Oberthur Technologies Denmark A/S

Egegårdsvej 66, 2610 Rødovre

CVR no. 67 09 69 16

Annual report 2016

Approved at the annual general meeting of shareholders on 13 June 2017

Chairman:

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Eric Duforest

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Oberthur Technologies Denmark A/S for the financial year 1 January - 31 December 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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, 13 June 2017
Executive Board:

Niels Henrik Winberg Andersen

Board of Directors:

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

Independent auditor's report

To the shareholder of Oberthur Technologies Denmark A/S

Opinion

We have audited the financial statements of Oberthur Technologies Denmark A/S for the financial year 1 January - 31 December 2016, which comprise an 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 note 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 on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 13 June 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mogens Andreasen
State Authorised Public Accountant

Management's review

Company details

Name	Oberthur Technologies Denmark A/S
Address, Postal code, City	Egegårdsvej 66, 2610 Rødovre
CVR no.	67 09 69 16
Established	24 June 1981
Registered office	Rødovre
Financial year	1 January - 31 December
Website	www.oberthur.com or www.xponcard.dk
Telephone	+45 44 50 64 00
Telefax	+45 44 84 40 66
Board of Directors	Vincent Jean-Marie Mouret, Chairman Eric Duforest Niels Henrik Winberg Andersen
Executive Board	Niels Henrik Winberg Andersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank A/S

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	161,669	185,964	203,694	186,392	205,072
Operating profit/loss	16,370	4,009	3,120	10,186	17,567
Net financials	-194	212	110	-984	-546
Profit/loss for the year	**21,388**	**13,156**	**10,295**	**11,957**	**19,309**
Total assets	77,962	69,624	71,763	53,565	51,574
Investment in property, plant and equipment	7,450	1,719	769	1,039	1,034
Equity	**45,955**	**33,365**	**30,504**	**20,209**	**8,252**
Financial ratios					
Operating margin	10.1%	2.2%	1.5%	5.5 %	8.6 %
Gross margin	29.6%	21.9%	23.8%	33.9%	31.7%
Return on assets	22.2%	5.7%	5.0%	19.4%	31.5%
Current ratio	130.1%	117.9%	130.1%	125.5%	107.5%
Solvency ratio	58.9%	47.9%	42.5%	37.7%	16.0%
Return on equity	53.9%	41.2%	40.6%	84.0%	-1,376.8%
Average number of employees	**71**	**77**	**87**	**89**	**98**

Management's review

Financial highlights (continued)

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites}}{\text{Average assets x 100}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

Management's review

Management commentary

Business review

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

Financial review

In 2016, the Company's revenue came in at DKK 161,669 thousand against DKK 185,964 thousand last year. The income statement for 2016 shows a profit of DKK 21,388 thousand against DKK 13,156 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 45,955 thousand.

The income statement

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.

Impact on the external environment

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

Events after the balance sheet date

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

Outlook

For 2017, a higher activity level and a profit in line with the 2016 level are expected.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Revenue	161,669	185,964
2,3	Production costs	-113,786	-145,283
	Gross margin	47,883	40,681
2,3	Distribution costs	-17,019	-21,910
2,3	Administrative expenses	-14,505	-17,390
	Operating profit	16,359	1,381
	Other operating income	41	2,628
4	Other operating expenses	-30	0
	Profit before net financials	16,370	4,009
	Income from investments in group entities	8,818	10,262
5	Financial income	18	239
6	Financial expenses	-212	-27
	Profit before tax	24,994	14,483
7	Tax for the year	-3,606	-1,327
	Profit for the year	21,388	13,156

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
8	**Intangible assets**		
	Acquired intangible assets	714	1,428
		714	1,428
9	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	8,209	2,105
	Leasehold improvements	1,575	1,328
		9,784	3,433
10	**Investments**		
	Investments in group entities, net asset value	25,810	22,007
		25,810	22,007
	Total fixed assets	36,308	26,868
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	1,506	1,897
	Finished goods and goods for resale	966	2,839
		2,472	4,736
	Receivables		
	Trade receivables	25,335	23,570
	Receivables from group entities	5,607	6,521
	Deferred tax assets	1,267	1,198
	Income taxes receivable	0	800
	Other receivables	1,747	1,635
11	Prepayments	483	488
		34,439	34,212
	Cash	4,743	3,808
	Total non-fixed assets	41,654	42,756
	TOTAL ASSETS	77,962	69,624

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	5,000	5,000
	Retained earnings	30,455	18,365
	Dividend proposed for the year	10,500	10,000
	Total equity	45,955	33,365
	Liabilities		
	Current liabilities		
	Trade payables	6,223	11,857
	Payables to group entities	7,157	8,197
	Income taxes payable	538	0
	Other payables	17,042	16,205
	Deferred income	1,047	0
		32,007	36,259
	Total liabilities other than provisions	32,007	36,259
	TOTAL EQUITY AND LIABILITIES	77,962	69,624

1 Accounting policies
13 Contractual obligations and contingencies, etc.
14 Collateral
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Financial statements for the period 1 January - 31 December

Statement of changes in equity

	DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2016	5,000	18,365	10,000	33,365
16	Transfer, see "Appropriation of profit"	0	10,888	10,500	21,388
	Exchange adjustment	0	1,202	0	1,202
	Dividend distributed	0	0	-10,000	-10,000
	Equity at 31 December 2016	5,000	30,455	10,500	45,955

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Oberthur Technologies Denmark A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

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 Oberthur Technologies Holding S.A.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Omission of a 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, Oberthur Technologies S.A.

