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Dynatest International A/S
Gladsaxevej 342
2860 Søborg
Central Business Registration No 64532413

Annual report 2018

The Annual General Meeting adopted the annual report on 07.06.2019

Chairman of the General Meeting

Name: Nicholas Liebach

Contents

Entity details

Entity
Dynatest International A/S
Gladsaxevej 342
2860 Søborg

Central Business Registration No: 64532413
Registered in: Gladsaxe
Financial year: 01.01.2018 - 31.12.2018

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

Executive Board
Christian Lanng Nielsen, CEO
Lars Ytting, CFO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Dynatest International A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Søborg, 07.06.2019

Executive Board

Christian Lanng Nielsen CEO	Lars Ytting CFO

Board of Directors

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

Independent auditor's report

To the shareholders of Dynatest International A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Dynatest International A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Material uncertainty related to going concern

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

Independent auditor's report

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 07.06.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Flemming Larsen
State Authorised Public Accountant
Identification number (MNE) mne27790

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	184.344	135.239	115.192	155.400	155.706
Gross profit/loss	60.070	39.097	23.992	37.315	55.684
Operating profit/loss	(4.637)	(14.241)	(53.392)	(35.529)	3.823
Net financials	(3.206)	(5.761)	(4.905)	(696)	(469)
Profit/loss for the year	(9.027)	(19.598)	(49.093)	(35.650)	254
Total assets	150.417	126.346	115.989	108.952	99.594
Investments in property, plant and equipment	5.573	4.320	7.139	22.844	4.200
Equity incl minority interests	12.910	21.685	34.620	10.693	44.758
Employees in average	169	125	136	144	107
Ratios					
Gross margin (%)	32,6	28,9	20,8	24,0	35,8
Net margin (%)	(4,9)	(14,5)	(42,6)	(22,9)	0,2
Return on equity (%)	(52,2)	(69,6)	(216,7)	(128,6)	0,8
Equity ratio (%)	8,6	17,2	29,8	9,8	44,9

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

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

Management commentary

Primary activities

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

The Parent company of the Group; Dynatest International A/S has its headquarter in Copenhagen, Denmark focusing on Group Management, research and developments activities (RD) and holdings in subsidiaries in Denmark, USA, UK, Italy, Colombia, Chile, Peru and New Zealand. The business activities in Dynatest Chile are in the process of being terminated and the company in Chile will be liquidated in the near term.

The Dynatest Group is selling its products and services globally.

Development in activities and finances

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

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

After the accomplishment of the turnaround, the Group is now positioned to deliver an essential improved financial performance. The optimized business platform showed in 2018, that the Groups ability to deliver products and services clearly has improved and much focus is now devoted to growing sales and operational profitability.

The launch of the Groups latest development, a rolling weight deflectometer (RWD), the RAPTOR, in July 2018, supports the high brand value of the company. The Group have proven its capability to develop and launch a very complicated piece of equipment that meets customer requirements and demand globally. The RAPTOR accomplished several test jobs in 2018 of high quality and to the satisfaction of the customers. The RAPTOR is expected to play an important role in the future growth of the Group as it meets the customers increased demand for pavement testing services that has only little or no impact to traffic. We are planning to invest and build additional RAPTORS and launch them on the market during 2019.

Management commentary

Much of the funding of the RWD project was covered by the Danish Innovation Fund, which has been a major contributor to the success of the project. The Innovation Fund funding has as planned ended in 2018 when the project was successfully finalized and the RWD was launched on the market. Going forward R&D projects are now solely to be financed from operational earnings.

Besides the RWD project, R&D resources have in 2018 been focused on a continuous improvement of data modelling, software development, calibration tools and technical improvements to existing products. Some of the R&D projects have in previous financial years been expensed in the Group P&L. As significant progress has been made on these R&D projects in 2018, management has determined that they now meet the criteria for capitalizing R&D Projects. Consequently the 2018 R&D investment on these projects are capitalized. In 2018 of the total R&D projects DKK (‘000) 1,170 has been expensed and DKK (‘000) 11,710 has been capitalized. The R&D projects that has been classified as assets in 2018 are listed in note 7.

