DANISH TECHNOLOGICAL INSTITUTE

Annual Report 2016

CVR-no. 56 97 61 16

Danish Technological Institute
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DK-2630 Taastrup
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Email: info@teknologisk.dk
CVR-no.: 56 97 61 16
Founded: 1906
Registered office: Taastrup
Financial year: 1 of January to 31 of December

Contents

Management's statement and auditor's report

Statement by the Executive Board and the Board of Trustees

The board of Trustees and the executive board have today reviewed and approved the annual report for 2016 for the Danish Technological Institute.

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 institute's own financial statement give a true and fair view of the group and Institute's assets, liabilities and financial standing as of the 31 of December, 2016. It is also our opinion that the results of the group's and Institute's activities and the group's cash flow for the financial year 1 of January – 31 of December, 2016 give a true and fair view.

It is furthermore our opinion that the management's review contains a correct description of the development in the group's and the Institute's activities and financial condition as well as the annual result and the financial position of the group and Institute.

Taastrup, the 15 of March, 2017

Executive Board:

Søren Stjernqvist
CEO

Board of Trustees:

Clas Nylandsted Andersen
Chairman

Lars Aagaard
Deputy Chairman

Anders Bjarklev

Eva Bak Jacobsen

Frederik R. Steenstrup

Kim Lind Larsen

Niels Techen Nielsen

Søren F. Eriksen

Thorkild E. Jensen

The independent auditor's report on the financial statements

To the Board of Trustees of the Danish Technological Institute

Conclusion
It is our opinion that the consolidated financial statement and the annual report give a fair and true picture of the group's and the company's assets, liabilities and financial standing as of the 31 of December 2016. It is also our opinion that the result of the group's and company's activities and the group's cash flow for the financial year 1 of January – 31 of December 2016 give a fair and true picture and are in accordance with the Danish Financial Statements Act.

We have reviewed the group financial statement and the annual report for the Danish Technological Institute for the financial year 1 of January – 31 of December 2016, which includes the income statement, balance sheet, statement of changes in equity and notes – including the accounting practices used for both the group and the company, in addition to the cash flow for the group ('the financial statements').

Basis for the conclusion
We have carried out our review in accordance with international standards on audits and the further requirements that apply in Denmark. Our responsibility follows these standards, and the requirements are described more closely in the section 'Auditor's responsibility for auditing the financial statements'. We are independent from the group in accordance with international ethical rules for auditors (IESBA's Ethical Rules) and the further requirements that apply in Denmark, just as we have fulfilled our ethical obligations in relation to these rules and requirements. It is our view that the audit evidence is sufficient and suitable to serve as the basis of our conclusion.

Statement on management's review
The management is responsible for the management's review.

Our conclusion about the financial statements do not include the management's review, and we express no form of conclusion with certainty about the management's review.

In connection with our review of the financial statements it is our responsibility to read the management's review and in that connection, to consider whether the management's review is significantly at odds with the financial statements or our knowledge gained during the revision, or in another way seemingly containing significant misinformation.

Our responsibility is furthermore to consider whether the management's review contains the information required in accordance with the Danish Financial Statements Act.

Based on the work done, it is our opinion that the management's review is in accordance with the group financial statement and the annual report, and has been developed in accordance with the Danish Financial Statements Act's requirements. We have found no significant misinformation in the management's review.

Management's responsibility for the financial statements
The management is responsible for developing a consolidated financial statement and an annual report which provide a true and fair picture in accordance with the Danish Financial Statements Act. The management is furthermore responsible for the internal controls that the management deem necessary to develop a financial statement without significant misinformation, regardless of whether these may be due to fraud or errors.

In preparing the financial statements, the management is responsible for evaluating the group and company's ability to continue operating, to inform about factors concerning future operations, where relevant, and also to prepare the financial statements on the basis of the accounting principle of continued operation – unless the management either intends to liquidate the group or the company, cease operations or have no realistic alternative to doing so.

Auditor's responsibility for auditing the financial statements
Our goal is to attain a high degree of confidence that the financial statements as a whole are without significant misinformation, regardless of whether this is

due to fraud or errors, and to deliver an auditor's report containing a conclusion. A high degree of confidence is a high level of surety, but is not a guarantee that an audit that is carried out in accordance with international standards on auditing and the further requirements that apply to Denmark will always uncover significant misinformation, if such information exists. Misinformation can also occur as a result of fraud or errors, and can be considered significant if it could reasonably be expected that they alone or collectively can influence the financial decisions that the users make based on the financial statements.

As part of a review that is carried out in accordance with the international standards on audits and the further requirements that apply in Denmark, we make professional evaluations and maintain a professional scepticism during the audit. Furthermore:

- We identify or evaluate the risk of there being significant misinformation in the financial statements, regardless of whether this is due to fraud or errors, and we take audit-related actions in response to these risks and seek audit evidence that is sufficient and suitable for forming a basis for our conclusion. The risk of not uncovering significant misinformation due to fraud is higher than in the case of misinformation caused by errors, in that fraudulent information can include conspiracies to cover it up, forged documents, intentional omissions or the absence of internal controls.

- We gain an understanding of the internal controls relevant for the audit in order to take audit-related actions that are suitable under the circumstances, but we do not express a conclusion about the effectiveness of the group's or company's internal controls.

- We evaluate whether the accounting practices used by the management are appropriate, in addition to whether the financial statement's related estimates and associated information that the management have prepared are fair.

- We conclude whether or not the management's preparation of the financial statements on the basis of the accounting principle of continued operation is appropriate. We also look at whether or not, on the basis of the audit evidence, there is sufficient uncertainty connected with the events or conditions that that can impact the company's ability to continue operating. If we conclude that there is a significant uncertainty, then we must, in our auditor's report, draw attention to this information in the financial statements or, if such information is not sufficient, modify our conclusion. Our conclusions are based on the audit evidence that has been presented by the date of our auditor's report. Future events or conditions can, however, lead to the group and the company no longer being able to continue operating.

- We examine the total presentation, structure and contents of the financial statements, including the information from notes, and also whether the financial statements reflect the underlying transactions and events in such a manner that a fair and true picture emerges.

- We gather sufficient and suitable audit evidence for the financial information concerning the companies or business activities of the group in order to express a conclusion about the consolidated financial statement. We are responsible for leading, overseeing and carrying out the group audit. We are solely responsible for our audit conclusion.

We communicate with the senior management concerning, among other things, the planned scope and the dates of the audit in addition to significant audit-related observations, including significant defects in the internal controls, if any, that we identify during the audit.

Hellerup, 15 March, 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerskab
CVR-no.: 33 77 12 31

Jacob F. Christiansen
State Authorised Public Accountant

Management's review

Company information

Danish Technological Institute
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Board of Trustees

Executive board

Søren Stjernqvist

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerskab
Strandvejen 44
DK-2900 Hellerup

Group chart
as at 31 December 2016

Danish Technological Institute
CVR-no.: 56 97 61 16

Subsidiaries

Danish

Dancert A/S
100 %
CVR-no.: 29 51 20 94

Danfysik A/S
100 %
CVR-no.: 31 93 48 26

Teknologisk Innovation A/S
100 %
CVR-no.: 20 66 56 45

Foreign

Teknologisk Institut AB, Sweden
100 %
Reg. no.: 556456-9894

Subsidiary

Learn Lab AB, Sweden
100 %
Reg. no.: 559023-7706

DTI Polska Sp. z o.o., Poland
68 %
Reg. no.: KRS 0000023041

DTI Spain S.L., Spain
67 %
Reg. no.: B-65573784

Financial highlights for the group

DKK millions	2016	2015	2014	2013	2012
Key figures					
Revenue	1,118	1,018	1,085	1,081	1,047
Operating profit	25	48	34	35	44
Net financials, including the result after tax at associated companies	-2	2	-2	-1	2
Net profit	**26**	**50**	**31**	**33**	**43**
Balance sheet total	1,003	911	847	837	819
Equity	**628**	**601**	**552**	**523**	**488**
Cash flow from operating activities	77	97	19	61	105
Cash flow for investment activities	176	15	-105	-66	-92
Hereof for investment in material fixed assets	30	23	102	66	93
Cash flow to financing	85	1	0	-15	-32
Total cash flow	**-87**	**112**	**-87**	**-20**	**-19**
Key figures					
Operating profit margin	2.2	4.7	3.1	3.2	4.2
Solvency ratio	62.6	66.0	65.1	62.5	59.6
Liquidity ratio	112.0	156.4	125.7	139.4	145.0
Self-financed development share	8.9	9.2	8.6	10.1	9.0
Average number of full-time employees	**1,074**	**1,004**	**1,055**	**1,051**	**992**

Definitions and concepts are specified in the applied accounting practices.

Report

Primary activity

The Danish Technological Institute generates results by carrying out R&D activities and commercial activities in the form of consulting, education and laboratory services. A targeted effort at carrying out these activities is central to the Institute's strategic development, and this is where the Institute as a whole addresses the technological trends and the challenges that the Institute's clients are faced with. In the end, it is this interplay which forms the basic rationale for the results that the Institute generates.

This interplay takes place in the following areas:

Within the production area, the Institute develops and implements advanced production processes and technologies – what is today called Industry 4.0. The Institute is a particularly strong actor when it comes to robotic technologies and nanotech production, in that it has access to new technology platforms and unique testing facilities.

Material development is a core position of strength. Here, high-tech material knowledge is brought out for industrial applications. It is both about knowledge of bulk materials and surface treatments, nanomaterials, metals, polymers, ceramic and composite materials, 3D printing and material characterisation. The Institute also has both the knowledge and the facilities requires for the production of nanomaterials.

The Institute is Denmark's largest and leading knowledge centre in the field of building materials. Here, the position of strength ranges from core competencies in the development and documentation of concrete, tiles, wood, asphalt, windows and bio-based materials to advanced building investigations focusing on durability, interior climate, energy overhauls and the removal of non-environmentally friendly substances.

