/loss before tax		**(58.296.082)**	**(36.225)**
Tax on profit/loss for the year	5	9.203.356	575
Profit/loss for the year	6	**(49.092.726)**	**(35.650)**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Completed development projects		4.629.910	6.205
Development projects in progress		13.510.797	4.325
Intangible assets	7	**18.140.707**	**10.530**
Land and buildings		177.271	2.597
Other fixtures and fittings, tools and equipment		34.165.565	34.680
Property, plant and equipment	8	**34.342.836**	**37.277**
Investments in associates		3.130.357	2.772
Deposits		694.222	683
Fixed asset investments	9	**3.824.579**	**3.455**
Fixed assets		**56.308.122**	**51.262**
Raw materials and consumables		12.445.210	13.608
Assets held for sale		2.504.217	0
Prepayments for goods		956.394	4
Inventories		**15.905.821**	**13.612**
Trade receivables		25.345.060	33.811
Contract work in progress	11	5.181.733	3.570
Other receivables		15.188	21
Income tax receivable		4.405.864	2.378
Prepayments	12	2.790.301	2.823
Receivables		**37.738.146**	**42.603**
Cash		**6.036.639**	**1.475**
Current assets		**59.680.606**	**57.690**
Assets		**115.988.728**	**108.952**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Contributed capital		15.971.298	2.040
Retained earnings		18.648.498	8.653
Equity		**34.619.796**	**10.693**
Deferred tax	13	0	36
Other provisions	14	610.572	2.287
Provisions		**610.572**	**2.323**
Mortgage debts		0	316
Bank loans		4.759.709	1.860
Prepayments received from customers		455.985	6.905
Other payables		1.989.658	0
Deferred income	15	4.821.633	0
Non-current liabilities other than provisions	16	**12.026.985**	**9.081**
Current portion of long-term liabilities other than provisions	16	2.183.023	956
Bank loans		35.554.444	52.049
Prepayments received from customers		6.314.896	1.684
Contract work in progress	11	620.343	1.272
Trade payables		9.505.952	18.227
Income tax payable		267.095	0
Other payables		14.285.622	12.667
Current liabilities other than provisions		**68.731.375**	**86.855**
Liabilities other than provisions		**80.758.360**	**95.936**
Equity and liabilities		**115.988.728**	**108.952**
Going concern	1		
Associates	10		
Mortgages and securities	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2.040.000	8.652.987	10.692.987
Increase of capital	13.931.298	59.068.702	73.000.000
Exchange rate adjustments	0	19.535	19.535
Profit/loss for the year	0	(49.092.726)	(49.092.726)
Equity end of year	**15.971.298**	**18.648.498**	**34.619.796**

Consolidated cash flow statement for 2016

	Notes	2016 DKK	2015 DKK'000
Operating profit/loss		(53.390.889)	(34.328)
Amortisation, depreciation and impairment losses		7.518.590	7.060
Other provisions		(1.676.428)	(127)
Working capital changes	17	2.816.387	10.741
Cash flow from ordinary operating activities		**(44.732.340)**	**(16.654)**
Financial income received		137.769	177
Financial income paid		(5.400.546)	(1.293)
Income taxes refunded/(paid)		7.446.786	(2.942)
Cash flows from operating activities		**(42.548.331)**	**(20.712)**
Acquisition etc of intangible assets		(9.185.699)	(4.956)
Acquisition etc of property, plant and equipment		(7.138.591)	(22.868)
Sale of property, plant and equipment		2.767.270	3.497
Acquisition of fixed asset investments		(11.527)	(589)
Sale of fixed asset investments		0	829
Cash flows from investing activities		**(13.568.547)**	**(24.087)**
Loans raised		4.173.008	0
Instalments on loans etc		0	(3.319)
Cash increase of capital		73.000.000	0
Cash flows from financing activities		**77.173.008**	**(3.319)**
Increase/decrease in cash and cash equivalents		**21.056.130**	**(48.118)**
Cash and cash equivalents beginning of year		(50.573.935)	(2.456)
Cash and cash equivalents end of year		**(29.517.805)**	**(50.574)**
Cash and cash equivalents at year-end are composed of:			
Cash		6.036.639	1.475
Short-term debt to banks		(35.554.444)	(52.049)
Cash and cash equivalents end of year		**(29.517.805)**	**(50.574)**

Notes to consolidated financial statements

1. Going concern

As described in the management commentary and in the section Accounting policies – Management's material judgements and estimates, to which we refer, financing the Group's activities in the financial year 2017, including financing the expected increased activity in sales, requires a more flexible liquidity preparedness in certain periods of 2017.

