Niebuhr Gears A/S

La Cours Vej 8, 7430 Ikast

CVR no. 71 15 07 12

Annual report 2015

Approved at the Company's annual general meeting on 21 April 2016

Chairman:

Per Thy Sieme

....

Building a better
working world

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Niebuhr Gears A/S for the financial year 1 January - 31 December 2015.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015.

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

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

Ikast, 21 April 2016
Executive Board:

Rasmus Niebuhr

Board of Directors:

Per Thy Sørensen Chairman	Søren Bøgesgaard Niebuhr	Mogens Filtenborg
Palle Nørgaard	Else Rasmussen Employee representative	Michael Sørensen Employee representative

Independent auditors' report

To the shareholders of Niebuhr Gears A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Niebuhr Gears A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aarhus, 21 April 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Hammer-Pedersen	Jane Haugaard
State Authorised	State Authorised
Public Accountant	Public Accountant

Management's review

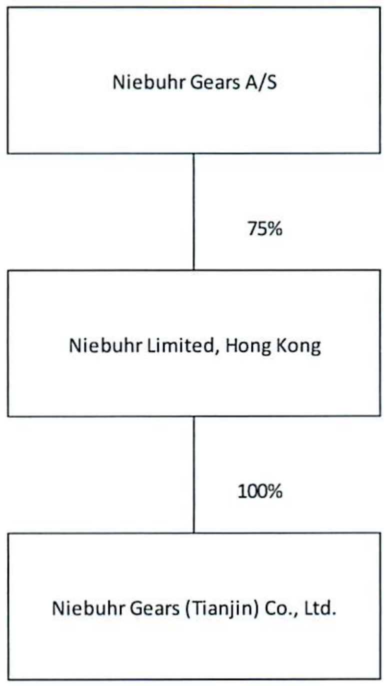
Company details

Name	Niebuhr Gears A/S
Address, zip code, city	La Cours Vej 8 DK-7430 Ikast
CVR no.	71 15 07 12
Established	29 June1982
Registered office	Ikast-Brande
Financial year	1 January - 31 December
Website	www.niebuhr.dk
E-mail	niebuhr@niebuhr.dk
Telephone	+45 96 60 50 50
Board of Directors	Per Thy Sørensen Søren Bøgesgaard Niebuhr Mogens Filtenborg Palle Nørgaard Else Rasmussen Michael Sørensen
Executive Board	Rasmus Niebuhr
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25 DK-8000 Aarhus C

Management's review

Group chart

The Niebuhr Group



Management's review

Financial highlights for the Group

DKK'000	2015	2014 (6 months)	2013/14	2012/13	2011/12
Key figures					
Gross profit	26,730	7,483	23,510	19,721	36,935
Operating profit	11,737	1,042	9,935	7,279	23,659
Profit before tax	9,185	942	1,119	2,041	17,688
Profit/loss for the year	**6,043**	**2,056**	**1,131**	**-1,521**	**13,245**
Non-current assets	146,181	144,158	146,644	163,086	166,166
Current assets	119,106	86,203	90,968	83,384	101,728
Total assets	**265,287**	**230,361**	**237,612**	**246,470**	**267,894**
Equity	**72,878**	**66,498**	**63,737**	**62,842**	**68,770**
Non-controlling interests	6,655	4,673	3,021	3,582	5,042
Provisions	165	0	479	354	295
Non-current liabilities	82,450	87,755	93,901	109,692	123,037
Current liabilities	103,139	71,435	76,474	70,000	70,750
Cash flows from operating activities	7,748	9,405	19,077	36,604	14,972
Net cash flows from investing activities	-23,708	-5,189	-8,148	-19,370	-13,326
Cash flows from financing activities	-12,816	-7,958	-15,580	-8,926	-13,207
Total cash flows	**-28,776**	**-3,742**	**-4,651**	**8,308**	**-11,561**
Financial ratios					
Return on invested capital	9.5%	0.9%	4.1%	2.8%	9.2%
Solvency ratio	27.5%	28.9%	26.8%	25.5%	25.7%
Return on equity	17.3%	6.3%	1.8%	-2.3%	21.2%
Average number of full-time employees	**161**	**160**	**147**	**142**	**146**

For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

The Niebuhr Group is a contract manufacturer which produces gear wheels for the industry.