In the food industry area, the Institute focuses on increasing productivity in food production, food quality and safety, microbiology and sensory science. The Institute has new test facilities for food production. Furthermore, the Institute has a position of strength in the area of advanced chemistry and micro-biology, where the Institute's science and equipment contribute with providing technological services in the areas relating to the environment, health, the food industry and the oil industry.

On the energy-front, the Institute has a position of strength in the reordering of the Danish energy systems. Here, the position covers knowledge and equipment related to energy efficiency, renewable energy, smart grids and solutions relating to climate-change adaptations.

The Institute contributes to increasing the capacity for innovation in society, among companies and in individuals. This takes place through consulting and projects that are based on the experience from a range of Danish and international studies in combination with specific innovation initiatives and a comprehensive series of courses.

Developments in activities and financial circumstances

The Danish Technological Institute increased its revenue in 2016 by 9.9% in relation to 2015, totalling DKK 1,118.1 million and ended up with a satisfactory profit of DKK 26.4 million.

The activities in 2016 have been influenced by the acquisition of AgroTech. The new division is fully integrated in the Institute's finance and IT systems. New laboratories and office facilities were installed in Taastrup, where the employees from Hobeby and the employees who were located at the University of Copenhagen's campus in Taastrup were moved to. In Skejby, it was necessary to adjust the capacity slightly and make some changes to the management team. Subsequently, the Institute's core business areas in the food industry and bio-mass areas were integrated into AgroTech.

In relation to the extension of the Institute's approved status as a Technological Service Institute in 2016, the Institute entered into a development contract with the Danish Ministry of Higher Education and Science. This contract specifies 5 goals for the strategic period 2016-2018 which include: increased regional dissemination of knowledge, increased synergy across the innovation system, enhanced internationalisation of Danish companies, high customer satisfaction levels among new regional SME clients and increased cooperation with SME clients.

Increased regional dissemination of knowledge is measured in the amount of new regional SME clients. The target number is composed of new regional SME clients

that have not done business with the Danish Technological Institute for the past 3 years. The Institute's goal is to maintain and develop the regionalisation of knowledge levels and contribute towards strengthening the bridge-building efforts that assist regional companies in implementing research-based knowledge in products and services. The goal for 2016 was getting 1,200 new private regional companies as clients. The Institute got a total of 1,226 in comparison to 1,173 in 2015.

An increase of the synergy across the innovation system is measured by the number of R&D projects where there is at least one other actor from the Danish innovation system. This could, for example, be Danish universities, specialist schools, business academies or others from the innovation system. The goal for 2016 was to have a minimum of 110 R&D projects that the Institute participated in. The Institute participated in 120 projects in 2016 in comparison with 105 such projects in 2015.

An enhanced internationalisation of Danish companies is measured on two parameters: in part, on the Institute's revenue on EU projects, and in part on the Institute's Danish units' international revenue. A core part of the Institute's mission is to develop, bring home and transfer knowledge to Danish companies. Therefore, the Institute will increase its participation in EU projects and seek to involve more Danish companies in them. The Institute's participation in these projects enhances its network and competencies, which in the end, help to assist Danish companies in getting into international R&D related collaborations. The goal for 2016 was a revenue on EU projects of DKK 55.0 million. The Institute achieved a revenue of DKK 51.0 million in comparison with DKK 49.3 million in 2015. The Institute's international revenue can be considered as an expression of the Institute offering services of an international level – that is, an expression of the Danish units' international network and competencies and which support the Institute's ambition to include Danish companies in international networks. The goal for 2016 was a revenue of DKK 250.0 million. The international revenue was DKK 247.6 million in 2016 in comparison with DKK 245.5 million in 2015.

It is important for the Institute to maintain a high level of customer satisfaction for new regional SME clients. The goal for customer satisfaction relates to the parameter: "Would recommend this Institute to others" on a scale of 1-5. Out of the 1,226 new regional clients that the Institute had in 2016, 13% replied to customer feedback forms with an average score of 4.50 versus a goal of 4.58. In 2015, in comparison, 17% replied to the customer feedback forms with an average score of 4.58.

The target number for increased cooperation with SME clients is based on the average revenue per SME client. In 2016, this was DKK 23,424 in comparison with the target number of DKK 21,000 and an average revenue in

2015 of DKK 20,923. It is a part of the Institute's strategy to offer attractive services that will form the basis for an increase of cooperation with the individual client.

Inside the company, quite a few resources were invested into finishing development of the new task-system which has, during the course of 2016, been fully implemented across the entire Institute. Going forward, this will provide a well-defined interface for the Institute's many clients and a significantly better overview of the Institute's development.

Finances

In 2016, the Danish Technological Institute achieved a profit of DKK 26.4 million which is DKK 0.6 million less than budgeted for.

The group's total revenue is DKK 1,118.1 million which is DKK 100.5 million higher than in 2015. Of this increase, the parent company generated DKK 76.4 million and the subsidiary companies DKK 23.8 million. It is the Danish Technological Institute AB and Danfysik A/S which have seen increases in revenue.

The Danish Technological Institute's revenue comes from, respectively, commercial activities and R&D activities, including performance contract contract activities. The group's commercial revenue was DKK 753.1 million. That is DKK 81.9 million higher than the previous year. The parent company's commercial revenue was DKK 558.6 million in comparison to DKK 500.5 million in 2015.

The R&D revenue and the performance contract revenue was DKK 365.0 million in comparison with DKK 346.4 million in 2015. That is 32.6% of the total revenue in comparison with 34.0% in 2015.

In 2016, the Institute has self-financed development activities for DKK 99.1 million, which is an increase of 5.2% in comparison with the year before.

The group's equity consists of DKK 629.5 million as of the 31 of December, 2016, which is an increase of DKK 26.3 million equivalent to the year's profit and the value-adjustment of period contracts. The balance sheet total rose by DKK 91.7 million to DKK 1,003.1 million (2015: DKK 911.4 million). The cash flow from operations consists of DKK 3.5 million in comparison with DKK 96.7 million in 2015. The decrease is mostly due to money being tied up in ongoing projects and advance payments in addition to inventory in comparison to 2015. The cash flow for investments consists of DKK 175.8 million which is due to investing in material fixed assets and the purchase of securities (2015: DKK 14.6 million).

The Institute's financial resources continue to be satisfactory and amounted to DKK 121.1 million at the end of 2016 (2015: DKK 105.1 million).

Subsidiaries

In Sweden, at Teknologisk Institut AB, all employees in Stockholm have been gathered at the same location and integrated into the organisation and systems. In connection with the integration, a number of write-downs of acquired activities were made in order to comply with the Institute's accounting rules. The revenue in 2016 amounted to DKK 66.8 million in comparison with DKK 48.2 million in 2015, equivalent to an increase of DKK 18.7 million or 38.7%.

The strong performance of the Swedish economy help the educational sector. The company has, beyond the acquisition, achieved an organic growth of 10.8%. The profits amount to DKK 0.5 million from a budget of DKK 3.2 million. Write-downs of acquired activities amount to DKK 3.3 million.

Danfysik A/S has seen a growth of 7.7% in revenue, from DKK 133.8 million in 2015 to DKK 122.6 million in 2016. Unfortunately, the year has been marked by a series of difficult orders that led to losses. Beyond that, a rather large investment has been made towards establishing a longer-term subcontractor relationship that going forwards is expected to give Danfysik A/S a positive push, both in terms of revenue and profits.

The Spanish subsidiary, DTI Spain S.L, has generated a revenue of DKK 3.3 million and a profit of DKK 0.1 million. The year has progressed positively, and there has been sold quite a lot of DMRI (Danish Meat Research Institute) services to the Spanish meat industry in addition to IT solutions sold under the brand Nuna Solutions.

The Polish subsidiary, DTI Polska Sp. z o.o., which is a company that solely specialises in sales, has succeeded in selling DMRI services to the largest Polish meat processing companies. Beyond this, a great effort has been made in expanding awareness of the Institute's tribology competencies – an effort which, going forward, is expected to turn into sales.

Associated companies

The Institute has handed off its shares in Syddansk Teknologisk Innovation A/S as of 30 of March, 2016, to the two other shareholders: The University of Southern Denmark and Syddanske Forskerparker. In 2008, Teknologisk Innovation A/S lost its status as an approved innovation environment. Subsequently, the Institute made a deal with the shareholders of Syddansk Innovation A/S at the time to transfer Teknologisk Innovation's portfolio companies to Syddansk Innovation A/S and at the same time take control of 50% of the shares. The company was then named Syddansk Teknologisk Innovation A/S (SDTI). The innovation company has since developed strongly, and given that the Danish Ministry of Higher Education and Science would have liked to see a strong connection to a university, the natural consequence was that the Institute now pulled out. SDTI has subsequently assumed its previous name, Syddansk Innovation A/S.

Special risks

The Danish Technological Institute's most significant operational risk is related to the management of R&D jobs and the long-term commercial jobs. That risk, however, has been duly accounted for in the Institute's procedures and business processes, etc., in addition to in the financial statements.

The Institute's solvency and financial resources lead to the Institute having only a limited sensitivity to changes in interest rates. There are no significant foreign currency risks nor are there significant risks concerning individual clients or cooperation partners.

Uncertainty in calculations or measurements

There have not appeared any uncertainties either in calculations or measurements in the annual report.

Unusual factors

The group's assets, liabilities and financial position as of the 31 of December, 2016, and the result of the group's activities and cash flows for 2016 are not impacted by unusual factors.

Expectation for 2017

The group's total revenue was budgeted for DKK 1,149.0 million. We have budgeted for a modest rise in revenue in relation to 2016, since we only expect organic growth.

The focus areas for 2017 for the parent company include, among others, a continued integration of AgroTech activities, an improvement in productivity in a number of divisions, managing decreased activity in the R&D market and growing the commercial revenue both on the home market and internationally. The latter is supported by the new job-system which will ensure the necessary transparency in one of the Institute's most central processes: the sales and invoicing process. The job-system will also support the process of getting significantly more co-financing agreements attached to the R&D projects in order to improve the project finances.