Overall 2018 financial performance has improved much compared to previous years. Revenue has increased by 36% compared to 2017, while maintaining direct contribution margins, and fixed costs has been kept at a level that aligns to the current level of activity. This has led to positive earnings before interest, taxes and depreciations (EBITDA).

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

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

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

Management commentary

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

The primary shareholder SE Blue Equity, contributed DKK 20 million by means of an expanded credit line with the main bank in December 2018, and an additional DKK 5 million loan was contributed in April 2019. In May 2019 the loan agreement was renewed, whereby the DKK 5 million loan is now a subordinated loan, and will not fall due the next 12 months (until 31 May 2020). SE Blue Equity is prepared to support Group's liquidity in line with the 2019 budget in order for the Group to be able to fulfill the 2019 budget and secure the liquidity, while the board's search for a strategic partner is ongoing.

Uncertainty related to recognition and measurement

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

- The sufficiency of the Group’s financing
- The recognition and measurement of development costs
- The recognition and measurement of trade receivables
- The measuring of the stage of completion and the value of contract work in progress

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

Outlook

Given the market opportunities and the stable and scalable business platform that proven its value in 2018 the Group is expected to grow revenue and earnings further in 2019. In addition, initiatives related to the use of RAPTOR and accelerated pavement testing activities are expected to contribute positively. Revenue is expected to grow between 15-30% compared to 2018, depending on the Group’s ability to achieve the funding that is necessary. Earnings are expected to grow to a level that better supports the liquidity requirements of the Group. Internal improvements, increasing profitability, are expected to contribute to the Group’s ability to turn earnings into liquidity, but the overall driver to improved liquidity is expected to be revenue growth.

The financial performance of the first quarter of 2019 is exceeding the first quarter of 2018 significantly, but not meeting the expected objectives for the quarter. Negotiations of orders expected to be completed in Q1 2019 is requiring more time than assessed, when budgeted. Meanwhile, the interest for Dynatest services and equipment remains intact and Q2-Q4-2019 is expected to reflect an increasing order intake. The Group’s

Management commentary

development, gaining a growing market share and improving profitability, is intact and in the anticipated direction.

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

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

Events after the balance sheet date

In April 2019 the Groups primary shareholder SE Blue Equity added additional funding of DKK ('000) 5 million and in May 2019 short term debt of DKK ('000) 5 million was converted to subordinated loan.

