IDEMIA Denmark A/S

Egegårdsvej 66, 2610 Rødovre
CVR no. 67 09 69 16

Annual report for 2017

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 20.06.18

Vincent Jean-Marie Mouret
Dirigent

Table of contents

Company information etc.

The company

IDEMIA Denmark A/S
Egegårdsvej 66
2610 Rødovre
Tel.: +45 44 50 64 00
Website: www.idemia.com
Registered office: Rødovre
CVR no.: 67 09 69 16
Financial year: 01.01 - 31.12

Executive Boards

Niels Henrik Winberg Andersen

Board Of Directors

Vincent Jean-Marie Mouret, chairman
Eric Duforest
Niels Henrik Winberg Andersen

Auditors

Ernst & Young
Godkendt revisionspartnerselskab

Bank

Danske Bank A/S

Statement of the Board of Directors and Executive Board on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of IDEMIA Denmark A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Rødovre, May 31, 2018

Executive Boards

Niels Henrik Winberg Andersen

Board Of Directors

Vincent Jean-Marie Mouret Chairman	Eric Duforest	Niels Henrik Winberg Andersen

To the Shareholder of IDEMIA Denmark A/S

Opinion

We have audited the financial statements of IDEMIA Denmark A/S for the financial year 1 January -31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement regarding the management's review

Management is responsible for management's review.

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

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

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

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

Copenhagen, May 31, 2018

Ernst & Young
Godkendt revisionspartnerselskab
CVR no. 30 70 02 28

Mogens Andreasen
State Authorized Public Accountant
MNE-no. mne28603

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2017	2016	2015	2014	2013
Profit/loss					
Revenue	145,245	161,669	185,964	203,694	186,392
Operating profit/loss	10,449	16,359	4,009	3,120	10,186
Total net financials	20	-194	212	110	-984
Profit/loss for the year	9,458	21,388	13,156	10,295	11,957
Balance					
Total assets	93,398	77,962	69,624	71,763	53,565
Investments in property, plant and equipment	291	7,450	1,719	769	1,039
Equity	43,163	45,955	33,365	30,504	20,209

Ratios

	2017	2016	2015	2014	2013
Profit margin	7,2%	10,1%	2,2%	1,5%	5,5%
Gross margin	32,1%	29,6%	21,9%	23,8%	33,9%
Return on assets	11,9%	22,2%	5,7%	5,0%	19,4%
Current ratio	113,6%	130,1%	117,9%	130,1%	125,5%
Solvency ratio	48,3%	58,9%	47,9%	42,5%	37,7%
Return on equity	20,4%	53,9%	41,2%	40,6%	84,0%
Number of employees (average)	59	71	77	87	89

Profit margin:	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Gross margin:	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Return on assets:	$\frac{\text{Profit/loss from operating acitivities}}{\text{Avg. total assets x 100}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity:	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios.

Primary activities

The company's activity include sales and marketing of plastic cards and plastic cards solutions.

Development in activities and financial affairs

In 2017, the Company's revenue amounted to DKK 145,245 thousand against DKK 161,669 thousand last year.

The income statement for the period 01.01.17 - 31.12.17 shows a profit/loss of DKK'000 9,458 against DKK'000 21,388 for the period 01.01.16 - 31.12.16. The balance sheet shows equity of DKK'000 43,163.

The result for the year is considered satisfactory.

Knowledge resources

A high competence level among the company's employees is a prerequisite for maintaining growth momentum and thus market shares. Accordingly, the company makes significant investments in maintaining and upgrading employee skills.

Special risks

The company's main risk relates to maintenance of its leading market position in an increasingly competitive market.

The company is exposed to currency risks. Under the company's policies, all significant individual exposures are hedged through financial agreements.

External environment

The company aims to continually improve production methods and works with customers and suppliers to offer the most environmentally friendly solutions.

Subsequent events

No significant events have occurred subsequent to the financial year-end.

Outlook

For 2018, a higher activity level and a profit in line with the 2017 level are expected.

Income statement

Note		2017 DKK '000	2016 DKK '000
	Revenue	**145,245**	**161,669**
	Production costs	-98,681	-113,786
	Gross profit	**46,564**	**47,883**
	Distribution costs	-15,540	-17,019
	Administrative expenses	-20,576	-14,505
	Other operating income	208	41
	Other operating expenses	0	-30
	Profit/loss before net financials	**10,656**	**16,370**
	Income from equity investments in group enterprises	1,191	8,818
2	Financial income	148	18
3	Financial expenses	-128	-212
	Profit/loss before tax	**11,867**	**24,994**
4	Tax on profit or loss for the year	-2,409	-3,606
	Profit/loss for the year	**9,458**	**21,388**