In 2017, Danfysik A/S expects to have a revenue of DKK 129.0 million, which is similar to what is was in 2016. The order book is of a sensible size and provides a reasonable degree of certainty that the budget can be reached. In the second half of 2016, it was not possible to reach the number of orders that were budgeted for which may negatively impact the 2018 budget. Therefore, the budget for 2017 already includes a reduction in staff.

At the Teknologisk Institut AB in Sweden, there has been a lot of activity. Partly due to the integration of acquired activities, and partly with the course-business, including carrying out the first of the self-developed e-learning courses. These tasks will continue to be a focus area in 2017. During 2017 it will also be necessary to find new locations in Stockholm (where an expansion of the premises is planned) and in Gothenburg (where they are moving to smaller premises.)

DTI Polska Sp. z o.o. continues seeking to make sales in the meat processing and tribology areas. During 2016, they have succeeded in selling projects to Poland's largest meat processing company. This work will continue in 2017. For the tribology area, the first commercial orders are expected in the year ahead.

DTI Spain S.L. continues seeking to make sales on the Spanish market where, in addition to selling DMRI services, they are also successful in selling their own IT programs. The first contacts for the Portuguese market have also been established, and a probing of the French market has also been initiated.

The total foreign revenue is budgeted at DKK 318.8 million, where the parent company's share amounts to DKK 119.8 million. That represents 27.7% of the revenue. In 2016, the foreign revenue's share was 28.9% of the total. The relatively smaller foreign revenue is due to the acquisition of AgroTech which has minimal foreign revenue. Both Danfysik A/S and the Danish Technological Institute AB have seen increases in revenue in 2016.

A profit of DKK 25.3 is budgeted for, equivalent to 2.2% of revenue.

Commercial activities

The group's commercial revenue in 2016 was DKK 753.1 million (2015: DKK 671.2 million). For the parent company, the commercial revenue increased when compared to 2015, and the subsidiaries Danfysik A/S and the Danish Technological Institute AB have also seen increases in revenue.

The Institute's strategy for 2016-2018 has set the goal that the group's commercial revenue should amount to DKK 847.0 in 2018. The group's commercial revenue amounted to DKK 753.1 million, equivalent to an increase of 12.2% in comparison with 2015. The strategic budget had a slightly more ambitious goal of a commercial revenue of DKK 790.0 million in 2016.

In particular, the parent company's revenue from Danish clients developed positively in 2016. In relation to 2015, we are seeing an increase in revenue of 17.0%. In comparison to the strategic budget for 2016, the revenue is 7.3% higher.

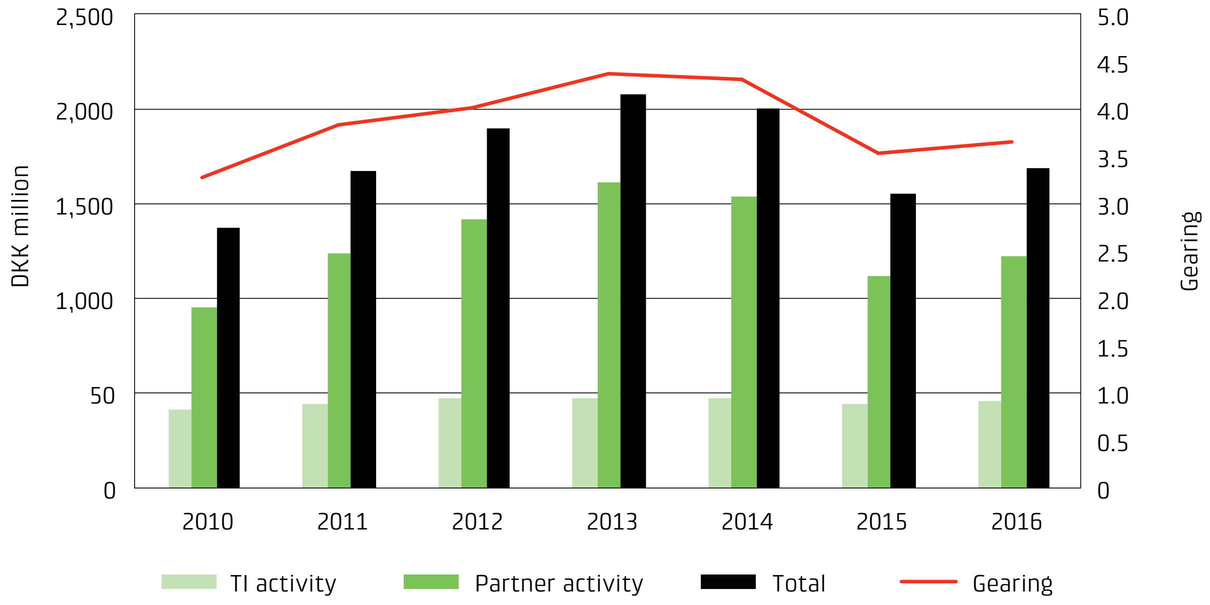
Research and development

The R&D revenue increased by 5.4% in comparison with 2015, to a total of DKK 365.0 million. This amount includes the performance contract funds that the Institute was granted from the Danish Ministry of Higher Education and Science. In 2016, these funds amounted to DKK 123.2 million, which is equivalent to 11% of the Institute's total revenue.

Development in partner activities and gearing

It is a core part of the Institute's strategy to involve Danish companies, both large and small, in the Institute's R&D activities. The amount of involvement from companies can be measures in hours and investments. In 2016, the value of the Institute's R&D activities amounted to DKK 464.0 million and the contribution from companies amount to DKK 1,229.1 million. For each krone that was from a grant or that the Institute invested in R&D activities, the companies invested DKK 2.65 – equivalent to a gearing of 3.65.

As can be seen in the figure below, the activity level – especially in the period 2012-2014 – has been higher than in 2015 and 2016. This is partly due to the fact that the EU's development program, Horizon2020, primarily works with the larger companies who to a large extent can go it alone, and partly due to the creation of Danmarks Innovationsfond, which has less funds at its



disposal than the development programs that the innovation fund has replaced. For the Danish Technological Institute, this has resulted in a more than 50% decrease of project funds received from Danish programmes.

Setting goals for R&D activities

The Institute's goal was to have a revenue, including from performance contract funds, of DKK 392 million in 2016 which would then rise to DKK 407 million in 2018. The result for 2016 was a revenue of DKK 365 million. The failure to meet the goal in 2016 was due to, in particular, to the fact that the Danish innovation funds such as Danmarks Innovationsfond, EUDP, etc. had significantly lower grants than previously. Therefore, it was, despite a strong effort in applying for grants, not possible to reach the desired goal (from Danish foundations). To put it all into perspective, however, Danmarks Innovationsfond received applications for more than DKK 6 billion from 489 separate applications. DKK 776 million was granted to 59 projects. The combined GTS net received 5% of the grants, equivalent to DKK 39 million, of which the Institute received DKK 22.6 million. The Institute thus maintains its high share of approximately

55% of the total GTS net R&D effort. This must be viewed in relation to the Institute's total revenue, which amounted to approximately 27% of the GTS net's revenue in 2015.

The Danish Agency for Science, Technology and Innovation provided a supplementary pool of performance contract funds during the autumn, where the Institute received approval for 14 suggested projects including, among other things, drone, precision agriculture, advanced manufacturing technology, waste-prevention and an industrial neutron laboratory. These are all subjects which going forward will help influence the private sector development in Denmark. The grant amounted to DKK 22.3 million in 2017 and the same for 2018.

With the increased performance contract grants and a decent amount of orders for R&D projects in 2016, the Institute's goal for the strategic plan of an R&D revenue of DKK 407 million in 2018 is absolutely within reach.

International activities

The international revenue is comprised of 3 parts. Namely, the export revenue from the parent company (including R&D revenue financed by, for example, the EU), the revenue of the three foreign subsidiaries and the revenue of Danfysik A/S. Of the total group revenue of DKK 1,118.1 million, the international revenue amounts to DKK 323.4 million, equivalent to 28.9%. In comparison to 2015, this is an increase of DKK 22.6 million. It is part of the Institute's strategy to grow internationally, both in terms of R&D revenue and the commercial revenue. The increase in the international revenue is also absolutely a success criteria, since it helps provide the Institute with the best possible conditions for helping Danish companies on a global market.

Evaluation of tasks

For the Danish Technological Institute, working towards making new knowledge a part of the daily practices of companies is a central element in its public service work, and it is important to know how satisfied the clients are with the tasks that the Institute complete for them.

In the last couple of years, our clients have been asked to evaluate the Institute's work based on a series of parameters, including quality and delivery time. When asked if they would recommend the Danish Technological Institute to others, our clients in 2016 gave us an average score of 4.6 on a scale of 1 to 5.

Investments

In 2016, investments were made to material fixed assets amounting to DKK 30.3 million. In addition to this, 10+ million DKK was invested in maintaining the Institute's existing buildings.

The Institute's largest investment in 2016 is the purchase of an ion accelerator from Danfysik A/S. The ion accelerator will, besides assisting in the development of new surface coatings, be used to produce the unique low-friction coating IBAD-DLC. It makes it possible to shape packaging for canned goods without harming the protective polymer layer that is on top of the metal to prevent direct contact between metal from the can and, for example, highly corrosive foods. Furthermore, the accelerator will be used for the production of the special chromium nitride Super-Slip (CrN-SS) coating that reduces the distortion effects in connection with injection moulding significantly. This coating has, among other things, made it possible for the company Winther Mould Technology A/S to develop a fully automatic injection moulding production platform that can increase productivity by up to 50% without compromising on quality.

The ion accelerator opens up for entirely new perspectives and development options for Danish industry. The importance of it was recently highlighted in Innovationfonden's new material push at the end of 2016, where they specifically chose to grant DKK 21 million to a large Danish-Swiss project called "SUPER-MOULDS." The project will develop new coatings to improve the efficiency of injection moulding in order to ensure increased competitiveness in high-wage countries like Denmark and Switzerland.