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

Consolidated income statement for 2018

	Notes	2018 DKK	2017 DKK'000
Revenue		184.343.671	135.239
Production costs	2	(124.273.177)	(96.142)
Gross profit/loss		**60.070.494**	**39.097**
Other operating expenses		0	(106)
Distribution costs	2	(11.750.374)	(6.484)
Administrative costs	2	(52.957.406)	(46.748)
Operating profit/loss		**(4.637.286)**	**(14.241)**
Income from investments in associates		(220.988)	(18)
Other financial income	3	185.201	67
Other financial expenses	4	(3.170.104)	(5.810)
Profit/loss before tax		**(7.843.177)**	**(20.002)**
Tax on profit/loss for the year	5	(1.183.524)	404
Profit/loss for the year	6	**(9.026.701)**	**(19.598)**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Completed development projects		20.994.879	3.623
Development projects in progress		16.719.557	24.207
Intangible assets	7	**37.714.436**	**27.830**
Land and buildings		2.348.979	156
Other fixtures and fittings, tools and equipment		28.865.847	29.765
Property, plant and equipment	8	**31.214.826**	**29.921**
Investments in associates		2.890.805	3.111
Deposits		2.517.856	691
Fixed asset investments	9	**5.408.661**	**3.802**
Fixed assets		**74.337.923**	**61.553**
Raw materials and consumables		17.210.275	19.379
Assets held for sale		0	2.204
Prepayments for goods		1.207.248	83
Inventories		**18.417.523**	**21.666**
Trade receivables	11	35.049.070	22.732
Contract work in progress	12	16.994.414	8.756
Income tax receivable		103.280	1.515
Prepayments	13	403.220	2.867
Receivables		**52.549.984**	**35.870**
Cash		**5.111.138**	**7.257**
Current assets		**76.078.645**	**64.793**
Assets		**150.416.568**	**126.346**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Contributed capital		15.971.298	15.971
Retained earnings		111.783	6.943
Equity attributable to the Parent's owners		**16.083.081**	**22.914**
Share of equity attributable to minority interests		**(3.172.625)**	**(1.229)**
Equity		**12.910.456**	**21.685**
Deferred tax	14	2.804.011	1.594
Other provisions	15	1.326.536	719
Provisions		**4.130.547**	**2.313**
Bank loans		1.364.367	2.539
Finance lease liabilities		23.424.568	11.549
Debt to other credit institutions		5.211.808	4.967
Prepayments received from customers		0	132
Other payables		1.502.141	1.597
Deferred income	16	6.783.546	7.578
Non-current liabilities other than provisions	17	**38.286.430**	**28.362**
Current portion of long-term liabilities other than provisions	17	8.711.918	4.605
Bank loans		39.535.063	32.799
Prepayments received from customers		7.063.880	3.427
Trade payables		19.673.057	19.284
Payables to group enterprises		524.125	0
Income tax payable		574.258	270
Other payables		19.006.834	13.601
Current liabilities other than provisions		**95.089.135**	**73.986**
Liabilities other than provisions		**133.375.565**	**102.348**
Equity and liabilities		**150.416.568**	**126.346**
Going concern	1		
Associates	10		
Mortgages and securities	19		
Group relations	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year	15.971.298	6.943.427	(1.229.365)	21.685.360
Exchange rate adjustments	0	126.103	125.694	251.797
Profit/loss for the year	0	(6.957.747)	(2.068.954)	(9.026.701)
Equity end of year	**15.971.298**	**111.783**	**(3.172.625)**	**12.910.456**

Consolidated cash flow statement for 2018

	Notes	2018 DKK	2017 DKK'000
Operating profit/loss		(4.637.286)	(14.246)
Amortisation, depreciation and impairment losses		8.149.360	5.909
Other provisions		606.970	108
Working capital changes	18	(8.340.860)	121
Cash flow from ordinary operating activities		**(4.221.816)**	**(8.108)**
Financial income received		10.951	69
Financial income paid		(2.995.854)	(5.810)
Income taxes refunded/(paid)		1.667.981	5.328
Cash flows from operating activities		**(5.538.738)**	**(8.521)**
Acquisition etc of intangible assets		(11.710.044)	(10.698)
Acquisition etc of property, plant and equipment		(5.573.136)	(4.320)
Sale of property, plant and equipment		1.627.108	1.543
Acquisition of fixed asset investments		(1.826.631)	(2)
Cash flows from investing activities		**(17.482.703)**	**(13.477)**
Loans raised		0	4.002
Incurrence of lease obligations		18.500.000	16.000
Reduction of lease commitments		(4.360.334)	(1.529)
Cash increase of capital		0	7.500
Cash flows from financing activities		**14.139.666**	**25.973**
Increase/decrease in cash and cash equivalents		**(8.881.775)**	**3.975**
Cash and cash equivalents beginning of year		(25.542.150)	(29.517)
Cash and cash equivalents end of year		**(34.423.925)**	**(25.542)**
Cash and cash equivalents at year-end are composed of:			
Cash		5.111.138	7.257
Short-term debt to banks		(39.535.063)	(32.799)
Cash and cash equivalents end of year		**(34.423.925)**	**(25.542)**