To establish sufficient financing for continuing the Groups activities (going concern) and to support the requirements of working capital, Dynatest has entered into a sale and lease back agreement with Sydbank. The leasing agreement is backed by the majority shareholder, and generate net cash of 14.1 mDKK after paying instalments due in 2017. In addition hereto expected sales in the second half of 2017 together with a tax refund is expected to deliver additional liquidity, which generates a relevant liquidity buffer within the existing credit lines.

In the light of the above, Management find that the Group to have sufficient capital resources for the planned activities until achieving profitable operation and, as such, the consolidated financial statements and parent financial statements for the financial year 2016 are presented under the going concern assumption.

	2016 DKK	**2015 DKK'000**
2. Staff costs		
Wages and salaries	72.327.581	63.247
Pension costs	2.479.770	1.783
Other social security costs	8.294.244	8.017
Other staff costs	1.306.539	935
	84.408.134	**73.982**
Average number of employees	**155**	**144**

	Remuneration of management 2016 DKK	**Remuneration of management 2015 DKK'000**
Total amount for management categories	4.432.000	2.135
	4.432.000	**2.135**

Notes to consolidated financial statements

	2016 DKK	2015 DKK'000
3. Other financial income		
Interest income	6.156	177
Exchange rate adjustments	131.613	0
	137.769	**177**

	2016 DKK	2015 DKK'000
4. Other financial expenses		
Interest expenses	4.405.876	1.294
Exchange rate adjustments	994.670	0
	5.400.546	**1.294**

	2016 DKK	2015 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	(4.100.000)	(166)
Change in deferred tax for the year	(34.570)	(409)
Adjustment concerning previous years	(5.068.786)	0
	(9.203.356)	**(575)**

	2016 DKK	2015 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	(49.092.726)	(35.650)
	(49.092.726)	**(35.650)**

	Completed develop-ment projects DKK	Develop-ment projects in progress DKK
7. Intangible assets		
Cost beginning of year	8.940.685	4.325.098
Transfers	(325.981)	0
Additions	0	9.185.699
Cost end of year	**8.614.704**	**13.510.797**
Amortisation and impairment losses beginning of year	(2.735.818)	0
Amortisation for the year	(1.248.976)	0
Amortisation and impairment losses end of year	**(3.984.794)**	**0**
Carrying amount end of year	**4.629.910**	**13.510.797**

Notes to consolidated financial statements

Development projects in progress

Development projects in progress comprise development of new equipment and new analysis- and software-tools. The development of the new products are expected to be finalized in the period from mid 2017 to mid 2018, and launched immediately thereafter. The development projects in progress, will once finalized, contribute to faster and better analysis, thus reducing the cost per analyzed kilometer roadpavement considerably. The new products will give Dynatest competitive advantages and expects to result in annual increase in revenue in the range from DKK ('000) 3.000 to DKK ('000) 12.000 over a five year period.

Completed development projects comprise projects finalized in 2015 and earlier. Revenue and profit has since the launch of these products been in line with budgetted expectations, thus not giving any indication of impairment.

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment		
Cost beginning of year	4.441.953	57.553.992
Exchange rate adjustments	144.900	1.310.033
Transfers	(4.409.582)	325.981
Additions	0	7.138.591
Disposals	0	(4.292.700)
Cost end of year	**177.271**	**62.035.897**
Depreciation and impairment losses beginning of the year	(1.845.172)	(22.873.105)
Exchange rate adjustments	(60.191)	(387.981)
Transfers	2.040.301	0
Depreciation for the year	(134.938)	(6.134.676)
Reversal regarding disposals	0	1.525.430
Depreciation and impairment losses end of the year	**0**	**(27.870.332)**
Carrying amount end of year	**177.271**	**34.165.565**