The Institute has also established a new dry concrete laboratory where it is possible to carry out pilot productions of very dry concrete that needs to be vibrated and pressed into shape. With the equipment one can, for example, make a full-scale test of recipes and develop new types of concrete based on the materials used. Beyond this, the equipment can also be used to develop and document products for climate change adaptations, such as, for example, permeable cobblestones that allow water to pass through them.

In the area of tile production, there has been made an investment in a combined gas and microwave oven so that it becomes possible to make pilot productions in the laboratory of tiles – partly in the traditional manner

with gas, and partly in a new manner with microwaves. Microwaves have the potential to be a link in the conversion of the energy-intensive tile production to renewable forms of energy.

The exhaust fumes from cars, motorcycles, trucks and stationary gas/diesel units are a global challenge. The Danish Technological Institute has, in collaboration with DTU and Aarhus University, worked intensely the last five years in developing catalytic processes. The Institute has now established a 'Green Chemical Reactor Technology' – a so-called supercritical flow synthesis process for the production of tonnes of catalytic materials. The Institute is the world leader in this technology, and two international patents have been taken. In 2016, we were successful in optimising the reactor and process while simultaneously succeeding in reducing the use of the costly platinum by 23%.

The Institute has also invested in an twin screw extruder with various support equipment in the form of a pin mill, dosaging equipment for the extrusion and co-extrusion in addition to a drying and cooling system for the texturing of plant protein. The twin screw extruder is used for process and product development of food items and snacks, in addition to the development of textured plant proteins as an alternative to animal protein. The population's daily diet is increasingly shifting from animal protein to vegetable ones, and here, texturing is a key technology.

In order to support the development of new enzymes, we have invested in a mini-pelletising facility for the pelletising of biomasses. The facility has a capacity of 300 kg/hour, and is primarily used for commercial assignments for Danish and international enzyme producers and ingredient companies. Using this equipment, the Institute can, for example, offer tests of the enzyme's ability to function after being exposed to production conditions on a near-industrial scale.

Knowledge resources

Continued strengthening of competences

2016 has been a year where the Danish Technological Institute expanded its presence in Denmark with a series of new areas after the acquisition of AgroTech as of the 1 of January, 2016. In Sweden, the conference company Conducive became a part of one of the Institute's Swedish subsidiaries. The group now employs 1,074 full-time employees in comparison with 1,004 employees in 2015. The share of professional employees with a Ph.D. or doctorate has risen by 3.4 percentage points, meaning that the group now has 19.5% of such employees compared to 16.1% in 2015.

The organisation
Two new directors were appointed in 2016 with the aim of strengthening the professional capacity and the management. In the same period, 6 new managers were appointed who have been given responsibility for newly established areas or areas where the former manager is no longer holding the position.

Employee satisfaction levels
93% of the employees at the Danish Technological Institute answered the employee survey in October, 2016. This is the highest response rate measured since the employee surveys first began in 2002. There is a continued small increase of practically all parameters, and both the motivation levels and the Institute's various levels of management receive slightly more positive feedback this year. 95% of employees reply that they are generally or very much in agreement that the work tasks serve to motivate them. 91% reply that they are generally or very much in agreement with the statement that they have a good boss.

New pension agreements
During the spring of 2016, the Danish Technological Institute chose to ask for bids on the Institute's combined pension scheme. This resulted in a long series of improved pension terms for the Institute's employees and updated agreements that are very much in step with the development taking place in the labour market.

Recruitment and employer branding
There is a continuing need for competent employees in a series of positions in the Institute. Therefore, 2016 also saw the implementation of several activities at relevant trade shows and universities in order to strengthen knowledge of the Institute and to make the Institute more visible as an attractive place to work.

The print media is used only to a very limited extent. The activity on the electronic media, however, is sharply rising in recruitment-related efforts. One of the most important cooperation partners for the Institute in this context is LinkedIn.

Impact on the external environment
The majority of the Danish Technological Institute's employees work in office spaces. The environmental impact from these is mostly related to the use of electricity and heat. Beyond that, the Institute controls a number of laboratories where various forms of materials are used – these materials are disposed of in accordance with the prevailing legislation on the area, including work environment regulations.

Social responsibility
The Danish Technological Institute has described what it sees social responsibility as, and which policies and guidelines taking social responsibility leads to. The management has chosen to publicise the mandatory description of the Institute's social responsibility on its home page at www.teknologisk.dk/samfundsansvar.

Gender equality
There remains a focus on an even gender-distribution in the composition of the management at the Institute and at its subsidiaries. Our ambition is to have at least 40% females at the Institute's talent programme. At the talent programme for 2017, we have achieved a distribution of 31% females and 69% males on the participation list. It continues to be a focus area.

The overall assessment is that the Danish Technological Institute treats all employees fairly and does not favour any gender in any aspect of the hiring process. This applies to both recruitment, selection for management roles and career development opportunities. This is supported by the Institute's personnel policy, where it is stated: "We work towards supporting a balanced employee composition so that the Institute at all times has access to the best qualified employees in the Institute's core areas."

The gender distribution for the Danish Technological Institute at the end of 2016 was, for the management level, 28% female and 72% male. For all employees, the distribution is 37% female and 63% male.

In the Danish Technological Institute's board, there are 9 members (including two elected by employees, of which one is female). Excluding the board members elected by employees, the gender distribution in the board is 100% male and 0% female.

Events after the balance sheet date
Since the date the overview was completed, there have been no significant events relating to the annual report.

Consolidated financial statement and the annual report, 1 of January – 31 of December

Accounting policies

The annual report for the Danish Technological Institute for 2016 has been prepared in accordance with the Danish Financial Statements Act for Class C Companies (large).

Under the Danish Financial Statements Act § 23.4, adaptations have been made to the template requirements for the results in order to show the group's business activity as an approved technological service institute.

The consolidated financial statement and the annual report have been prepared under the same accounting policies as the previous year. The structure, however, may in some cases have been adapted in response to changes in the Danish Financial Statements Act.

General information on revenue and measurements

Assets are included in the balance sheet when it is likely that they will generate future financial advantages for the company and that the value of the asset can be reliably measured.

Liabilities are included in the balance sheet when it is likely that they will lead to a loss of future financial advantages and the value of the liability can be reliably measured.

In the first calculation, assets and liabilities are measured at cost-price. Subsequently, assets and liabilities are measured as described for every part of the accounts below.

When calculating and measuring, we take into account profits, losses and risks that may occur before the annual report is delivered and which confirm or disprove factors that exist on the day the balance sheet is calculated.

Revenues are recognised in the annual report as they are earned, and this includes adjustments to the value of financial assets and liabilities that are measured at their daily value or amortised cost. Furthermore, expenses that were incurred to achieve the annual revenue are recognised, including write-offs, write-downs and provisions in addition to reversed transfers that result from changes in accounting-related estimates of amounts that previously have been recognised in the results.

Consolidated financial statement

The consolidated financial statement encompasses the parent company, the Danish Technological Institute, and its subsidiaries where the Danish Technological Institute directly or indirectly owns more than 50% of the voting rights or in another manner has deciding influence. Companies wherein the group possesses between 20-50% of the voting rights or and wields significant, but not deciding, influence are considered to be associated companies, c.f. the group chart.

When consolidating, an elimination of internal group revenues and expenses, holdings, internal accounts and yields in addition to realised and unrealised profits and losses between the consolidated companies is undertaken.

Shares in subsidiary companies are offset by the proportional share of the subsidiary company's daily value of net assets and liabilities at the time of acquisition.

Newly acquired or newly founded companies are included in the consolidated financial statement from the time of acquisition. Sold or liquidated companies are included in the consolidated results up to the date they are sold or liquidated. Comparison numbers are not corrected for newly acquired, sold or liquidated companies.

On the acquisition on new companies, the acquisition method applied is the one where the newly acquired companies' identified assets and liabilities are measured at the daily rate at the time of acquisition. A provision is included to cover the expenses for agreed-upon and publicised restructurings of the acquired company in connection with the acquisition. A deferred tax obligation is included for the adjustments to selected values.

Positive differences in the amounts (goodwill) between cost price and the daily value of acquired identified assets and liabilities are included under immaterial fixed assets and are written off systematically in the results after an individual estimate of the economic life-expectancy – though no more than 5 years.

Negative differences in the amounts (negative goodwill) that correspond to an expected unfavourable development in the companies in question are included in the balance sheet under prepayments and are included in the results as the unfavourable development is realised. For negative goodwill that is not related to expected unfavourable developments, the balance sheet will include an amount corresponding to the daily value of non-monetary assets that subsequently is included in the results over the non-monetary assets' average life expectancy.

Goodwill and negative goodwill from acquired companies can be adjusted until the end of the year following the acquisition.

Profit and loss from selling subsidiary companies or associated companies are calculated as the difference between the sale sum or the liquidation sum and the book value of net assets at the time of time, including not-written-off goodwill and the expected expenses incurred during the sale or liquidation.

Minority interests

In the consolidated financial statements, the subsidiary companies' accounting entries are included 100%. The proportional share of the minority interests' share of the subsidiary company's results and equity are tallied annually and included as separate entries under results and balance sheet.

Conversion of foreign currency

Transactions in foreign currency are converted when first included at the daily rate when the transaction took place. Foreign currency differences that occur between the daily rate at the time of the transaction and rate on the day of payment are included in the results as a financial entry.

Receivables, debts and other monetary entries in foreign currency are converted at the daily rate on the day the balance sheet is prepared. The differences between the day of the balance sheet's rate and the rate for the time of the receivable or debt obligation's occurrence or inclusion in the latest annual report are included in the results under financial income or financial expenses.

Rate-adjustments of amounts due from independent foreign subsidiary companies that are considered to be a part of the total investment in the subsidiary company are included directly in the equity. Likewise, foreign currency exchange gains or losses on loans and liquidated financial instruments from foreign subsidiary companies are included directly in the equity.