Notes to consolidated financial statements

1. Going concern

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

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

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

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

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

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

	2018 DKK	2017 DKK'000
2. Staff costs		
Wages and salaries	65.739.108	59.497
Pension costs	1.767.826	1.871
Other social security costs	7.972.912	7.153
Other staff costs	835.109	839
	76.314.955	**69.360**
Average number of employees	**169**	**125**

Notes to consolidated financial statements

	Remuneration of management 2018 DKK	Remuneration of management 2017 DKK'000
Total amount for management categories	4.437.172	4.736
	4.437.172	**4.736**

	2018 DKK	2017 DKK'000
3. Other financial income		
Interest income	10.951	2
Exchange rate adjustments	174.250	65
	185.201	**67**

	2018 DKK	2017 DKK'000
4. Other financial expenses		
Interest expenses	3.170.104	1.979
Exchange rate adjustments	0	3.831
	3.170.104	**5.810**

	2018 DKK	2017 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	47.997	(1.347)
Change in deferred tax for the year	1.210.011	1.595
Adjustment concerning previous years	(74.484)	(652)
	1.183.524	**(404)**

	2018 DKK	2017 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	(6.957.747)	(18.998)
Minority interests' share of profit/loss	(2.068.954)	(600)
	(9.026.701)	**(19.598)**

Notes to consolidated financial statements

	Completed development projects DKK	Development projects in progress DKK
7. Intangible assets		
Cost beginning of year	8.616.631	24.207.615
Transfers	19.198.102	(19.198.102)
Additions	0	11.710.044
Cost end of year	**27.814.733**	**16.719.557**
Amortisation and impairment losses beginning of year	(4.993.186)	0
Amortisation for the year	(1.826.668)	0
Amortisation and impairment losses end of year	**(6.819.854)**	**0**
Carrying amount end of year	**20.994.879**	**16.719.557**

Development projects in progress

In 2018 development projects are in line with previous years primarily related to the data collection and data analysis software tools of the Group and the efforts to improve and optimize structural pavement testing and analysis through RWD testing.

The software portfolio of the Group is under continuous improvement to meet the customers requirements and driven by the rapid development in software technology and data transmission. The software development is centered around the Groups cloud-based data storage and analysis tools, of which much functionality has already been put into operation. Investments in new development of required software functionality is expected to continue in the future to keep up with new software technologies and maintain the Groups competition power. Due to these circumstances more software development activities is now being treated as assets than previously, as they are assessed to have important impact to the Groups ability to keep and attract revenue and earnings in the future.

Development of technical equipment relates to the continued improvement of the RWD, RAPTOR, that was launched in its first edition in the fall of 2018. The RAPTOR has proven its ability to generate valid pavement measurement data in 2018 and the continued development is centered around improving the precision of measurements and the subsequent modelling of data. These activities are expected to contribute further to support the Dynatest group’s expected growth in future revenues and earnings.

Completed development projects comprise of the first edition of RAPTOR.

Besides RAPTOR technical development projects comprise new calibration tools and projects related to improve the efficiency and productivity of pavement measurement.

Notes to consolidated financial statements

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment		
Cost beginning of year	156.034	59.809.964
Exchange rate adjustments	7.831	1.350.351
Transfers	4.076.079	0
Additions	0	5.573.137
Disposals	0	(1.387.388)
Cost end of year	**4.239.944**	**65.346.064**
Depreciation and impairment losses beginning of the year	0	(30.044.197)
Exchange rate adjustments	0	(690.621)
Transfers	(1.890.965)	0
Depreciation for the year	0	(6.322.692)
Reversal regarding disposals	0	577.293
Depreciation and impairment losses end of the year	**(1.890.965)**	**(36.480.217)**
Carrying amount end of year	**2.348.979**	**28.865.847**

	Investments in associates DKK	Deposits DKK
9. Fixed asset investments		
Cost beginning of year	95.950	691.225
Additions	0	1.826.631
Cost end of year	**95.950**	**2.517.856**
Revaluations beginning of year	3.015.843	0
Share of profit/loss for the year	(220.988)	0
Revaluations end of year	**2.794.855**	**0**
Carrying amount end of year	**2.890.805**	**2.517.856**

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

Notes to consolidated financial statements

Investments in associates is further described in note 7 of the Parent Financial Statements.