Notes to consolidated financial statements

	Investment s in associates DKK	Deposits DKK
9. Fixed asset investments		
Cost beginning of year	95.950	682.695
Additions	0	11.527
Cost end of year	**95.950**	**694.222**
Revaluations beginning of year	2.676.823	0
Share of profit/loss for the year	357.584	0
Revaluations end of year	**3.034.407**	**0**
Carrying amount end of year	**3.130.357**	**694.222**

	Registered in	Equity inte-rest %
10. Associates		
Dynatest Asia-Pacific Sd. Bhd	Malaysia	49,0
Dynatest Africa Ltd.	Sydafrika	50,0

	2016 DKK	2015 DKK'000
11. Contract work in progress		
Contract work in progress	11.442.553	4.658
Progress billings regarding contract work in progress	(6.881.163)	(2.359)
Transferred to liabilities other than provisions	620.343	1.271
	5.181.733	**3.570**

12. Prepayments

Prepayments comprise prepaid expenses.

Notes to consolidated financial statements

	2016 DKK	2015 DKK'000
13. Deferred tax		
Property, plant and equipment	0	36
	0	**36**
Changes during the year		
Beginning of year	34.570	
Recognised in the income statement	(34.570)	
End of year	**0**	

14. Other provisions

Other provisions comprise warranty obligations.

15. Long-term deferred income

The company has received part public funding of an ongoing development project. The deferred income will be set off against the amortization of the cost of the development project, once this is finalized and in use.

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK	Outstanding after 5 years DKK
16. Liabilities other than provisions				
Mortgage debts	244.264	215	0	0
Bank loans	1.777.130	741	4.759.709	0
Prepayments received from customers	0	0	455.985	0
Other payables	161.629	0	1.989.658	1.058.000
Deferred income	0	0	4.821.633	3.400.000
	2.183.023	**956**	**12.026.985**	**4.458.000**

	2016 DKK	2015 DKK'000
17. Change in working capital		
Increase/decrease in inventories	210.396	932
Increase/decrease in receivables	6.892.718	(2.918)
Increase/decrease in trade payables etc	(4.286.727)	12.727
	2.816.387	**10.741**

Notes to consolidated financial statements

18. Mortgages and securities

Dynatest International A/S has issued a Letter of Support in regards to the subsidiaries Dynatest UK Ltd., Dynatest New Zeeland Ltd. and Dynatest Denmark A/S.

Dynatest International A/S has entered into lease agreements for office supply with a lease obligation of DKK (‘000) 1,721 for a 3 years period.

As a security for debt to banks of DKK (‘000) 24,600 Dynatest Denmark A/S has issued a floating charge of a nominal amount of DKK (‘000) 7,000.

The floating charge includes the following assets, with a carrying amount as at 31 December 2016 of:

Fixtures and equipment, DKK (‘000) 15,751
Trade receivables, DKK (‘000) 8,308
Inventories, DKK (‘000) 5,973

Dynatest Denmark A/S has issued guarantees to customers in the amount of DKK (‘000) 2.812, and has lease payments (operating lease) of DKK (‘000) 241 until 2021.

Dynatest Denmark A/S has signed a tenancy rental agreement with 65 months interminability at 31 December 2016 corresponding to a rent of DKK (‘000) 9,783.

Dynatest Consulting Inc has lease and rental agreements in the amount of DKK (‘000) 29,102 with expiry in the period until 2026.

As security for debt to banks and lenders Dynatest Consulting Inc. has provided the following security for:

Property, inventory, receivables, cars, furniture, fixtures, tools and equipment, with a total carrying amount as at 31 December 2016 of DKK (‘000) 44,676.

The Danish companies in the Dynatest International A/S-Group participates in a Danish joint taxation arrangement in which Dynatest Finance ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to withholding tax on interest, royalties and dividend for the jointly taxed companies.