The results from the foreign subsidiary companies are converted to an average exchange rate and balance sheet entries to the currency exchange rate on the day the balance sheet is prepared. Exchange rate differences seen from converting the subsidiary's equity at the start of the year until the day of the balance sheet, in addition to converting the results from the average exchange rate to the rate at the day of the balance sheet, are included directly in the equity.

Derivatives

Derivatives are first included at cost price and subsequently measured at their daily value. Positive and negative daily values from derivatives are included in, respectively, other receivables and other debt.

Changes to the daily value of derivatives that are classified as and fulfil the criteria for securing the daily value of an included asset or obligation are included in the results together with the changes in the daily value of the secured asset or liability.

Changes to the daily value of derivatives that are classified as and fulfil the requirements for securing future assets and obligations are included in other receivables or other debt in addition to the equity. If the future transaction results in the inclusion of assets or obligations, then amounts are transferred which previously were included under equity at cost price for the respective activity or obligation. If the future transaction results in revenues or expenses, the amount that is included in the equity is transferred to the results for the period where the secured item affects the results.

For derivatives that do not fulfil the requirements for being treated as an instrument for securing assets or obligations, the changes in daily value are included in the results on a continuing basis.

Income statement

Revenue
The Danish Technological Institute's revenue is divided into 3 categories: Commercial activities, R&D activities and performance contract activities. Commercial activities include tasks that are solved for private and public clients and where the client owns the rights to the results of the job. R&D activities are solved on behalf of Danish and foreign grant-givers. The results of these tasks will, through the grant-givers, be published to the public. Performance contracts are a series of tasks that are solved on behalf of the Danish Ministry of Higher Education and Science and where the overall goal is to give small and medium sized companies the opportunity to quickly and effectively make use of new knowledge and technologies.

The revenue criteria is the invoice criteria, where revenues are included in the results as they are invoiced.

In cases where there is a larger or longer-lasting contract for a foreign entity it is included according to the production criteria which leads to the profit on provided services being included in the results as the work is completed.

The net revenue is included without VAT and fees billed on behalf of third parties. All types of provided discounts are included in the net revenue.

Project costs
Project costs contain the costs incurred during the year, excluding wages which can be directly referred to the individual projects.

Research and development
R&D expenses and agreed-upon development expenses for the completion of project agreements that are carried out without remuneration are included in the results under project costs and personnel expenses, depending on the type.

Other external expenses
Other external expenses include the expenses for distribution, sales, advertising, administration, premises, losses on receivables, operational leasing agreements, etc.

Personnel expenses
Personnel expenses include wages and salaries in addition to wage-dependent expenses.

Other operational income and expenses
Other operational income and expenses include the accounting entries of a secondary nature in relation to the company's activities, including profits and losses from selling fixed assets

Investments in subsidiaries and associated companies
In the parent company's results, the proportional share of the individual subsidiary companies' results after tax and after a full elimination of internal profits and losses is included.

In the results of both the parent company's and the group's results, the proportional share of the associated company's pre-tax results after an elimination of the proportional internal profits and losses are included.

Financial income and financial expenses
Financial income and expenses includes interest payments, currency exchange rate profits and losses from securities, debt and transactions in foreign currencies in addition to reimbursements under the on-account tax scheme, etc.

Tax on profit/loss of the year
As an Approved Technological Service Institute, the Danish Technological Institute is exempt from paying taxes.

Danish subsidiaries which are not exempt from taxation fall under the Danish rules on enforced co-taxation. Subsidiaries are included in the co-taxation from the time where they enter into the consolidation of the group financial statement and to the point where the leave the consolidation.

The prevailing Danish corporate tax rate is distributed by calculating the co-taxation contribution between the two co-taxed companies in relation to their taxable incomes. In this connection, the companies with negative taxable incomes receive co-taxation contributions from the companies that have been able to use this deficit to reduce their own taxable profits.

The tax for the year, which includes the year's prevailing tax and offset of deferred taxes is included in the results with the part that can be transferred to the year's results and directly to the equity with the parts that can be transferred to entries directly in the equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is written off over the estimated economic life expectancy that is determined on the basis of the management's experiences in the individual business areas. Goodwill is written off linearly over the writing off period, which is 5 years. The book value of goodwill is evaluated on a continuing basis and written down to the recoverable amount in the results in so far as the book value exceeds the expected future net revenues from the company or activity that the goodwill is attached to.

Development costs

Development costs include expenses, wages and write-offs that directly or indirectly can be traced to the Institute's development projects.

Development projects that are clearly defined and identifiable, and where the degree of technical exploitation, sufficient resources and a potential future market or development opportunity in the company can be proven – and where the intention is to produce, market, or use the project – are included as immaterial fixed assets if the cost price can be reliably determined and if there is a sufficient degree of certainty that the future earnings can cover the sales and administration costs, etc., in addition to the development costs. Other development expenses are included in the results as the expenses are incurred.

Development expenses that are included in the balance sheet are measured at cost price with a deduction for accumulated write-downs and write-offs or recoverable amount if this is lower. An amount equivalent to the activated development expenses in the balance sheet incurred after the 1 of January 2016 is included in the entry "reserve for development expenses" under equity. The reserve drops in value as a result of the write-offs.

After the completion of the development work, the development costs are written off linearly over the estimated economic life expectancy. The write-off period is usually 5 years.

Patents and licences

Patents and licences are measured at cost price with a deduction for accumulated write-offs. Patents are written off linearly over the remaining patent period and licences are written off over the period of the licence agreement – though no more than 5 years. Profits and

losses in the disposal of patents and licences are calculated as the difference between the sales costs and the book value at the time of sale. Profits and losses are included in the results under other operational incomes and other external expenses.

Material fixed assets

Plots of land and buildings, production facilities and machines in addition to other fixtures, tools and inventory are measured at cost price with a deduction for accumulated write-offs and write-downs. Plots of land are not subject to write-offs.

The cost price includes the acquisition price and the expenses directly related to the acquisition until the point where the asset is ready to be used. For in-house produced assets, the cost price includes direct and indirect expenses for materials, components, subcontractors and wages. Interest payments are not included in the cost price.

Linear write-offs are undertaken over the projected life expectancy based on the following evaluation of the life expectancy of the following asset types:

Buildings	50 years
Machines, equipment, etc.	5 years
Furnishing of rented premises	5-10 years
IT-equipment	3 years

Material fixed assets are written down to the recoverable amount if this is lower than the book value. An annual write-down test is conducted for every individual asset or group of assets. Write-offs are included in the results under write-offs and write-downs.

Profit and loss from the liquidation of material fixed assets are calculated as the difference between the sales price, with deductions of sales costs, and the book value at the time of sale. Profit and loss is included in the result under other operational incomes and other external expenses.

Leasing contracts

Leasing contracts for fixed assets where the Institute has all significant risks and advantages associated with the property right (financial leasing) are measured in the first inclusion in the balance sheet at the lowest daily value and the current value of the future leasing services. When calculating the present value, the leasing agreement's internal interest rate is used as the discount rate or the Institute's alternative interest rate. Financial leases for assets are thereafter treated as the Institute's own fixed assets.

The capitalised remaining leasing obligation is included in the balance sheet as a debt obligation, and the leasing service's interest rate share is included in the results during the contract period.

All other leasing contracts are operational leasing. Services in connection with operational leasing and other rental agreements are included in the results during the contract period. The Institute's total obligation concerning operational leasing and rental agreements are listed under contingent obligations, etc.

Shares in subsidiary companies or associated companies

Shares in subsidiary companies or associated companies are measured by the equity method.

Shares in subsidiary companies and associated companies are measured at the proportional share of the companies' internal value as determined by the Institute's accounting practices with a deduction or increase of unrealised internal group profits and losses, and an increase or deduction of the remaining value of positive or negative goodwill.

Shares in subsidiary companies and associated companies with a negative internal book value are measured at DKK 0 and a receivable at these companies is written down to the extent that the receivable is irrecoverable. To the extent that the parent company has a legal or otherwise commitment to cover a deficit that exceeds the receivable, the remaining amount is included under provisions.

Net revaluation of shares in subsidiary companies and associated companies is shown as reserve for net revaluation according to the equity method in the equity to the extent that the book value exceeds the cost price.

Inventory/stock

Inventory is measured at cost price according to the FIFO method. If the net realisable value is lower than the cost price, this is written down to the lower value.

The cost price for tradable goods, raw materials and other materials include the cost of acquisition in addition to the delivery costs.

The net realisable value for inventory is calculated as the sales sum with a deduction for completion-expenses and expenses incurred in order to make the sale and is determined based on considerations of liquidity, obsolescence and the developments in the expected sales price.

Other securities, loans and shares

Other securities, loans and shares are measured at cost price. If there are any indications of a loss in value, a write-down is undertaken.

Receivables

Receivables are measured at amortised cost price. They are written down in order to meet losses according to fixed principles on the measuring of the value of receivables.

Current work paid for by others

Current work paid for by others concerns larger and longer-lasting projects and are measured at the sales price for the completed work. The sales price is measured on the basis of the degree of completion on the day the balance sheet is prepared and the expected revenues for the individual current work.

When the sales value of a contract cannot be reliably determined, the sales value of the associated expenses or the net realisable value is measured if this is lower.

The individual current work is included in the balance sheet under receivables or debt obligations. Net assets consist of the sum of the contracts where the sales value of the completed work exceed the on-account invoices.

Prepayments

Prepayments included under assets concern incurred expenses related to subsequent financial years.

Corporation tax and deferred tax

Current tax obligations and receivable current tax that concern the subsidiary companies in the group are included in the balance sheet as the calculated tax for the year's taxable income, adjusted for tax of previous years' taxable income and the tax paid on-account.

Deferred taxes are measured according to the liability method for all previous differences between the book value and the tax value of assets and obligations.

Deferred tax assets, including the tax value of carried forward tax-related deficits are included with the value they are expected to be used for.