11. Short-term trade receivables

The group operates in many countries in Europe, Americas and Asia. The economic environment in some of these countries is challenged, currency exchange rules are put in place which reduce the possibility for the customers to make payments abroad. Therefore, some of the group trade receivable are significantly overdue. The group management continues to collect the trade receivables and to maintain the relationship with these customers.

Based on continued and updated correspondance with these customers, Management has on an individual customer basis provided for expected losses. Management is of the opinion that the net booked amount is recoverable, though the actual time of payment is uncertain.

Estimates are made on the basis of assumptions which Management considers reasonable and realistic, but which by nature are uncertain, thus recoverability of these receivables may proceed differently than expected.

	2018 DKK	**2017 DKK'000**
12. Contract work in progress		
Contract work in progress	62.215.040	8.756
Progress billings regarding contract work in progress	(45.220.626)	0
	16.994.414	**8.756**

Stage of completion is calculated based on a milestone model developed by Management, which is belived to reflect the actual stage of completion. The stage of completion estimates are made on the basis of assumptions which Management considers reasonable and realistic, but which by nature are uncertain. The completion of the projects may proceed differently than expected.

13. Prepayments

Prepayments comprise prepaid expenses.

Notes to consolidated financial statements

	2018 DKK	2017 DKK'000
14. Deferred tax		
Intangible assets	8.297.000	6.123
Property, plant and equipment	(561.000)	1.146
Liabilities other than provisions	(1.705.989)	(1.715)
Tax losses carried forward	(3.226.000)	(3.960)
	2.804.011	**1.594**

Changes during the year	
Beginning of year	1.594.000
Recognised in the income statement	1.210.011
End of year	**2.804.011**

15. Other provisions

Other provisions comprise warranty obligations.

16. Long-term deferred income

The company has received part public funding of an ongoing development project. Commencing in 2018 the deferred income has be set off against the amortization of the cost of the development project.

	Instalments within 12 months 2018 DKK	Instalments within 12 months 2017 DKK'000	Instalments beyond 12 months 2018 DKK	Outstanding after 5 years DKK
17. Liabilities other than provisions				
Bank loans	1.302.589	1.530	1.364.367	0
Finance lease liabilities	6.466.139	2.921	23.424.568	0
Debt to other credit institutions	0	0	5.211.808	3.333.000
Other payables	175.241	154	1.502.141	0
Deferred income	767.949	0	6.783.546	3.712.000
	8.711.918	**4.605**	**38.286.430**	**7.045.000**

Notes to consolidated financial statements

	2018 DKK	2017 DKK'000
18. Change in working capital		
Increase/decrease in inventories	1.044.993	(6.060)
Increase/decrease in receivables	(19.578.556)	464
Increase/decrease in trade payables etc	10.192.703	5.717
	(8.340.860)	**121**

19. Mortgages and securities

Dynatest International A/S has entered into lease agreements for office supply with a lease obligation of DKK ('000) 192 for a 1 year period.

As a security for debt to banks of DKK ('000) 19,600 Dynatest Denmark A/S has issued a floating charge of a nominal amount of DKK ('000) 10,000. The floating charge includes inventory, trade receivables and fixtures and equipment, with a total carrying amount as at 31 December 2018 of DKK ('000) 39,010.

Dynatest Denmark A/S has issued guarantees to customers in the amount of DKK ('000) 26,451, and has lease payments (operating lease) of DKK ('000) 816 until 2023.

Dynatest Denmark A/S has signed a tenancy rental agreement with 41 months interminability at 31 December 2018 corresponding to a rent of DKK ('000) 5,875.