The Group's customers are domiciled in Scandinavia, Northern and Southern Europe, Asia and the USA. The Group has production in Denmark and China.

Development in activities and financial matters

The activities are divided into two main segments:

"Industrial Gears" the Group has only production in Denmark. Customer segments are within the building industry, the agricultural sector, gear manufacturers, pump manufacturers, truck manufacturers and many more. We produce gear wheels/transmission products from at least 1 centimetre in diameter and up to 1.5 metres in diameter.

Order intake for "Industrial Gears" has been on the increase for the period. The Group has gained several interesting customers within new markets, and activities within "Industrial Gears" are expected to increase in the coming year.

"Heavy Duty" comprises production in Denmark and China. The customer segment is primarily within the wind turbine sector. The products are gear wheels from 1.5 metres in diameter and up to 5.0 metres in diameter.

The Group's share of profit for the financial year amounted to DKK 6.0 million.

Outlook

Sales within as well "Industrial Gears" as "Heavy Duty" are expected to increase in the next financial year.

The Group is expected to increase its operating profit in the coming period.

Particular risks

Liquidity risks

The Group's cash reserves comprise cash at bank and credit facilities agreed with major credit institutions. The Group regularly assesses cash and capital resources, in particular in relation to investments in China.

Foreign currency risks

The Group does not engage in speculative foreign currency transactions and is solely engaged based on commercial needs.

Credit risks

The Group's maximum credit risks correspond to the value of trade receivables which are recognised in the balance sheet. The Group's policy in respect of credit risks implies that all major customers and other cooperators are credit rated on an ongoing basis.

Price risks

The Group takes on usual price risks on products purchased and sold. The possibilities of transferring price increases to sales prices depend on market conditions, etc.

Management's review

Operating review

Environment

No environmental issues were identified in the Group which give rise to any comments. The Group focuses on the internal work environment on an ongoing basis.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	Consolidated 2015	Consolidated 2014 (6 months)	Parent company 2015	Parent company 2014 (6 months)
	Gross profit	26,730	7,483	14,319	2,779
	Distribution costs	-3,940	-1,798	-2,720	-1,436
	Administrative expenses	-11,053	-4,643	-7,678	-3,360
	Operating profit/loss	11,737	1,042	3,921	-2,017
7	Share of profit/loss in subsidiaries after tax	0	0	5,139	4,025
2	Financial income	3,089	3,167	1,608	1,671
3	Financial expenses	-5,641	-3,267	-4,458	-2,220
	Profit/loss before tax	9,185	942	6,210	1,459
4	Tax on profit/loss for the year	-1,489	2,354	-167	597
	Profit/loss for the year	7,696	3,296	6,043	2,056
	Non-controlling interests' share of the results of subsidiaries	-1,653	-1,240	0	0
	The Group's share of profit/loss for the year	6,043	2,056	6,043	2,056

	Parent company 2015	Parent company 2014 (6 months)
Proposed profit appropriation		
Proposed dividends	0	1,000
Reserve for net revaluation under the equity method	3,657	0
Retained earnings	2,386	1,056
	6,043	2,056