5 Distribution of net profit

Balance sheet

ASSETS

Note		31.12.17 DKK '000	31.12.16 DKK '000
	Acquired rights	15,421	714
	Prepayments for intangible assets	747	0
6	**Total intangible assets**	**16,168**	**714**
	Leasehold improvements	1,390	1,575
	Other fixtures and fittings, tools and equipment	901	8,209
7	**Total property, plant and equipment**	**2,291**	**9,784**
8	Equity investments in group enterprises	17,870	25,810
	Total investments	**17,870**	**25,810**
	Total non-current assets	**36,329**	**36,308**
	Raw materials and consumables	2,139	1,506
	Manufactured goods and goods for resale	440	966
	Total inventories	**2,579**	**2,472**
	Trade receivables	35,242	25,335
	Receivables from group enterprises	7,488	5,607
	Deferred tax asset	340	1,267
	Other receivables	2,150	1,747
9	Prepayments	1,055	483
	Total receivables	**46,275**	**34,439**
	Cash	**8,215**	**4,743**
	Total current assets	**57,069**	**41,654**
	Total assets	**93,398**	**77,962**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.17 DKK '000	31.12.16 DKK '000
10	Share capital	5,000	5,000
	Retained earnings	28,763	30,455
	Proposed dividend for the financial year	9,400	10,500
	Total equity	**43,163**	**45,955**
	Trade payables	6,789	6,223
	Payables to group enterprises	30,210	7,157
	Income taxes	147	538
	Other payables	13,089	17,042
11	Deferred income	0	1,047
	Total short-term payables	**50,235**	**32,007**
	Total payables	**50,235**	**32,007**
	Total equity and liabilities	**93,398**	**77,962**

12 Contingent liabilities
13 Charges and security
14 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.17 - 31.12.17				
Balance pr. 01.01.17	5,000	30,455	10,500	45,955
Foreign currency translation adjustment of foreign enterprises	0	-1,750	0	-1,750
Dividend paid	0	0	-10,500	-10,500
Net profit/loss for the year	0	58	9,400	9,458
Balance as at 31.12.17	5,000	28,763	9,400	43,163

	2017 DKK '000	2016 DKK '000

1. Employee aspects

Wages and salaries	27,048	26,998
Pensions	2,690	3,026
Other social security costs	393	154
Other staff costs	1,737	1,542
Total	31,868	31,720

Total staff costs comprise:

Production costs	10,894	11,920
Distribution costs	12,048	14,052
Administrative expenses	8,926	5,748
Total	31,868	31,720

Average number of employees during the year	59	71

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

2. Financial income

Interest, group enterprises	15	15
Other interest income	0	3
Foreign currency translation adjustments	133	0
Total	148	18

	2017 DKK '000	2016 DKK '000

3. Financial expenses

Interest, group enterprises	79	21
Other interest expenses	49	5
Foreign exchange losses	0	186
Total	128	212

4. Tax on profit or loss for the year

Tax on profit or loss for the year	1,483	3,687
Adjustment of deferred tax for the year	927	-69
Adjustment of tax in respect of previous years	-1	-12
Total	2,409	3,606

Deferred income taxes consist primarily of temporary differences relating to fixed assets and inventories.

5. Distribution of net profit

Proposed dividend for the financial year	9,400	10,500
Retained earnings	58	10,888
Total	9,458	21,388

6. Intangible assets

Figures in DKK '000	Acquired rights	Prepayments for intangible assets	Total
Cost pr. 01.01.17	5,639	0	5,639
Additions during the year	9,926	10,673	20,599
Transfers during the year to/from other items	6,982	-9,926	-2,944
Cost as at 31.12.17	22,547	747	23,294
Amortisation and impairment losses pr. 01.01.17	-4,925	0	-4,925
Amortisation during the year	-2,201	0	-2,201
Amortisation and impairment losses as at 31.12.17	-7,126	0	-7,126
Carrying amount as at 31.12.17	15,421	747	16,168

7. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost pr. 01.01.17	3,526	19,383
Additions during the year	0	292
Transfers during the year to/from other items	0	-6,982
Cost as at 31.12.17	3,526	12,693
Depreciation and impairment losses pr. 01.01.17	-1,951	-11,174
Depreciation during the year	-185	-618
Depreciation and impairment losses as at 31.12.17	-2,136	-11,792
Carrying amount as at 31.12.17	1,390	901

8. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost pr. 01.01.17	37,479
Cost as at 31.12.17	37,479
Revaluations pr. 01.01.17	-11,669
Foreign currency translation adjustment of foreign enterprises	-1,750
Net profit/loss from equity investments	1,191
Dividend relating to equity investments	-7,381
Revaluations as at 31.12.17	-19,609
Carrying amount as at 31.12.17	17,870

Name and Registered office:	Ownership interest
Group enterprises:	
IDEMIA Norway AS, Norway	100%

	31.12.17 DKK '000	31.12.16 DKK '000

9. Prepayments

Other prepayments	1,055	483

Prepayments include accrual of expenses relating to subsequent financial years.

