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BDO Statsautoriseret revisionsaktieselskab
Havneholmen 29
DK-1561 Copenhagen V
CVR no. 20 22 26 70

ARDEX SKANDINAVIA A/S

MARIELUNDVEJ 4, 2730 HERLEV

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2018

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 25 March 2019

Michael Nielsen

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 11 70 92 14

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COMPANY DETAILS

Company	Ardex Skandinavia A/S Marielundvej 4 2730 Herlev
	CVR No.: 11 70 92 14 Established: 14 April 1967 Registered Office: Herlev Financial Year: 1 January - 31 December
Board of Directors	Rüdiger Otto Albert Oberste-Padtberg, chairman Michael Nielsen Gorm Benthin Rosborg Niels Ivar Wonsild
Board of Executives	Michael Nielsen
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
Bank	Danske Bank Holmens Kanal 2-12 1092 Copenhagen K

GROUP STRUCTURE

Ardex Skandinavia A/S, Denmark, Nom.
DKK 16.700.000

Ardex AB, Sweden,
Nom. SEK 3.000.000
100%

Ardex OY, Finland,
Nom. EUR 8.000
100%

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Ardex Skandinavia A/S for the financial year 1 January - 31 December 2018.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of Group's and the Company's financial position at 31 December 2018 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Herlev, 25 March 2019

Board of Executives

____
Michael Nielsen

Board of Directors

Rüdiger Otto Albert Oberste-Padtberg Chairman	Michael Nielsen	Gorm Benthin Rosborg

____
Niels Ivar Wonsild

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Ardex Skandinavia A/S

Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Ardex Skandinavia A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company's at 31 December 2018 and of the results of the Group and the Parent Company's operations as well as the consolidated cash flows of the Group for the financial year 1 January - 31 December 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 Company Financial Statements” section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and the Parent Company 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 the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Parent Company 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 Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Consolidated Financial Statements and the Parent Company 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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Consolidated Financial Statements and the Parent Company 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company 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 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.

INDEPENDENT AUDITOR'S REPORT

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 Management's Review.

Copenhagen, 25 March 2019

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Ole C. K. Nielsen
State Authorised Public Accountant
MNE no. mne23299

FINANCIAL HIGHLIGHTS OF THE GROUP

	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000
Income statement				
Gross profit/loss	124,910	127,818	126,047	119,198
Operating profit/loss	60,384	68,581	70,419	64,743
Financial income and expenses, net	273	-192	4	38
Profit/loss for the year	47,513	53,575	55,431	50,763
Balance sheet				
Balance sheet total	198,673	195,328	179,816	160,351
Equity	158,422	155,067	143,874	128,359
Invested capital	161,212	157,614	145,366	259,112
Cash flows				
Cash flows from operating activities	39,273	53,540	51,254	42,305
Cash flows from investment-related activities	-4,326	-6,806	-2,398	-837
Cash flows from financing activities	-41,500	-41,500	-40,000	-38,000
Investment in tangible fixed assets	-658	-6,114	-2,392	-1,638
Ratios				
Rate of return	37.9	45.3	41.4	42.4
Solvency ratio	79.7	79.4	80.0	80.0
Return on equity	30.3	35.8	0.0	0.1

The ratios stated in the list of key figures and ratios have been calculated as follows:

Rate of return:	Profit/loss on ordinary activities x 100 / Average invested capital
Invested capital:	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities
Solvency ratio:	Equity (ex. minorities), at year end x 100 / Total equity and liabilities, at year end
Return on equity:	Profit/loss after tax x 100 / Average equity

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities
The Group is manufacturer of smoothing compounds, tile adhesives, rapid-drying cement, wetroom solutions and many other specialty products to professionals.

Development in activities and financial position
The result of the Group and the Parent Company is a profit of DKK ('000) 47,513, which is satisfactory.

Profit/loss for the year compared to future expectations
The result for the year was as expected.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the company's financial position.

Environmental situation
The Group seeks currently to minimise any damaging effects that the Group's activities may have on the external environment. We will, by our influence on our suppliers, seek to ensure a sustainable manufacture of the raw materials that the enterprise uses in its products.

Future expectations
A positive development is expected in 2019 of the company's revenue and results.