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	ASSETS				
	Non-current assets				
5	**Intangible assets**				
	Software rights	711	256	711	256
		711	256	711	256
6	**Property, plant and equipment**				
	Land and buildings	46,174	38,103	46,174	38,103
	Plant and machinery	84,697	91,233	54,797	64,449
	Fixtures and fittings, tools and equipment	1,754	1,812	1,754	1,553
	Leasehold improvements	4,601	3,370	2,995	3,370
	Property, plant and equipment under construction	8,044	9,184	5,771	2,041
		145,270	143,702	111,491	109,516
	Investments				
7	Investments in subsidiaries	0	0	19,965	14,018
	Securities	200	200	200	200
		200	200	20,165	14,218
	Total non-current assets	146,181	144,158	132,367	123,990
	Current assets				
	Inventories				
	Raw materials and consumables	13,851	9,115	11,199	7,909
	Contract work in progress	19,379	11,131	13,324	7,950
	Finished goods and goods for resale	21,673	23,132	18,012	15,295
		54,903	43,378	42,535	31,154
	Receivables				
	Trade receivables	52,192	29,928	48,993	29,162
	Corporation tax receivable	774	656	774	656
	Receivables from group enterprises	2,317	0	17,136	13,446
	Deferred tax asset	0	1,137	0	0
	Other receivables	2,439	4,570	196	483
	Prepayments	938	1,067	905	583
		58,660	37,358	68,004	44,330
	Cash at bank and in hand	5,543	5,467	2,130	3,131
	Total current assets	119,106	86,203	112,669	78,615
	TOTAL ASSETS	265,287	230,361	245,036	202,605

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2015	2014	2015	2014
	EQUITY AND LIABILITIES				
8	**Equity**				
	Share capital	1,000	1,000	1,000	1,000
	Reserve for net revaluation under the equity method	0	0	3,657	0
	Retained earnings	71,878	64,498	68,221	64,498
	Proposed dividends	0	1,000	0	1,000
	Total equity	72,878	66,498	72,878	66,498
	Non-controlling interests	6,655	4,673	0	0
	Provisions				
9	Deferred tax	165	0	1,248	1,143
	Total provisions	165	0	1,248	1,143
	Liabilities other than provisions				
10	**Non-current liabilities other than provisions**				
	Other non-current liabilities	7,243	9,269	0	0
	Lease obligations	75,207	78,486	73,337	76,107
		82,450	87,755	73,337	76,107
	Current liabilities other than provisions				
10	Current portion of non-current liabilities other than provisions	18,821	19,052	15,720	13,533
	Bank loans and overdrafts	48,461	19,609	47,340	16,362
	Trade payables	23,855	17,198	15,368	11,115
	Payables to group enterprises	0	3,962	7,791	7,187
	Other payables	12,002	11,614	11,354	10,660
		103,139	71,435	97,573	58,857
	Total liabilities other than provisions	185,589	159,190	170,910	134,964
	TOTAL EQUITY AND LIABILITIES	265,287	230,361	245,036	202,605

1 Accounting policies
11 Contingencies, etc.
12 Mortgages and collateral
13 Staff costs
14 Related party disclosures

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

	Consolidated			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 31 December 2014	1,000	64,498	1,000	66,498
Paid dividends	0	0	-1,000	-1,000
Transferred; see profit appropriation	0	6,043	0	6,043
Foreign currency translation adjustments, foreign subsidiaries	0	807	0	807
Value adjustment of interest swap	0	693	0	693
Tax on value adjustment of interest swap	0	-163	0	-163
Equity at 31 December 2015	1,000	71,878	0	72,878

	Parent company				
DKK'000	Share capital	Reserve for net revalua-tion under the equity method	Retained earnings	Proposed dividends	Total
Equity at 31 December 2014	1,000	0	64,498	1,000	66,498
Paid dividends	0	0	0	-1,000	-1,000
Transferred; see profit appropriation	0	3,657	2,386	0	6,043
Foreign currency translation adjustments, foreign subsidiaries	0	0	807	0	807
Value adjustment of interest swap	0	0	693	0	693
Tax on value adjustment of interest swap	0	0	-163	0	-163
Equity at 31 December 2015	1,000	3,657	68,221	0	72,878