Provisions

Provisions concern the expected costs for guaranteed obligations. Guaranteed obligations concern obligations within the guarantee period of 1-2 years.

Provisions are measured at the net realisable value.

Debt obligations

Priority debt is included at the value remaining.

Other debt obligations are measured at the net realisable value.

Prepayments

Prepayments, included under obligations, concern the payments received for incomes in the following year.

Cash flow statement

The cash flow statement shows the group's cash flows divided into operations, investment and financing activity for the year, the year's shift in liquid assets and the group's liquid assets at the beginning and the end of the year.

The liquidity effect from buying and selling companies is shown separately under cash flows from investment activities.

In the cash flow statement, cash flows are included from the acquisition of companies from the date of their acquisition and cash flows from sold companies are included up to the point of sale.

Cash flow from operating activity

Cash flow from operating activities is calculated as the share of the result adjusted for non-cash operating entries, changes to operating capital and paid corporate tax.

Cashflow to investment activity

Cash flows from investment activity includes payments in connection with the acquisition and sale of companies and activities in addition to the acquisition and sale of immaterial, material and financial fixed assets.

Cashflow from financing activity

Cash flow from financing activity includes changes in the size or composition of the Institute's capital and expenses associated with the taking of new loans and the payments to interest-bearing debt.

Liquid assets

Liquid assets include cash at bank and in hand and short-term securities of no more than 3 months' duration and which can easily be converted to cash without a significant risk of changes to the value.

Segment information

Segment information is provided for the group's primary segments. The segment information follows the group's accounting policies, risk management and internal financial controls. The primary segments include the group's primary activities (divisions and companies).

Financial ratios

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

Operating profit margin	Operating profit x 100 / Revenue
Equity ratio	Equity, end of year x 100 / Total equity and liabilities, year-end
Liquidity ratio	Current assets x 100 / Short-term debt
Development financed by operations	Development financed by operations in % of revenue

Income statement

DKK millions	Note	Group 2016	Group 2015	DTI 2016	DTI 2015
Commercial activities		753.1	671.2	558.6	500.5
R&D activities		241.8	228.6	241.8	228.6
Performance contract activities		123.2	117.8	123.2	117.8
Net revenue	1	1,118.1	1,017.6	923.6	846.9
Project expenses excl. wages		-222.9	-175.2	-141.5	-117.1
Other external expenses		-202.8	-209.7	-170.4	-184.5
Personnel expenses	2	-638.7	-574.9	-556.2	-499.4
Write-offs and write-downs	3	-33.3	-34.1	-27.2	-31.0
Other operating incomes	4	4.1	24.4	10.2	30.8
Operating profit/loss		24.5	48.1	38.5	45.7
Share of profit/loss after tax in subsidiaries		0.0	0.0	-11.7	4.1
Share of net profit/loss after tax in associates		0.0	1.5	0.0	0.0
Financial incomes	5	1.7	2.6	2.2	2.4
Financial expenses	6	-3.2	-2.3	-2.6	-1.9
Net profit for the year before tax		23.0	49.9	26.4	50.3
Tax on the year's profit/loss	7	3.7	0.0	0.0	0.0
Profit/loss for the year before minority interests		26.7	49.9	26.4	50.3
Minority shareholders' share of subsidiary's profit/loss		-0.3	0.4	0.0	0.0
Net profit for the year		26.4	50.3	26.4	50.3

Proposed distribution of profits

		Group 2016	Group 2015	DTI 2016	DTI 2015
Net revaluation according to the equity method		0.0	0.0	-11.1	4.5
Retained earnings		26.4	50.3	37.5	45.8
Net profit for the year		26.4	50.3	26.4	50.3

Balance sheet

DKK millions	Note	Group 2016	Group 2015	The Institute 2016	The Institute 2015
ASSETS					
Non-current assets					
Intangible assets	8				
Goodwill		4.6	1.3	0.0	0.0
Development projects in progress		1.0	5.4	0.0	0.0
Completed development projects		9.5	5.0	0.0	0.0
Patents		0.0	0.0	0.0	0.0
		15.1	11.7	0.0	0.0
Property, plant and equipment	9				
Plots of land and buildings		376.0	382.2	376.0	382.2
Production facilities and machines		4.2	3.1	0.0	0.0
Other facilities, operating material and inventory		44.8	43.6	43.8	42.4
Furnishing of rented premises		0.6	0.8	0.6	0.8
Material fixed assets under construction		8.6	3.1	7.4	3.1
		434.2	432.8	427.8	428.5
Fixed asset investments					
Investments in subsidiaries	10	0.0	0.0	59.6	54.1
Investments in associates	11	0.0	12.0	0.0	0.0
Other investments	12	149.4	0.3	148.9	0.0
		149.4	12.3	208.5	54.1
Total non-current assets		598.7	456.8	636.3	482.6
Current assets					
Inventory/stock					
Inventory/stock	13	37.9	26.1	1.1	1.1
		37.9	26.1	1.1	1.1
Receivables					
Trade receivables		172.0	167.1	149.5	141.2
Contract work in progress	14	109.6	98.7	93.5	82.6
Receivables from subsidiaries		0.0	0.0	21.0	9.9
Deferred tax assets	15	2.8	0.9	0.0	0.0
Other receivables		11.7	3.9	1.4	0.8
Receivables from subsidiaries	16	5.6	6.2	4.0	3.9
		301.7	276.8	269.4	238.4
Cash	17	64.8	151.7	38.6	127.0
Total current assets		404.4	454.6	309.1	366.5
TOTAL ASSETS		1,003.1	911.4	945.4	849.1

Balance sheet

DKK millions	Note	Group 2016	Group 2015	The Institute 2016	The Institute 2015
TOTAL CURRENT ASSETS					
Equity					
Net revaluation based on the equity method		0.0	0.0	12.0	23.7
Retained earnings		627.5	601.4	615.5	577.7
Equity transferred to the parent company		627.5	601.4	627.5	601.4
Minority interests		2.0	1.8	0.0	0.0
Total equity		629.5	603.2	627.5	601.4
Total current assets					
Deferred tax	15	0.1	2.2	0.0	0.0
Guarantees	18	1.1	1.2	0.0	0.0
Other provisions		11.3	13.5	4.8	13.0
Total provisions for liabilities		12.5	16.9	4.8	13.0
Liabilities other than provisions					
Long-term liabilities other than provisions					
Accruals and deferred income		0.4	0.6	0.4	0.6
		0.4	0.6	0.4	0.6
Short-term liabilities other than provisions					
Contract work in progress	14	92.8	136.0	77.3	110.3
Accounts payable		47.1	35.9	33.1	23.3
Debt to subsidiary companies		0.0	0.0	0.5	0.0
Debt to credit institutions/banks		85.6	0.0	85.6	0.0
Income tax payable		0.1	2.3	0.0	0.0
Income tax payable	19	134.7	115.9	116.2	100.5
Prepayments	16	0.4	0.6	0.0	0.0
		360.7	290.7	312.7	234.1
Total liabilities other than provisions		361.1	291.3	313.1	234.7
TOTAL EQUITY AND LIABILITIES		1,003.1	911.4	945.4	849.1

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Contingent liabilities etc.	22
Derivative financial instruments	23
Related parties	24

Statement of changes in equity
· Group

DKK millions	Group			
	Retained earnings	The parent company's share of equity	Minority interests	Total
Equity as of 1 of January	601.4	601.4	1.8	603.2
Profit/loss for the year	26.4	26.4	0.3	26.7
Foreign currency adjustments, foreign companies	-0.6	-0.6	-0.1	-0.7
Value adjustment of hedging instruments, net	0.3	0.3	0.0	0.3
Equity as of the 31 of December	627.5	627.5	2.0	629.5

Statement of changes in equity
· Parent company

DKK millions	Parent company		
	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity as of 1 of January	23.7	577.7	601.4
Profit/loss for the year	-11.1	37.5	26.4
Foreign currency adjustments, foreign companies	-0.6	0.0	-0.6
Value adjustment of hedging instruments, net	0.0	0.3	0.3
Equity as of the 31 of December	12.0	615.5	627.5

Cash flow statement

DKK millions	Note	Group 2016	Group 2015
Operating profit		24.5	48.1
Adjustments for non-cash entries	25	19.4	14.9
Depreciation, amortisation and impairment losses	3	33.3	34.1
Cash flow from operations before changes to working capital		77.2	97.1
Change in work in progress and prepayments		-50.1	30.4
Change in inventories		-13.3	-1.4
Change in trade payables and other short-term debt		0.5	-39.3
Change in receivables		-7.0	9.5
Cash flow from operating activities before net financials and tax		7.3	96.3
In-going and out-going financial payments, net		-1.5	0.3
Paid corporate tax		-2.3	0.1
Cash flow from operations		3.5	96.7
Investments in immaterial activities	8	-7.5	-7.6
Investments in material fixed assets	9	-30.6	-22.9
Investments in financial fixed assets	12	-149.7	0.0
Sales of plots of land or buildings		0.0	45.1
Sales of financial fixed assets	11	12.0	0.0
Cash flow to investment activities		-175.8	14.6
Debt payments		-0.2	0.6
New debt at financial institutions/banks		85.6	0.0
Cash flow from financing		85.4	0.6
Cash flow of the year		-86.9	111.9
Liquid assets, beginning of year		151.7	39.8
Cash and cash equivalents, end of year	17	64.8	151.7

The cash flow statement cannot directly be derived from the group financial statement's other components. The listed changes in working capital do not correspond to the difference between the beginning of year and end of year accounts on the equivalent entries in the balance sheet. This is because the listed amounts in the cash flow statement are only the movements concerning liquidity. The difference between the beginning of year and end of year accounts in the balance sheet are both due to movements with and without an impact on liquidity.
An example of a movement that does not impact liquidity is provisions.

Movements that do not impact liquidity are listed in the entry "adjustments for non-cash entries" in the cash flow statement.