10. Share capital

The share capital consists of:

50,000 shares of DKK 100.00 nominal value each	5,000	5,000

All shares rank equally.

The Company's share capital has remained DKK 5,000 thousand over the past 5 years.

	31.12.17 DKK '000	31.12.16 DKK '000

11. Deferred income

Deferred income	0	1,047

Deferred income consists of payments received from customers that may not be recognised until the subsequent financial year.

12. Contingent liabilities

Lease commitments

Rent and lease liabilities include a rent obligation relating to non-cancellable rent agreements expiring at 31 August 2018. The remaining lease obligation is DKK 1,831 thousand against DKK 1,792 thousand last year.

Other lease liabilities include leases concerning cars and other equipment totalling DKK 1,094 thousand for 2017 against DKK 809 thousand last year.

13. Charges and security

The company's assets have been put up as security for group debts to credit institutions. The security for debt is limited to DKK 226 thousand.

14. Related parties

Controlling influence:	Basis of influence
IDEMIA Sweden Company AB, Strängnäs, Sweden	Participating interest

Transaction	Relation	2017 DKK'000
Sales	Group entities	1,601
Other income from related parties	Group entities	13,790
Purchase of goods	Group entities	71,477
Management fees	Group entities	7,311
Royalties	Group entities	411
Interest expenses	Group entities	68
Interest income	Group entities	0

Balances	31.12.17 DKK'000
Receivables from group enterprises	7,335
Payables to group enterprises	33,145

The company is included in the consolidated financial statements of the parent IDEMIA France SAS, France.

15. Accounting policies

GENERAL

The annual report of IDEMIA Denmark A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies have been applied consistently with previous years.

In pursuance of section 112(1) of the Danish Financial Statements Act, consolidated financial statements are not prepared as the financial statements of the company and its own subsidiaries are fully consolidated in the consolidated financial statements of a parent company resident in a member state of the EU, which are prepared and audited in accordance with the laws of this country.

The group's ultimate parent company is IDEMIA France SAS.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the liability can be measured reliably.

Assets and liabilities are initially recognised at cost and subsequently as described for each item below.

Certain financial assets and liabilities are measured at amortised cost based on a constant yield to maturity. Amortised cost is the original cost less any principal repayments and plus/minus the cumulative amortisation of the difference between cost and nominal value.

Recognition and measurement take into account gains, losses and risks occurring prior to the financial statements and confirming or disconfirming affairs and conditions existing at the balance sheet date.

Income is recognised in the income statement as it accrues, including value adjustments of financial assets and liabilities measured at fair value or amortised cost and costs incurred to generate the year's earnings, including depreciation, impairment losses, provisions and reversals due to changes in accounting estimates of amounts previously recognised in the income statement.

15. Accounting policies - continued -

CURRENCY

The financial statements are presented in Danish kroner (DKK'000).

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

LEASES

Leases concerning fixed assets which qualify for recognition as assets held under finance leases and where the entity bears all significant risks and enjoys all significant benefits associated with the title to such assets are treated according to the same accounting policies as other fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

15. Accounting policies - continued -

INCOME STATEMENT

Revenue

Income from the sale of goods and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Distribution costs

Distribution costs include expenses relating to sale and distribution in the year, including expenses relating to sales staff, advertising and exhibitions.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

15. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost of completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include software.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

	Useful lives, years	Residual value, per cent
Acquired rights	5	0
Leasehold improvements	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The cost of an item of property, plant and equipment is broken down under separate parts, which are depreciated separately if the useful lives of the component are different.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

15. Accounting policies - continued -

Income from equity investments in group entreprises

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Other net financials

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

BALANCE SHEET

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs are expensed in the income statement as incurred.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

15. Accounting policies - continued -

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Depreciation is recognised in the income statement under production costs, distribution costs and administrative expenses.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Equity investments in group entreprises

Investments in subsidiaries are measured, using the equity method, at the parent's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intragroup gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment to the extent that the deficit is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' to the extent that the parent has a legal or constructive obligation to cover the deficit.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

15. Accounting policies - continued -

Impairment losses on fixed assets

Intangible assets, property, plant and equipment and investments in subsidiaries are reviewed for impairment on an annual basis. Where there is indication of impairment, each individual asset or group of assets generating independent cash flows is tested for impairment. The carrying amount of impaired assets is reduced to the higher of the value in use and the net selling price (recoverable amount). Where an impairment loss is recognised on a group of assets, a loss is first allocated to goodwill and then to the other assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

15. Accounting policies - continued -

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

15. Accounting policies - continued -

Equity

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Current and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Payables

Mortgage debt is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, mortgage debt is measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other payables are measured at net realisable value.

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

15. Accounting policies - continued -

CASH FLOW STATEMENT

In pursuance of section 86(4) of the Danish Financial Statements Act, a cash flow statement has not been prepared. The entity's cash flows are included in the consolidated cash flow statement for the parent company, IDEMIA France SAS.