The company’s foreign branches
the company has a branch in Oslo, Norway. The branch is included in the financial statements of the parent company.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

		Group		Parent company	
	Note	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
GROSS PROFIT		**124,910**	**127,818**	**53,037**	**55,556**
Staff costs	1	-59,186	-55,772	-30,846	-29,889
Depreciation, amortisation and impairment losses		-5,340	-3,465	-3,870	-2,405
OPERATING PROFIT		**60,384**	**68,581**	**18,321**	**23,262**
Result of equity investments in group and associates		0	0	33,112	35,684
Other financial income		18	6	18	0
Other financial expenses		255	-198	345	-155
PROFIT BEFORE TAX		**60,657**	**68,389**	**51,796**	**58,791**
Tax on profit/loss for the year	2	-13,144	-14,814	-4,283	-5,216
PROFIT FOR THE YEAR	3	**47,513**	**53,575**	**47,513**	**53,575**

BALANCE SHEET AT 31 DECEMBER

		Group		Parent company	
ASSETS	**Note**	**2018** DKK '000	**2017** DKK '000	**2018** DKK '000	**2017** DKK '000
Development projects completed		3,798	696	2,798	670
Intangible fixed assets	4	**3,798**	**696**	**2,798**	**670**
Land and buildings		17,247	18,182	17,247	18,182
Other plant, machinery, tools and equipment		16,798	18,183	12,875	13,451
Tangible fixed assets	5	**34,045**	**36,365**	**30,122**	**31,633**
Equity investments in group enterprises		0	0	35,029	37,582
Fixed asset investments	6	**0**	**0**	**35,029**	**37,582**
FIXED ASSETS		**37,843**	**37,061**	**67,949**	**69,885**
Raw materials and consumables		8,546	8,535	8,528	8,535
Work in progress		4,865	5,054	4,865	5,054
Finished goods and goods for resale		17,982	16,828	11,303	9,795
Inventories		**31,393**	**30,417**	**24,696**	**23,384**
Trade receivables		26,640	27,566	2,368	5,799
Receivables from group enterprises		1,580	5,939	19,829	5,590
Other receivables		14,325	1,960	2,034	627
Corporation tax receivable		1,060	0	1,060	0
Receivables		**43,605**	**35,465**	**25,291**	**12,016**
Cash and cash equivalents		**85,832**	**92,385**	**58,159**	**73,478**
CURRENT ASSETS		**160,830**	**158,267**	**108,146**	**108,878**
ASSETS		**198,673**	**195,328**	**176,095**	**178,763**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group 2018 DKK '000	Group 2017 DKK '000	Parent company 2018 DKK '000	Parent company 2017 DKK '000
Share capital	7	16,700	16,700	16,700	16,700
Reserve for net revaluation according to equity va		0	0	31,686	34,240
Reserve for development costs		3,798	0	2,797	0
Retained earnings		95,924	96,867	65,239	62,627
Proposed dividend		42,000	41,500	42,000	41,500
EQUITY		**158,422**	**155,067**	**158,422**	**155,067**
Provision for deferred tax	8	2,790	2,548	2,790	2,548
PROVISION FOR LIABILITIES		**2,790**	**2,548**	**2,790**	**2,548**
Trade payables		10,276	6,981	2,898	3,994
Payables to group enterprises		613	2,013	4,380	2,084
Corporation tax		8,133	3,476	32	3,476
Other liabilities		18,439	25,243	7,573	11,594
Current liabilities		**37,461**	**37,713**	**14,883**	**21,148**
LIABILITIES		**37,461**	**37,713**	**14,883**	**21,148**
EQUITY AND LIABILITIES		**198,673**	**195,328**	**176,095**	**178,763**

Contingencies etc.	9
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EQUITY

	Group					
	Share capital	Reserve for net revaluation according to equity va	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2018	16,700	0	0	96,866	41,500	155,066
Dividend paid					-41,500	-41,500
Foreign exchange adjustments				-2,657		-2,657
Proposed distribution of profit				5,513	42,000	47,513
Transferred to reserve for development costs			3,798	-3,798		
Equity at 31 December 2018	**16,700**	**0**	**3,798**	**95,924**	**42,000**	**158,422**

	Parent company					
	Share capital	Reserve for net revaluation according to equity va	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2018	16,700	34,239	0	62,627	41,500	155,066
Dividend paid					-41,500	-41,500
Foreign exchange adjustments				-2,657		-2,657
Proposed distribution of profit		-2,553		8,066	42,000	47,513
Transferred to reserve for development costs			2,797	-2,797		
Equity at 31 December 2018	**16,700**	**31,686**	**2,797**	**65,239**	**42,000**	**158,422**