Dynatest Denmark A/S has an obligation to purchase assets held under finance leases for DKK ('000) 3,460 at the end of the lease period.

Dynatest North America Inc. has lease and rental agreements in the amount of DKK ('000) 24,777 with expiry in the period until 2026.

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

Property, inventory, trade receivables and fixtures and equipment, with a total carrying amount as at 31 December 2018 of DKK ('000) 41,677.

Dynatest South America Holding ApS has provided security for 1m USD in fixtures and equipment as security for debt to other credit institutions.

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

Notes to consolidated financial statements

20. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Dynatest Finance ApS, Gladsaxevej 342, 2860 Søborg

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Dynatest Finance ApS, Gladsaxevej 342, 2860 Søborg

The following shareholder is recorded in the company's register of shareholders as owning minimum 5% of the wotes or minimum 5% of the share capital :

Dynatest Holding ApS
Gladsaxevej 342
2860 Søborg

	Registered in	Corpo-rate form	Equity inte-rest %	Equity DKK	Profit/loss DKK
21. Subsidiaries					
Dynatest North America Inc.	Atlanta, USA	Inc.	100,0	(569.310)	(1.231.208)
Dynatest Denmark A/S	Søborg, Danmark	A/S	100,0	(40.304.236)	(3.650.921)
Dynatest UK Ltd.	England	Ltd.	100,0	(2.978.639)	(309.969)
Dynatest New Zealand Ltd.	New Zealand	Ltd.	100,0	(1.031.319)	(138.472)
Dynatest Chile SpA	Chile	SpA	67,0	(4.755.780)	(3.247.533)
Dynatest Colombia SpA	Colombia	SpA	67,0	(5.474.609)	(476.301)
Dynatest Peru SpA	Peru	SpA	67,0	(4.527.097)	(2.219.151)
Dynatest South America Holding ApS	Søborg, Danmark	ApS	67,0	6.804.525	(263.877)
Dynatest Italy	Italy	SpA	100,0	(1.491.265)	(1.491.265)
Internal profit on fixed assets			100,0	(5.700.438)	(2.900.132)

Parent income statement for 2018

	Notes	2018 DKK	2017 DKK'000
Revenue		16.108.335	17.067
Production costs		(2.888.434)	(3.337)
Gross profit/loss		**13.219.901**	**13.730**
Administrative costs	1	(7.609.628)	(8.564)
Operating profit/loss		**5.610.273**	**5.166**
Income from investments in group enterprises		(21.583.716)	(21.223)
Income from investments in associates		(220.988)	(19)
Other financial income	2	3.350.481	679
Other financial expenses	3	(964.074)	(3.450)
Profit/loss before tax		**(13.808.024)**	**(18.847)**
Tax on profit/loss for the year	4	(873.516)	(152)
Profit/loss for the year	5	**(14.681.540)**	**(18.999)**

Parent income statement for 2018

	Notes	2018 DKK	2017 DKK'000
Completed development projects		20.994.879	3.624
Development projects in progress		16.719.557	24.208
Intangible assets	6	**37.714.436**	**27.832**
Investments in group enterprises		0	835
Receivables from group enterprises		21.924.723	23.010
Investments in associates		2.890.805	3.111
Deposits		44.700	45
Fixed asset investments	7	**24.860.228**	**27.001**
Fixed assets		**62.574.664**	**54.833**
Trade receivables		101.250	0
Receivables from group enterprises		0	2
Other receivables		300.412	648
Income tax receivable		0	1.400
Prepayments	8	39.456	232
Receivables		**441.118**	**2.282**
Cash		**3.282.263**	**0**
Current assets		**3.723.381**	**2.282**
Assets		**66.298.045**	**57.115**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK'000
Contributed capital	9	15.971.298	15.971
Reserve for development expenditure		29.571.707	17.862
Retained earnings		(45.025.099)	(19.332)
Equity		**517.906**	**14.501**
Deferred tax	10	5.345.000	4.397
Provisions for investments in group enterprises	11	25.541.442	4.522
Provisions		**30.886.442**	**8.919**
Deferred income	12	6.783.546	7.578
Non-current liabilities other than provisions	13	**6.783.546**	**7.578**
Current portion of long-term liabilities other than provisions	13	767.949	0
Bank loans		23.025.491	16.401
Trade payables		1.808.184	1.889
Payables to group enterprises		524.125	6.704
Other payables		2.557.402	1.123
Current liabilities other than provisions		**28.683.151**	**26.117**
Liabilities other than provisions		**35.466.697**	**33.695**
Equity and liabilities		**66.871.045**	**57.115**
Mortgages and securities	14		
Related parties with controlling interest	15		