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	Consolidated 2015	Consolidated 2014 (6 months)
	The Group's share of profit/loss for the year	6,043	2,056
	Non-controlling interests' share of the results of subsidiaries	1,653	1,241
		7,696	3,297
15	Adjustments	27,430	6,276
	Cash generated from operations (operating activities) before changes in working capital	35,126	9,573
16	Changes in working capital	-24,483	991
	Cash generated from operations (operating activities)	10,643	10,564
	Interest received	3,089	3,167
	Interest paid	-5,641	-3,267
	Cash generated from operations (ordinary activities)	8,091	10,464
	Corporation tax paid	-343	-1,059
	Cash flows from operating activities	7,748	9,405
	Acquisition of property, plant and equipment	-27,111	-5,942
	Disposal of property, plant and equipment	3,403	753
	Cash flows from investing activities	-23,708	-5,189
	External financing:		
	Repayment of long-term debt	-18,129	-11,035
	Raising of loans	12,593	3,209
	Changes in balances with shareholders	-6,280	-132
	Paid dividends	-1,000	0
	Cash flows from financing activities	-12,816	-7,958
	Net cash flows from operating, investing and financing activities	-28,776	-3,742
	Cash and cash equivalents at 1 January	-14,142	-10,400
	Cash and cash equivalents at 31 December	-42,918	-14,142

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of Niebuhr Gears A/S for 2015 has been prepared in accordance with the provisions applying to reporting class C medium-sized enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Niebuhr Gears A/S, and subsidiaries in which Niebuhr Gears A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at 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 rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

Income statement

Revenue

Revenue from the sale of finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Trading enterprises recognise their cost of sales, and production enterprises recognise their production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation of production plant.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for group management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation.

Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Niebuhr Group's Danish subsidiaries.

The parent company, Niebuhr Holding A/S, is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Software rights are measured at cost less accumulated amortisation. Software rights are amortised over three years.

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	20-40 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	4-8 years
Leasehold improvements	10 years

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

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation 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.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Investments in subsidiaries

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Niebuhr Gears A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied; see Consolidated financial statements above.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Financial ratios

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

Return on invested capital	$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit after tax x 100}}{\text{Average equity}}$

		Consolidated		Parent company	
	DKK'000	2015	2014 (6 months)	2015	2014 (6 months)
2	**Financial income**				
	Interest income from group enterprises	0	0	668	220
	Foreign exchange gains	3,007	3,161	940	1,451
	Other interest income	82	6	0	0
		3,089	3,167	1,608	1,671
3	**Financial expenses**				
	Interest expenses to group enterprises	0	0	0	107
	Other interest expense	5,641	3,267	4,458	2,113
		5,641	3,267	4,458	2,220
4	**Tax on the profit/loss for the year**				
	Joint taxation contribution	225	-836	225	-836
	Adjustment of deferred tax	1,349	-1,518	27	239
	Reduction of tax rate	-85	0	-85	0
		1,489	-2,354	167	-597

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

5 Intangible assets

DKK'000	Consolidated Software rights
Cost at 1 January 2015	1,058
Foreign exchange adjustment	1
Additions	693
Disposals	-21
At 31 December 2015	1,731
Impairment losses and amortisation at 1 January 2015	-802
Foreign exchange adjustment	-1
Amortisation for the year	-238
Disposals for the year	21
Impairment losses and amortisation at 31 December 2015	-1,020
Carrying amount at 31 December 2015	711
Amortised over	3 years

DKK'000	Parent company Software rights
Cost at 1 January 2015	1,038
Additions	693
Cost at 31 December 2015	1,731
Impairment losses and amortisation at 1 January 2015	-782
Amortisation for the year	-238
Impairment losses and amortisation at 31 December 2015	-1,020
Carrying amount at 31 December 2015	711
Amortised over	3 years