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.

Reporting currency

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Foreign currency translation

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".

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.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Amortisation/depreciation

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:

Acquired intangible assets	5 years

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.

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

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

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 depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Income from investments in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

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

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Investments in subsidiaries

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 intra-group 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.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current 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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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".

Equity

Proposed dividends

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".

Income taxes

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 to credit institutions

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

Other payables are measured at net realisable value.

Lease liabilities

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred income

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2016	2015
2	**Staff costs**		
	Wages/salaries	26,998	32,783
	Pensions	3,026	3,455
	Other social security costs	154	166
	Other staff costs	1,542	2,168
		31,720	38,572

Staff costs are recognised as follows in the financial statements:

DKK'000	2016	2015
Production	11,920	12,353
Distribution	14,052	17,794
Administration	5,748	8,425
	31,720	38,572
Average number of full-time employees	71	77

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

	DKK'000	2016	2015
3	**Amortisation/depreciation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	714	740
	Depreciation of property, plant and equipment	1,065	1,174
		1,779	1,914

Amortisation/depreciation of intangible assets and property, plant and equipment is recognised in the income statement under the following items:

DKK'000	2016	2015
Production costs	1,456	1,502
Distribution costs	27	49
Administrative expenses	296	363
	1,779	1,914

4 **Other operating expenses**

Other operating expenses include losses on the sale of property, plant and equipment, including other operating equipment, totalling DKK 30 thousand.

	DKK'000	2016	2015
5	**Financial income**		
	Interest receivable, group entities	15	182
	Exchange gain	0	57
	Other financial income	3	0
		18	239

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2016	2015
6	**Financial expenses**		
	Interest expenses, group entities	21	17
	Exchange losses	186	0
	Other financial expenses	5	10
		212	27
7	**Tax for the year**		
	Estimated tax charge for the year	3,687	1,115
	Deferred tax adjustments in the year	-69	210
	Tax adjustments, prior years	-12	2
		3,606	1,327

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

8 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2016	5,889
Additions in the year	0
Disposals in the year	-250
Cost at 31 December 2016	5,639
Impairment losses and amortisation at 1 January 2016	4,461
Amortisation/depreciation in the year	714
Reversal of amortisation/depreciation and impairment of disposals	-250
Impairment losses and amortisation at 31 December 2016	4,925
Carrying amount at 31 December 2016	714

9 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	12,971	3,119	16,090
Additions in the year	7,005	445	7,450
Disposals in the year	-593	-38	-631
Cost at 31 December 2016	19,383	3,526	22,909
Impairment losses and depreciation at 1 January 2016	10,866	1,791	12,657
Amortisation/depreciation in the year	871	198	1,069
Transferred	-563	-38	-601
Impairment losses and depreciation at 31 December 2016	11,174	1,951	13,125
Carrying amount at 31 December 2016	8,209	1,575	9,784

Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Investments

DKK'000	Investments in group entities, net asset value
Cost at 1 January 2016	37,479
Additions in the year	0
Cost at 31 December 2016	37,479
Value adjustments at 1 January 2016	-15,472
Exchange adjustment	1,202
Dividend distributed	-6,217
Share of the profit/loss for the year	8,818
Value adjustments at 31 December 2016	-11,669
Carrying amount at 31 December 2016	25,810

Name	Legal form	Domicile	Interest
Oberthur Technologies Norway	AS	Norway	100.00 %

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years and amount to DKK 483 thousand for 2016 against DKK 488 thousand last year.

DKK'000	2016	2015
12 Share capital		
Analysis of the share capital:		
50,000 shares of DKK 100.00 nominal value each	5,000	5,000
	5,000	5,000

All shares rank equally.

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

13 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2016	2015
Rent and lease liabilities	2,601	4,085

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 1,792 thousand against DKK 2,867 thousand last year.

Other lease liabilities include leases concerning cars and other equipment totalling DKK 809 thousand for 2016 against DKK 1,218 thousand last year.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

14 Collateral

The company's assets have been put up as security for group debts to credit institutions. The security for debt is limited to DKK 10,000 thousand.

15 Related parties

Oberthur Technologies Denmark A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Oberthur Technologies Holding S.A.	Colombes, France	Participating interest
Oberthur Technologies UK Holding Ltd.	Gloucestershire, England	Participating interest
Oberthur Technologies AB	Strängnäs, Sweden	Participating interest

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Parent	Domicile
Oberthur Technologies Holding S.A.	Colombes, France

Related party transactions

Oberthur Technologies Denmark A/S was engaged in the below related party transactions:

DKK'000	2016	2015
Sales	1,245	714
Other income from related parties	13,663	13,461
Purchases of goods	77,295	87,522
Management fees	5,915	6,071
Royalities	189	714
Interest expenses	21	17
Interest income	15	176
Receivables from related parties	5,607	6,521
Payables to related parties	7,157	8,197

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Oberthur Technologies AB	Markörvägen 2-4, 645 42 Strängnäs, Sweden

DKK'000	2016	2015
16 Appropriation of profit/loss		
Recommended appropriation of profit		
Proposed dividend recognised under equity	10,500	10,000
Retained earnings	10,888	3,156
	21,388	13,156