Parent statement of changes in equity for 2018

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	15.971.298	17.861.663	(19.332.618)	14.500.343
Exchange rate adjustments	0	0	126.103	126.103
Profit/loss for the year	0	11.710.044	(25.818.584)	(14.108.540)
Equity end of year	**15.971.298**	**29.571.707**	**(45.025.099)**	**517.906**

Notes to parent financial statements

	2018 DKK	2017 DKK'000
1. Staff costs		
Wages and salaries	4.120.269	4.346
Pension costs	342.000	378
Other social security costs	10.903	12
	4.473.172	**4.736**
Average number of employees	**2**	**2**

	Remuneration of management 2018 DKK	Remuneration of management 2017 DKK'000
Total amount for management categories	4.437.172	4.736
	4.437.172	**4.736**

	2018 DKK	2017 DKK'000
2. Other financial income		
Financial income arising from group enterprises	1.253.451	679
Exchange rate adjustments	2.097.030	0
	3.350.481	**679**

	2018 DKK	2017 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	73.882	48
Interest expenses	890.192	404
Exchange rate adjustments	0	2.998
	964.074	**3.450**

	2018 DKK	2017 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	0	(1.400)
Change in deferred tax for the year	948.000	2.559
Adjustment concerning previous years	(74.484)	(1.007)
	873.516	**152**

Notes to parent financial statements

	2018 DKK	2017 DKK'000
5. Proposed distribution of profit/loss		
Transferred to other reserves	11.710.044	10.697
Retained earnings	(25.818.584)	(29.696)
	(14.108.540)	**(18.999)**

	Completed develop-ment projects DKK	Develop-ment projects in progress DKK
6. Intangible assets		
Cost beginning of year	8.616.631	24.207.615
Transfers	19.198.102	(19.198.102)
Additions	0	11.710.044
Cost end of year	**27.814.733**	**16.719.557**
Amortisation and impairment losses beginning of year	(4.993.186)	0
Amortisation for the year	(1.826.668)	0
Amortisation and impairment losses end of year	**(6.819.854)**	**0**
Carrying amount end of year	**20.994.879**	**16.719.557**

Development projects in progress

Development projects is further described in note 7 of the Consolidated Financial Statements.

Notes to parent financial statements

	Investments in group enterprises DKK	Receivables from group enterprises DKK	Investments in associates DKK	Deposits DKK
7. Fixed asset investments				
Cost beginning of year	50.098.538	72.425.875	85.950	44.700
Additions	357	47.930.981	0	0
Cost end of year	**50.098.895**	**120.356.856**	**85.950**	**44.700**
Revaluations beginning of year	(104.184.964)	0	3.025.843	0
Exchange rate adjustments	126.103	0	0	0
Share of profit/loss for the year	(20.598.716)	0	(220.988)	0
Revaluations end of year	**(124.657.577)**	**0**	**2.804.855**	**0**
Impairment losses beginning of year	0	(49.414.893)	0	0
Investments with negative equity depreciated over receivables	49.017.240	(49.017.240)	0	0
Investments with negative equity transferred to provisions	25.541.442	0	0	0
Impairment losses end of year	**74.558.682**	**(98.432.133)**	**0**	**0**
Carrying amount end of year	**0**	**21.924.723**	**2.890.805**	**44.700**