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

	Consolidated					
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Property, plant and equipment under con-struction	Total
Cost at 1 January 2015	48,579	249,859	4,954	12559	9,184	325,135
Foreign currency translation adjustments, foreign entities	0	3,034	33	0	476	3,543
Additions	9072	7,056	1,680	2839	5,771	26,418
Transferred	110	5,345	0	-110	-5,345	0
Disposals	0	-1,998	-2,489	0	-2,042	-6,529
Cost at 31 December 2015	57,761	263,296	4,178	15,288	8,044	348,567
Impairment losses and depreciation at 1 January 2015	10,476	158,626	3,142	9189	0	181,433
Foreign currency translation adjustments, foreign entities	0	1,251	15	0	0	1,266
Depreciation	1,111	20,553	580	1,498	0	23,742
Disposals	0	-1,831	-1,313	0	0	-3,144
Impairment losses and depreciation at 31 December 2015	11,587	178,599	2,424	10,687	0	203,297
Carrying amount at 31 December 2015	46,174	84,697	1,754	4,601	8,044	145,270
Property, plant and equipment include finance leases with a carrying amount totalling	46,086	43,648	813	0	0	90,547
Depreciated over	20-40 years	5-10 years	4-8 years	10 years	-	

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

6 Property, plant and equipment (continued)

	Parent company					
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Property, plant and equipment under con-struction	Total
Cost at 1 January 2015	48,579	204,281	4,464	12,559	2,041	271,924
Additions	9,073	5,813	1,680	774	5,771	23,111
Transferred	110	0	0	-110	0	0
Disposals	0	-407	-1,967	0	-2,041	-4,415
Cost at 31 December 2015	57,762	209,687	4,177	13,223	5,771	290,620
Impairment losses and depreciation at 1 January 2015	10,476	139,832	2,911	9,189	0	162,408
Depreciation	1,112	15,298	580	1,039	0	18,029
Disposals	0	-240	-1,068	0	0	-1,308
Impairment losses and depreciation at 31 December 2015	11,588	154,890	2,423	10,228	0	179,129
Carrying amount at 31 December 2015	46,174	54,797	1,754	2,995	5,771	111,491
Property, plant and equipment include finance leases with a carrying amount totalling	46,086	40,468	813	0	0	87,367
Depreciated over	20-40 years	5-10 years	4-8 years	10 years	-	

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

7 **Investments in subsidiaries**

DKK'000	Parent company 2015	Parent company 2014
Cost at 31 December	16,308	16,308
Value adjustments at 1 January	-2,290	-7,549
Foreign currency translation adjustments	808	1,234
Profit/loss for the year	4,957	4,455
Intra-group profits	238	-655
Adjustment of deferred tax, intra-group profit	-56	225
Value adjustments at 31 December	3,657	-2,290
Carrying amount at 31 December	19,965	14,018

						Share of the parent company	
Name	Regis-tered office	Stake	Share capital	Equity	Profit/loss for the year	Equity	Profit/loss for the year
			DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Niebuhr Limited	Hong Kong	75%	28,428	27,355	6,610	20,516	4,958

Niebuhr Limited, Hong Kong, holds all the shares in the Chinese company, Niebuhr Gears (Tianjin) Co., Ltd.

8 **Share capital**

The share capital comprises 1,000,000 shares of DKK 1 each. No shares carry special voting rights. The share capital has remained unchanged for the past five years.

9 **Deferred tax**

Provisions regarding deferred tax comprise deferred tax relating to intangible assets, property, plant and equipment, indirect production overheads regarding inventories, debtors and lease obligations.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Non-current liabilities (continued)

Consolidated

DKK'000	Total debt at 1/1 2015	Total debt at 31/12 2015	Repayment, first year	Non-current portion	Outstanding debt after 5 years
Other non-current liabilities	11,402	9,409	2,165	7,243	0
Lease obligation	95,405	91,862	16,656	75,207	35,857
	106,807	101,271	18,821	82,450	35,857

Parent company

DKK'000	Total debt at 1/1 2015	Total debt at 31/12 2015	Repayment, first year	Non-current portion	Outstanding debt after 5 years
Lease obligation	89,640	89,056	15,720	73,337	35,857

11 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company has provided a guarantee for the subsidiary's bank loans with an outstanding amount of DKK 2,069 thousand at 31 December 2015 and for other non-current liabilities with a residual outstanding amount of DKK 4,928 thousand at 31 December 2015. Moreover, the Company has provided a guarantee for the subsidiary's finance lease contracts with a lease liability of DKK 2,806 thousand at 31 December 2015.