Notes to consolidated financial statements

	Registered in	Equity interest %	Equity DKK	Profit/loss DKK
19. Subsidiaries				
Dynatest North America Inc.	Atlanta, USA	100,0	15.980.469	(27.156.400)
Dynatest Denmark A/S	Søborg, Danmark	100,0	(29.668.158)	(16.707.047)
Dynatest UK Ltd.	England	100,0	(2.968.459)	(1.068.001)
Dynatest New Zeeland Ltd.	New Zeeland	100,0	(1.177.428)	(466.389)
Dynatest Chile SpA	Chile	100,0	(3.616.058)	(3.550.488)
Dynatest Nederland B.V.	Holland	100,0	(360.437)	(1.703.474)
Dynatest Peru SpA	Peru	100,0	(1.521.012)	(1.535.435)
Dynatest Columbia SpA	Columbia	100,0	(5.142.310)	(5.142.310)
Dynatest Poland	Polen	100,0	(118.905)	(299.634)
Dynatest South America Holding ApS	Søborg, Danmark	100,0	50.000	0
Internal profit on fixed assets	N/A	N/A	(2.787.637)	(155.216)

Parent income statement for 2016

	Notes	2016 DKK	2015 DKK'000
Revenue		23.565.463	21.188
Production costs		(7.470.247)	(10.849)
Gross profit/loss		**16.095.216**	**10.339**
Administrative costs	1	(14.867.915)	(10.931)
Operating profit/loss		**1.227.301**	**(592)**
Income from investments in group enterprises		(57.769.970)	(37.200)
Income from investments in associates		357.584	421
Other financial income	2	2.650.414	2.405
Other financial expenses	3	(2.890.482)	(368)
Profit/loss before tax		**(56.425.153)**	**(35.334)**
Tax on profit/loss for the year	4	7.332.427	(316)
Profit/loss for the year	5	**(49.092.726)**	**(35.650)**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Completed development projects		4.629.911	6.205
Development projects in progress		13.510.797	4.325
Intangible assets	6	**18.140.708**	**10.530**
Other fixtures and fittings, tools and equipment		0	880
Property, plant and equipment	7	**0**	**880**
Investments in group enterprises		13.120.475	13.947
Receivables from group enterprises		7.725.228	0
Investments in associates		3.130.357	2.771
Deposits		44.700	45
Fixed asset investments	8	**24.020.760**	**16.763**
Fixed assets		**42.161.468**	**28.173**
Trade receivables		0	980
Receivables from group enterprises		0	11.387
Other receivables		286.329	1.564
Income tax receivable		4.100.000	0
Prepayments	9	367.456	60
Receivables		**4.753.785**	**13.991**
Cash		**85.742**	**178**
Current assets		**4.839.527**	**14.169**
Assets		**47.000.995**	**42.342**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Contributed capital	10	15.971.298	2.040
Reserve for development expenditure		7.164.845	0
Retained earnings		11.483.653	8.653
Equity		**34.619.796**	**10.693**
Deferred tax	11	1.838.000	1.621
Provisions		**1.838.000**	**1.621**
Deferred income	12	4.821.633	0
Non-current liabilities other than provisions	13	**4.821.633**	**0**
Bank loans		2.040.818	25.252
Trade payables		2.509.398	2.805
Payables to group enterprises		0	1.709
Other payables		1.171.350	262
Current liabilities other than provisions		**5.721.566**	**30.028**
Liabilities other than provisions		**10.543.199**	**30.028**
Equity and liabilities		**47.000.995**	**42.342**
Mortgages and securities	14		
Related parties with controlling interest	15		

Parent statement of changes in equity for 2016

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2.040.000	0	8.652.987	10.692.987
Increase of capital	13.931.298	0	59.068.702	73.000.000
Exchange rate adjustments	0	0	19.535	19.535
Profit/loss for the year	0	7.164.845	(56.257.571)	(49.092.726)
Equity end of year	**15.971.298**	**7.164.845**	**11.483.653**	**34.619.796**

Notes to parent financial statements

	2016 DKK	2015 DKK'000
1. Staff costs		
Wages and salaries	4.254.034	1.707
Pension costs	342.000	166
Other social security costs	6.306	10
	4.602.340	**1.883**
Average number of employees	**3**	**2**

	Remunera-tion of manage-ment 2016 DKK	Remunera-tion of manage-ment 2015 DKK'000
Total amount for management categories	4.432.000	2.135
	4.432.000	**2.135**

	2016 DKK	2015 DKK'000
2. Other financial income		
Financial income arising from group enterprises	827.183	690
Exchange rate adjustments	1.823.231	1.715
	2.650.414	**2.405**