	Registered in	Equity interest %	Equity DKK	Profit/loss DKK
Investments in associates comprise:				
Dynatest Asia-Pacific Sd. Bhd.	Malaysia	49,0	2.533.359	(221.634)
Dynatest Africa Ltd.	Sydafrika	50,0	357.446	646

The recognition and measurement of investments in associates is based on unaudited draft financial statements as per February 28, 2019 for Dynatest Africa Ltd, and unaudited draft financial statements as per December 31, 2018 for Dynatest Asia-Pacific Sd. Bhd.

8. Prepayments

Prepayments comprise prepayed expenses.

Notes to parent financial statements

	Number	Par value DKK	Nominal value DKK
9. Contributed capital			
Contributed capital	15.971	1.000	15.971.298
	15.971		**15.971.298**

	2018 DKK	2017 DKK'000
10. Deferred tax		
Intangible assets	8.297.000	6.123
Property, plant and equipment	(149.000)	(199)
Provisions	(1.708.000)	(1.714)
Tax losses carried forward	(1.095.000)	187
	5.345.000	**4.397**

Changes during the year	
Beginning of year	4.397.000
Recognised in the income statement	948.000
End of year	**5.345.000**

11. Provisions for investments in group enterprises

Investments in group enterprises with negative equity transferred from fixed asset investments.

12. Long-term deferred income

The company has received part public funding of an ongoing development project. Commencing in 2018 the deferred income has be set off against the amortization of the cost of the development project.

	Instalments within 12 months 2018 DKK	Instalments beyond 12 months 2018 DKK	Outstanding after 5 years DKK
13. Liabilities other than provisions			
Deferred income	767.949	6.783.546	3.712.000
	767.949	**6.783.546**	**3.712.000**

14. Mortgages and securities

Dynatest International A/S has issued a Letter of Support in regards to the subsidiaries Dynatest UK Ltd., Dynatest New Zealand Ltd, Dynatest Denmark A/S and Dynatest South America Holding ApS.

Notes to parent financial statements

Dynatest International A/S has issued a guarantee of payment for the total obligations of the Danish companies to the bank, a debt of DKK ('000) 19,600 and guarantees to customers in the amount of DKK ('000) 26,451 as per 31 December 2018.

Dynatest International A/S has issued a guarantee of payment for rent obligations of the US company amounting to DKK ('000) 24,777 for a 7 years period.

Dynatest International A/S has issued a guarantee of payment for rent obligations of the Danish companies amounting to DKK ('000) 5,875 for a 5 years period.

Dynatest International A/S has entered into lease agreements for office supply with a lease obligation of DKK ('000) 192 for a 1 year period.

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

15. Related parties with controlling interest

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

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

Accounting policies

Reporting class

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

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

Management's materiel judgements and estimates

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

- The sufficiency of the Group's financing to continue activities;
- The recognition and measurement of development costs as the value of development projects depend on such projects to be financed, finalized and commercialized as expected;
- The recognition and measurement of trade receivables; and
- The measuring of the stage of completion and the value of contract work in progress. Stage of completion is calculated based on the a milestone structure which is estimated to reflect the actual stage of completion. The completion of the projects may proceed differently than expected.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Accounting policies

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

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

Business combinations

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

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

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

Profits or losses from divestment of equity investments

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

Foreign currency translation

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

Accounting policies

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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

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

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

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

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

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

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

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

Accounting policies

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

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

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

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

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	31 - 39 years
Plant and machinery	3 - 10 years
Other fixtures and fittings, tools and equipment	3 - 10 years
Leasehold improvements	10 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises’ equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

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

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

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

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

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

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

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

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

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

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

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

Accounting policies

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

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

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

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

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

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

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

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

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

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

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

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

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

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

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

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Accounting policies

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.