Notes

1 - Segment information

Revenue - divisions

DKK millions

2016	Commercial ac-tivities	R&D activities	Performance contract activities	Group total
AgroTech	61.0	26.7	17.4	105.1
Building and Construction	97.8	20.1	14.4	132.3
Danish Meat Research Institute	44.3	73.9	8.2	126.4
Energy and Climate	113.8	38.2	17.8	169.8
Business and Society	98.2	4.8	17.0	120.0
Life Science	44.6	15.3	8.9	68.8
Materials	55.8	28.8	20.5	105.1
Production	42.1	33.3	19.0	94.4
International commercial activities	1.0	0.7	0.0	1.7
Production of particle accelerator equipment	122.6	0.0	0.0	122.6
Other subsidiary companies*	71.9	0.0	0.0	71.9
Revenue	753.1	241.8	123.2	1,118.1
2015				
Building and Construction	97.9	18.6	16.4	132.9
Danish Meat Research Institute	45.7	79.9	6.0	131.6
Energy and Climate	117.1	44.1	22.0	183.2
Business and Society	91.5	4.6	15.8	111.9
Life Science	53.1	26.2	12.9	92.2
Materials	54.9	29.6	21.8	106.3
Production	39.2	25.5	22.9	87.6
International commercial activities	1.1	0.1	0.0	1.2
Production of particle accelerator equipment	113.8	0.0	0.0	113.8
Other subsidiary companies*	56.9	0.0	0.0	56.9
Revenue	671.2	228.6	117.8	1,,017.6

* Primarily educational activities at Teknologisk Institut AB, Sweden and certification activities at Dancert A/S.

Revenue – geographically

DKK millions	Denmark	Abroad	Group total
2016	794.7	323.4	1,118.1
2015	716.8	300.8	1,017.6

DKK millions	Group		DTI	
	2016	2015	2016	2015
2 – Staff costs				
Wages and salaries	618.0	554.8	545.2	488.6
Pensions	10.0	11.0	6.3	6.0
Other social security costs	10.7	9.1	4.7	4.8
	638.7	574.9	556.2	499.4

Remuneration for the Executive Board amd the Board of Trustees of the Group amounts to DKK 7.7 million (2015: DKK 6.6 million). Remuneration for the Executive Board and the Board of Trusteesat the Institute amounts to DKK 3.8 million (2015: DKK 3.8 million). The group has, on average, employed 1,074 people in comparison with 1,004 in 2015.

In accordance with the Danish Financial Statements Act §98b, remuneration for the executive board and the board of directors is listed as a single total amount. The average number of employees at DTI was 921, compared to 860 in 2015.

DKK millions	Group		DTI	
	2016	2015	2016	2015
3 – Depreciation, amortisation and impairment losses				
Depreciation and amortisation	26.7	24.4	20.6	21.3
Impairment losses	6.6	9.7	6.6	9.7
	33.3	34.1	27.2	31.0

Impairment losses in 2016 relate to other plant, fixtures and fittings and operating equipment.

4 – Other operating incomes

Income from Group services	2.7	4.2	6.3	8.1
Income from Group services	0.0	0.0	2.5	2.5
Refunds of taxes, previous years	1.3	6.7	1.3	6.7
Profits from the sale of buildings	0.0	13.5	0.0	13.5
Profit/loss from sold equipment	0.1	0.0	0.1	0.0
	4.1	24.4	10.2	30.8

5 – Financial income

Financial income	0.3	1.0	0.3	1.0
Interest income from group enterprises	0.0	0.0	0.9	0.3
Exchange rate gains	1.4	1.6	1.0	1.1
	1.7	2.6	2.2	2.4

6 – Financial expenses

Other financial expenses	1.1	2.0	0.9	0.6
Exchange rate losses	2.1	0.3	1.7	1.3
	3.2	2.3	2.6	1.9

DKK millions	Group		The Institute	
	2016	2015	2016	2015
7 – Tax on net profit/loss for the year				
Calculated tax on the year's taxable income	0.2	2.4	0.0	0.0
The year's adjustment of deferred tax	-3.9	-1.9	0.0	0.0
Adjustment of deferred tax as a result of a changed tax rate	0.0	-0.5	0.0	0.0
	-3.7	0.0	0.0	0.0

DKK millions	Group				
8 – Intangible assets	Goodwill	Development projects, ongoing	Completed development projects	Patents (Institute)	Total
Cost price, 1 of January	17.4	5.4	6.2	5.0	34.0
Additions	4.5	2.9	7.3	0.1	14.8
Disposals	0.0	-7.3	0.0	0.0	-7.3
Cost price, 31 of December	21.9	1.0	13.5	5.1	41.5
Amortisation and impairment losses as at 1 of January	16.1	0.0	1.2	5.0	22.3
Amortisation	1.2	0.0	2.8	0.1	4.1
Amortisation and impairment losses as at 31 December	17.3	0.0	4.0	5.1	26.4
Carrying amount as at 31 December	4.6	1.0	9.5	0.0	15.1

Development projects concern the develop of new power supplies at Danfysik A/S for both existing and new markets. The projects are a natural extension of the existing product types which are on offer, and must be seen in relation to the fact that Danfysik A/S for many years has had a leading position in the providing of advanced power supply solutions used in, among other things, particle accelerator installations. All projects are proceeding according to plan and primarily developed by our own employees.

9 – Property, plant and equipment

DKK millions	Group					
	Plots of land and buildings	Production facilities and machines	Other fixtures. tools and inventory	Furnishing of rented premises	Material fixed assets under construction/ development	Total
Cost price, 1 of January	560.5	11.1	318.8	0.9	3.1	894.4
Adjustment for foreign exchange rates in non-Danish companies	0.0	0.0	0.0	0.0	0.0	0.0
Additions	0.0	2.8	24.1	0.0	5.5	32.4
Project-financed	0.0	0.0	-1.4	0.0	0.0	-1.4
Sale	0.0	0.0	-1.8	0.0	0.0	-1.8
Cost as at 31 December	560.5	13.9	339.7	0.9	8.6	923.6
Depreciation and impairment losses as at 1 January	178.3	8.0	275.2	0.1	0.0	461.6
Exchange adjustments	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	6.2	1.7	14.7	0.2	0.0	22.8
Impairment losses	0.0	0.0	6.6	0.0	0.0	6.6
Depreciation and impairment losses relating to disposals	0.0	0.0	-1.6	0.0	0.0	-1.6
Depreciation and impairment losses as at 31 December	184.5	9.7	294.9	0.3	0.0	489.4
Book value, 31 of December	376.0	4.2	44.8	0.6	8.6	434.2

DKK millions	DTI				
	Land and buildings	Other fixtures, tools and inventory	Leasehold improvements	Property, plant and equipment in progress	Total
Cost as at 1 of January	560.5	312.3	0.9	3.1	876.8
Cost as at 1 of January	0.0	23.9	0.0	4.3	28.2
Project-financed	0.0	-1.4	0.0	0.0	-1.4
Disposals	0.0	-1.7	0.0	0.0	-1.7
Cost price, 31 of December	560.5	333.1	0.9	7.4	901.9
Depreciation and impairment losses as at 1 of January	178.3	269.9	0.1	0.0	448.3
Depreciation	6.2	14.3	0.2	0.0	20.7
Impairment losses	0.0	6.6	0.0	0.0	6.6
Depreciation and impairment losses relating to disposals	0.0	-1.5	0.0	0.0	-1.5
Depreciation and impairment losses as at 31 of December	184.5	289.3	0.3	0.0	474.1
Carrying amount as at 31 of December	376.0	43.8	0.6	7.4	427.8

DKK millions

10 - Shares in subsidiary companies (the Institute)

	2016	2015
Cost price, 1 of January	30.4	28.6
Purchase	20.0	1.8
Cost price, 31 of December	50.4	30.4
Value adjustments, 1 of January	23.7	21.1
Foreign currency rate adjustments	-0.6	0.5
Profit distributed	-1.6	-1.6
Write-down goodwill	-0.3	-0.3
Adjustment to market value of forward foreign-exchange contracts in subsidiary companies	-0.6	-0.4
Adjustment to internal proceeds	-0.3	-0.1
Profit/loss for the year	-11.1	4.5
Value adjustments, 31 of December	9.2	23.7
Book value, 31 of December	59.6	54.1

Name	Home town	Company capital	Voting and ownership share in %	Equity	Profit/loss for the year
Teknologisk Innovation A/S	Høje Taastrup. Denmark	TDKK 7,500	100	13,951	-17
Dancert A/S	Høje Taastrup. Denmark	TDKK 500	100	1,737	120
Danfysik A/S	Høje Taastrup. Denmark	TDKK 7,000	100	29,064	-12,300
Teknologisk Institut Sweden AB	Göteborg. Sweden	TSEK 5,000	100	10,077	472
DTI Polska Sp. z o.o.	Warszawa. Poland	TPLN 50	68	3,702	867
DTI Spain S.L.	Barcelona. Spain	TEUR 3	67	498	69

All subsidiaries are separate entities.

DKK millions

11 - Investments in associates

	Group	
	2016	2015
Cost as at 1 January	6.9	6.9
Purchase	-6.9	0
Cost as at 31 December	0.0	6.9
Value adjustments, 1 of January	5.1	3.6
Sale	-5.1	0.0
Profit/loss for the year	0.0	1.5
Value adjustments, 31 of December	0.0	5.1
Carrying amount as at 31 December	0.0	12.0

Shares in Syddansk Teknologisk Innovation A/S have been sold during the course of the financial year.

DKK millions	Group		DTI	
	2016	2015	2016	2015
12 - Other investments				
Cost as at 1 of January	1.2	1.2	0.0	0.0
Purchase	150.2	0.0	150.0	0.0
Sale	-0.5	0.0	-0.5	0.0
Cost as at 31 of December	150.9	1.2	149.5	0.0
Impairment losses for the year	0.9	0.9	0.0	0.0
Write-downs for the year	0.6	0.0	0.6	0.0
Impairment losses as at 31 of December	1.5	0.9	0.6	0.0
Carrying amount as at 31 of December	149.4	0.3	148.9	0.0

Of the securities held, DKK 85 million are collateral for a loan in a credit institute/bank.