	2016 DKK	2015 DKK'000
3. Other financial expenses		
Interest expenses	2.890.482	368
	2.890.482	**368**

	2016 DKK	2015 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	(4.100.000)	0
Change in deferred tax for the year	216.521	316
Adjustment concerning previous years	(3.448.948)	0
	(7.332.427)	**316**

Notes to parent financial statements

	2016 DKK	2015 DKK'000
5. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	0	(8.691)
Transferred to other reserves	7.164.845	0
Retained earnings	(56.257.571)	(26.959)
	(49.092.726)	**(35.650)**

	Completed develop-ment projects DKK	Develop-ment projects in progress DKK
6. Intangible assets		
Cost beginning of year	8.940.686	4.325.098
Transfers	(325.981)	0
Additions	0	9.185.699
Cost end of year	**8.614.705**	**13.510.797**
Amortisation and impairment losses beginning of year	(2.735.818)	0
Amortisation for the year	(1.248.976)	0
Amortisation and impairment losses end of year	**(3.984.794)**	**0**
Carrying amount end of year	**4.629.911**	**13.510.797**

Development projects in progress

Development projects in progress comprise development of new equipment and new analysis- and software-tools. The development of the new products are expected to be finalized in the period from mid 2017 to mid 2018, and launched immediately thereafter. The development projects in progress, will once finalized, contribute to faster and better analysis, thus reducing the cost per analyzed kilometer roadpavement considerably. The new products will give Dynatest competitive advantages and expects to result in annual increase in revenue in the range from DKK ('000) 3.000 to DKK ('000) 12.000 over a five year period.

Completed development projects comprise projects finalized in 2015 and earlier. Revenue and profit has since the launch of these products been in line with budgetted expectations, thus not giving any indication of impairment.

Notes to parent financial statements

	Other fixtures and fittings, tools and equipment DKK
7. Property, plant and equipment	
Cost beginning of year	10.916.549
Transfers	325.981
Additions	311.561
Disposals	(980.967)
Cost end of year	**10.573.124**
Depreciation and impairment losses beginning of the year	(10.035.441)
Depreciation for the year	(712.856)
Reversal regarding disposals	175.173
Depreciation and impairment losses end of the year	**(10.573.124)**
Carrying amount end of year	**0**

	Investments in group enterprises DKK	Receivables from group enterprises DKK	Investments in associates DKK
8. Fixed asset investments			
Cost beginning of year	10.319.101	0	85.950
Additions	40.914.437	7.725.228	0
Cost end of year	**51.233.538**	**7.725.228**	**85.950**
Revaluations beginning of year	(24.827.157)	0	2.686.823
Exchange rate adjustments	18.844	0	0
Share of profit/loss for the year	(57.769.970)	0	357.584
Revaluations end of year	**(82.578.283)**	**0**	**3.044.407**
Investments with negative equity depreciated over receivables	44.465.220	0	0
Impairment losses end of year	**44.465.220**	**0**	**0**
Carrying amount end of year	**13.120.475**	**7.725.228**	**3.130.357**

Notes to parent financial statements

	Registered in	Equity interest %	Equity DKK	Profit/loss DKK
Investments in associates comprise:				
Dynatest Asia-Pacific Sd. Bhd.	Malaysia	49,0	2.743.980	300.648
Dynatest Africa Ltd.	Sydafrika	50,0	386.376	56.936

9. Prepayments

Prepayments comprise prepayed expenses.

	Number	Par value DKK	Nominal value DKK
10. Contributed capital			
Contributed capital	15.971	1000	15.971.298
	15.971		**15.971.298**

	2016 DKK	2015 DKK'000
11. Deferred tax		
Intangible assets	4.151.000	2.293
Property, plant and equipment	(266.000)	(269)
Provisions	(47.000)	(47)
Tax losses carried forward	(2.000.000)	(356)
	1.838.000	**1.621**

Changes during the year	
Beginning of year	1.621.479
Recognised in the income statement	216.521
End of year	**1.838.000**

12. Long-term deferred income

The company has received part public funding of an ongoing development project. The deferred income will be set off against the amortization of the cost of the development project, once this is finalized and in use.