Operating leases

The Company has entered into operating leases representing the following amounts:

Remaining terms in 10-41 months with an average monthly payment of DKK 9 thousand, totalling DKK 378 thousand.

In addition, the Company and the Group has entered into finance leases, which have been recognised in the balance sheet; see note 6.

The Group has entered into leases with a remaining term of 46 months with an average annual lease payment of DKK 119 thousand, totalling DKK 5,481 thousand.

Buy-back obligation

As of 1 July 2018, the Group is, if requested, under an obligation to acquire the non-controlling shareholding in the subsidiary, Niebuhr Limited, Hong Kong, at a price of at least DKK 8.9 million.

Joint taxation liability

The Company is jointly taxed with its parent, Niebuhr Holding A/S, which acts as management company, and other group entities. The Company has joint and several unlimited liability together with other jointly taxed group entities for Danish corporation taxes and withholding taxes on dividends, interest and royalties. At 31 December 2015, no corporation taxes or withholding taxes were incumbent on the joint taxation unit. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes may entail that the Company's liability will increase.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

12 Mortgages and collateral

	Consolidated		Parent company	
DKK'000	2015	2014	2015	2014
The following assets have been provided as collateral for other non-current liabilities:				
Machinery with a carrying amount of	8,569	9,363	0	0
The following assets have been provided as collateral vis-à-vis the Group's banks:				
Lease assets are pledged as collateral for lease obligations	90,547	97,207	87,367	87,924
An owner's mortgage, DKK 7 million, secured on operating equipment of the business established in the leased premises, located on La Cours Vej 8, DK-7430 Ikast, and separate collateral provided in specific production machines	24,124	21,592	24,124	21,592

13 Staff costs

	Consolidated		Parent company	
DKK'000	2015	2014 (6 months)	2015	2014 (6 months)
Wages and salaries	44,975	20,307	40,071	18,472
Pensions	5,007	2,472	5,007	2,472
Other social security costs	2,720	1,039	1,288	500
	52,702	23,818	46,366	21,444
Staff costs include:				
Remuneration of the Executive Board and the Board of Directors	1,366	762	1,366	762
Average number of full-time employees	161	160	115	115

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

14 Related party disclosures

Niebuhr Gears A/S' related parties comprise the following:

Parties exercising control

Rasmus Holding ApS, Peter Bonnens Vej 19, 7430 Ikast holds the majority of the share capital in the Company.

Ownership

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

Rasmus Holding ApS
Peter Bonnens Vej 19
DK-7430 Ikast

The Niebuhr Gears A/S Group is included in the consolidated financial statements of Rasmus Holding ApS.

		Consolidated	
	DKK'000	2015	2014 (6 months)
15	**Cash flow statement adjustments**		
	Financial income	-3,089	-3,167
	Financial expenses	5,641	3,267
	Amortisation of intangible assets and depreciation on property, plant and equipment	23,981	11,709
	Profit/loss on the sale of non-current assets	-19	-105
	Tax on profit for the year	1,490	-2,354
	Change in interest swap	693	-691
	Value adjustments of subsidiaries, etc.	-1,267	-2,383
		27,430	6,276

		2015	2014 (6 months)
16	**Changes in working capital**		
	Change in inventories	-11,524	-7,518
	Change in receivables	-20,005	11,037
	Change in trade and other payables	7,046	-2,528
		-24,483	991