13 – Inventories

Raw materials and supplementary materials	23.8	20.8	0.0	0.0
Items still in production	13.0	4.2	0.0	0.0
Produced items and tradable goods	1.1	1.1	1.1	1.1
	37.9	26.1	1.1	1.1

The book value of the inventory/stock that is included in the net realisable value for the group amounts to DKK 0.6 million and DKK 0.0 million for the Institute.

14 – Contract work in progress

Selling price of work performed	852.8	827.7	781.8	767.1
Invoicing on account	-836.0	-865.0	-765.6	-794.8
	16.8	-37.3	16.2	-27.7
Contract work in progress is recognised as follows:				
Contract work in progress (assets)	109.6	98.7	93.5	82.6
Work in progress (liabilities)	-92.8	-136.0	-77.3	-110.3
	16.8	-37.3	16.2	-27.7

DKK millions	Group		The Institute	
	2016	2015	2016	2015
15 – Deferred tax				
Deferred tax asset				
Deferred tax, 1 of January	-1.3	0.9	0.0	0.0
The year's adjustment of deferred tax	4.1	0.0	0.0	0.0
Deferred tax asset, 31 of December	2.8	0.9	0.0	0.0
Deferred tax assets concerning:				
Financial fixed assets	0.2	0.0	0.0	0.0
Immaterial fixed assets	-2.3	0.0	0.0	0.0
Material fixed assets	1.7	0.0	0.0	0.0
Tradable assets	-3.8	0.0	0.0	0.0
Tax-related losses	7.0	0.9	0.0	0.0
	2.8	0.9	0.0	0.0
Deferred tax				
Deferred tax, 1 of January	0.0	4.5	0.0	0.0
The year's adjustment to deferred tax	0.1	-1.9	0.0	0.0
The adjustment of deferred tax due to changes in the tax rate	0.0	-0.4	0.0	0.0
Deferred tax, 31 of December	0.1	2.2	0.0	0.0
Provisions for deferred tax relate to:				
Intangible assets	0.0	2.3	0.0	0.0
Property, plant and equipment	0.1	-1.2	0.0	0.0
Current assets	0.0	4.4	0.0	0.0
Tax losses	0.0	-3.3	0.0	0.0
	0.1	2.2	0.0	0.0

16 - Prepayments

Prepayments under assets represent prepaid expenses concerning software licences and rent on property.

Prepayments under liabilities represent received prepaid reimbursements concerning rent on property.

17 – Cash

Free funds	61.5	81.9	35.3	57.2
Tied-up funds	3.3	69.8	3.3	69.8
	64.8	151.7	38.6	127.0

Tied-up funds comprise balance in deposit account and funds for transfer of payment to project partners.

18 – Warranty commitments

Warranty commitments falling due after 1 year total DKK 0.3 million (2015: DKK 0.4 million).

DKK millions	Group		The Institute	
	2016	2015	2016	2015
19 – Other accounts payable				
Holiday account obligation	90.7	80.5	82.8	73.1
A tax payable	0.2	0.7	0.0	0.0
Value added tax payable	5.4	5.3	5.4	5.2
Value added tax payable	37.9	28.9	27.5	21.7
Various deposits	0.5	0.5	0.5	0.5
	134.7	115.9	116.2	100.5

20 – Fees for auditor

Mandatory audit	0.8	0.7	0.7	0.7
Declaratory tasks	0.8	0.7	0.8	0.7
Tax consultancy	0.1	0.0	0.1	0.0
Total remuneration paid to PWC	1.7	1.4	1.6	1.4

21 – Warranty commitments

As security for received payments on account and a payment guarantee to the client	46.1	57.0	2.0	0.8
Rent and leasing commitments				
Rent commitment				
Commitments in the next 5 years	14.7	13.3	11.9	10.5
The commitments for the coming year	7.5	7.2	4.7	2.4
Operational leasing contracts				
Commitments in the next 5 years	0.6	0.6	0.3	0.2
The commitments for the coming year	0.3	0.3	0.2	0.2

22 – Contingent liabilities etc.

The Institute is involved in a few disputes whose outcome is not estimated to affect its financial position.

The Institute participates in projects that under some circumstances can lead to an obligation to pay back some received funds. Where this is judged to be likely to happen, a provision is made for the obligation.

The Institute provides a guarantee for the employees' use of Mastercard.

The Institute (the parent company) provides a guarantee for some of Danfysik's guarantees in Jyske Bank.
The Institute (parent company) is a guarantor of Danfysik's engagement with Jyske Bank.

23 – Derivative financial instruments

As part of the security for some individual contracts in foreign currency, the group uses forward foreign exchange contracts. The contracts can be specific in this manner:

		Contractual value		Gains and losses recognised in equity	
DKK millions	Period	2016	2015	2016	2015
DTI	0-12 months	0.7	6.4	-0.2	-1.0
	More than 12 months	0.0	0.7	0.0	-0.1
		0.7	7.1	-0.2	-1.1
Group	0-12 months	25.9	24.4	-1.6	-2.0
	More than 12 months	5.6	8.1	-0.3	-0.1
		31.5	32.5	-1.9	-2.1

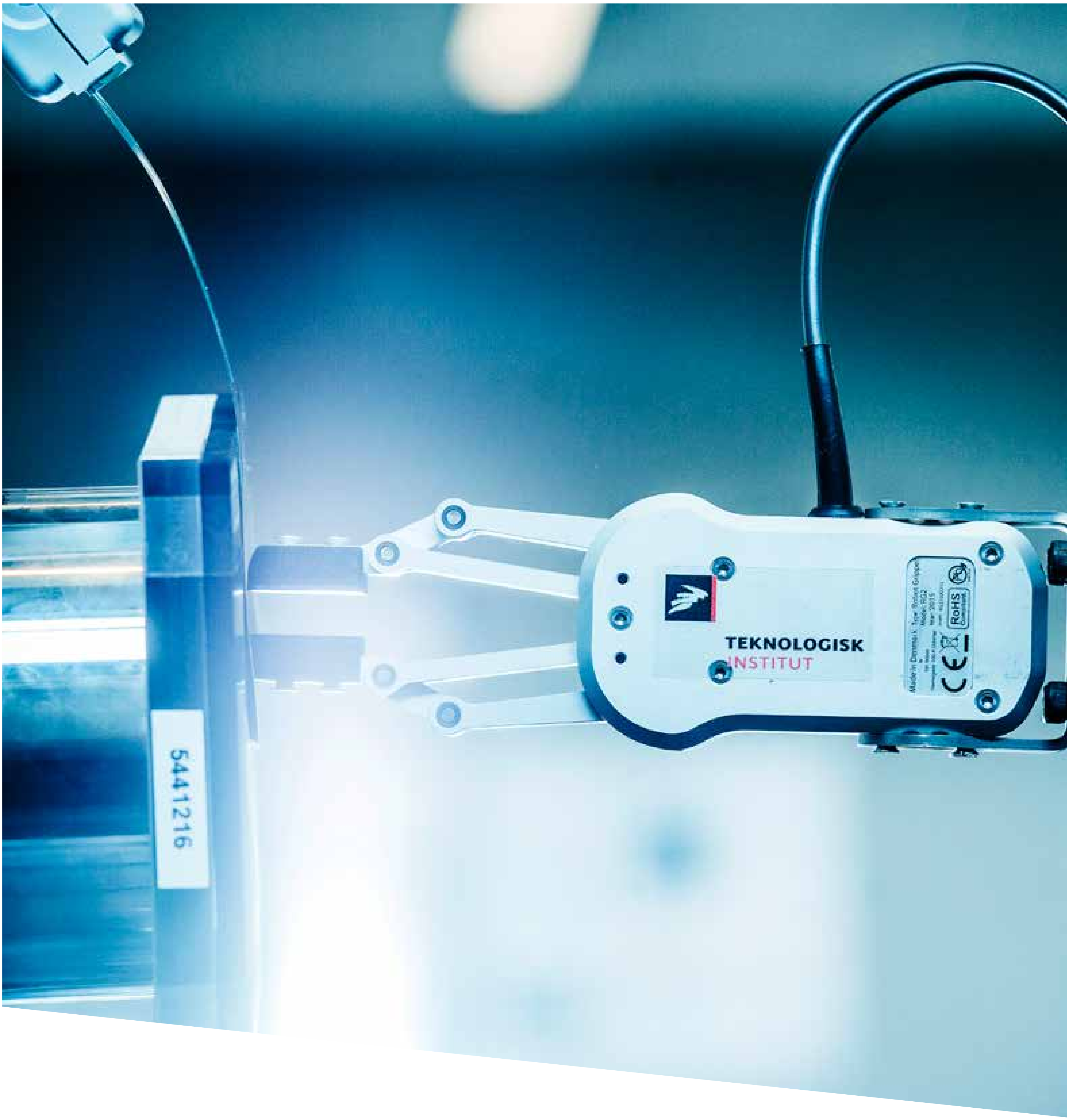
The forward foreign exchange contracts are in either GBP or USD.

24 – Close parties

The Institute's close parties, with significant influence, include the board of directors and the executive board. The institute has no transactions with close parties beyond the usual cooperation with the subsidiary and associa-ted companeis. Transactions take place on market terms.

25 – Adjustment for non-cash entries

DKK millions	Group	
	2016	2015
Adjustment, provision for holiday pay obligation	9.2	6.5
Adjustment, provision for bonus payments	8.9	5.4
Adjustment, expenses owed	8.5	6.0
Adjustment, concerning employees who have left the group/Institute	2.8	0.6
Adjustment, provisions for debtors	-0.9	1.8
Adjustment, provisions concerning ongoing work	-6.2	10.0
Adjustment, expenses paid in advance	-4.3	-3.3
Gains from the selling of properties	0.0	-12.9
Other adjustments, net	1.5	0.8
Adjustment for non-cash entries, total	19.4	14.9



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