	Outstanding after 5 years DKK
13. Liabilities other than provisions	
Deferred income	3.400.000
	3.400.000

Notes to parent financial statements

14. Mortgages and securities

Dynatest International A/S has issued a Letter of Support in regards to the subsidiaries Dynatest UK Ltd., Dynatest New Zeeland Ltd and Dynatest Denmark A/S.

Dynatest International A/S has issued a guarantee of payment for the total obligations of the Danish companies to the bank, a debt of DKK (‘000) 24,600 as per 31 December 2016.

Dynatest International A/S has issued a guarantee of payment for the total obligations of the US companies to the bank, a debt of DKK (‘000) 9,327 as per 31 December 2016.

Dynatest International A/S has issued a guarantee of payment for rent obligations of the US companies amounting to DKK (‘000) 29,102 for a 9 years period.

Dynatest International A/S has issued a guarantee of payment for rent obligations of the Danish companies amounting to DKK (‘000) 9,783 for a 6 years period.

Dynatest International A/S has entered into lease agreements for office supply with a lease obligation of DKK (‘000) 1,721 for a 3 years period.

Dynatest International A/S participates in a Danish joint taxation arrangement in which Dynatest Finance ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to withholding tax on interest, royalties and dividend for the jointly taxed companies.

15. Related parties with controlling interest

Dynatest International A/S’ related parties having a significant influence comprise group enterprises and associates, as well as the companies’ Board of Directors, Executive Boards and executive officers and their relatives. Relative parties include also companies in which the above mentioned group of persons has material interests.

The annual report discloses transactions with related parties that are not implemented on market terms.

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.

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

Management's materiel judgements and estimates

When preparing the Group's and Company's annual report, it is necessary that Management makes a number of accounting judgments and estimates which form the basis for presentation, recognition and measurement of the Group's and the Company's assets and liabilities. In particular, such accounting judgments and estimates made by Management relate to:

- The sufficiency of the Group's financing to continue activities. The Management commentary and note 1 of the consolidated financial statements states how the Group's future activities are expected to be financed. The planned activities for 2017 expects to generate a small positive EBITDA. Based on this Management find that the Group have sufficient capital resources. The planned activities - including continued strengthening of EBITDA during the financial year 2017 and compared to the financial year 2016 - 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, this capital resources and thereby the sufficiency of liquidity for financing the Group's activities can be affected negatively
- The recognition and measurement of development costs as the value of development projects depend on such projects to be finalized and commercialized as expected, c.f. note 6, and
- The measuring of the stage of completion and the value of contract work in progress. Stage of completion is calculated based on the ratio between actual consumption of resources (working hours) and total budgeted consumption of resources (working hours), in which stage of completion may proceed differently than expected on such projects.
-

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.

Accounting policies

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. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of 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. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

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

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Accounting policies

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. 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.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs
Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity’s products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs
Administrative expenses comprise expenses incurred for the Entity’s administrative functions, including wages and salaries for administrative staff and Management, stationary 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.

Accounting policies

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

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies 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
Intellectual property rights etc
Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is usually 3 years. Development projects are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For self-manufactured assets, cost comprises direct costs of materials, components, subsuppliers and labour costs.

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:

Buildings	31 - 39 years

Accounting policies

Plant and machinery	3 - 10 years
Other fixtures and fittings, tools and equipment	3 - 10 years
Leasehold improvements	5 years

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 plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

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

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised pro rata internal profits and losses.

Associates with negative equity are measured at DKK 0, and any receivables from these associates are written down by the share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if there is a legal or constructive obligation to cover the liabilities of the relevant associate.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

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

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

Assets held for sale
Assets held for sale comprise land and buildings and are measured at carrying amount at the time the asset is put op for sale. The carrying amount is calculated as cost less accumulated depreciation and impairment losses. Land is not depreciated.

Land and buildings are written down to the lower of recoverable amount and carrying amount.

The net realisable value of land and buildings is calculated as the estimated selling price less costs incurred to execute sale.

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

Contract work in progress
Contract work in progress regarding individualized products is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources (working hours).

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Income tax payable or receivable
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.

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

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

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 carryforwards, 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.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructurings, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructurings in the acquired enterprise that were decided and published at the takeover date at the latest.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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.

Accounting policies

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income
Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

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 short-term securities with an insignificant price risk less short-term bank debt.