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2018 DKK '000	**2017** DKK '000
Profit/loss for the year	47,513	53,575
Reversed depreciation of the year	4,099	3,420
Reversed realisation gains	-31	0
Reversed tax on profit/loss for the year	13,144	14,992
Other adjustments	2,657	-882
Corporation tax paid	-13,718	-14,981
Change in inventory	-2,402	-2,131
Change in receivables	-7,080	-4,770
Change in current liabilities (ex bank and tax)	-4,909	4,317
CASH FLOWS FROM OPERATING ACTIVITY	**39,273**	**53,540**
Purchase of intangible fixed assets	-3,668	-692
Purchase of tangible fixed assets	-658	-6,114
CASH FLOWS FROM INVESTING ACTIVITY	**-4,326**	**-6,806**
Dividend paid in the financial year	-41,500	-41,500
CASH FLOWS FROM FINANCING ACTIVITY	**-41,500**	**-41,500**
CHANGE IN CASH AND CASH EQUIVALENTS	**-6,553**	**5,234**
Cash and cash equivalents at 1 January	92,385	87,151
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**85,832**	**92,385**
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents	85,832	92,385
CASH AND CASH EQUIVALENTS, NET	**85,832**	**92,385**

NOTES

	Group 2018 DKK '000	Group 2017 DKK '000	Parent company 2018 DKK '000	Parent company 2017 DKK '000	Note
Staff costs					1
Average number of employees					
Group: 60 (2017: 55)					
Parent company: 100 (2017: 96)					
Wages and salaries	46,931	45,141	26,816	26,864	
Pensions	5,917	4,998	2,594	1,758	
Social security costs	6,338	5,633	1,436	1,267	
	59,186	**55,772**	**30,846**	**29,889**	
Remuneration of management and board of directors	2,462	2,462	2,031	2,031	
	2,462	**2,462**	**2,031**	**2,031**	
Tax on profit/loss for the year					2
Calculated tax on taxable income of the year	12,900	14,566	4,039	4,968	
Adjustment of deferred tax	244	248	244	248	
	13,144	**14,814**	**4,283**	**5,216**	
Proposed distribution of profit					3
Proposed dividend for the year	42,000	41,500	42,000	41,500	
Allocation to reserve for net revaluation according to equity va..	0	0	-2,553	-1,966	
Retained earnings	5,513	12,075	8,066	14,041	
	47,513	**53,575**	**47,513**	**53,575**	

Intangible fixed assets 4

	Group Development projects completed
Cost at 1 January 2018	696
Additions	3,668
Cost at 31 December 2018	**4,364**
Amortisation at 1 January 2018	19
Depreciation for the year	547
Depreciation at 31 December 2018	**566**
Carrying amount at 31 December 2018	**3,798**

The company's development costs include development of a new ERP system. The development progresses as planned and the use of it started in June 2018.

NOTES

Note

	Parent company
	Development projects completed
Cost at 1 January 2018	670
Additions	2,573
Cost at 31 December 2018	**3,243**
Amortisation at 1 January 2018	11
Depreciation for the year	434
Depreciation at 31 December 2018	**445**
Carrying amount at 31 December 2018	**2,798**

The company's development costs include development of a new ERP system. The development progresses as planned and the use of it started in June 2018.

Tangible fixed assets 5

	Group	
	Land and buildings	Other plants, machinery, tools and equipment
Cost at 1 January 2018	40,832	40,705
Additions	0	658
Disposals	0	-253
Cost at 31 December 2018	**40,832**	**41,110**
Depreciation and impairment losses at 1 January 2018	22,648	23,691
Reversal of depreciation of assets disposed of	0	-53
Depreciation for the year	937	674
Depreciation and impairment losses at 31 December 2018	**23,585**	**24,312**
Carrying amount at 31 December 2018	**17,247**	**16,798**

NOTES

Note

	Parent company	
	Land and buildings	Other plants, machinery, tools and equipment
Cost at 1 January 2018	40,832	34,381
Cost at 31 December 2018	**40,832**	**34,381**
Depreciation and impairment losses at 1 January 2018	22,648	21,506
Depreciation for the year	937	0
Depreciation and impairment losses at 31 December 2018	**23,585**	**21,506**
Carrying amount at 31 December 2018	**17,247**	**12,875**

Note

Fixed asset investments 6

	Parent company
	Equity investments in group enterprises
Cost at 1 January 2018	3,343
Cost at 31 December 2018	**3,343**
Revaluation at 1 January 2018	34,239
Dividend	-34,904
Profit/loss for the year	32,992
Revaluation at 31 December 2018	**32,327**
Exchange adjustment	641
Impairment losses and amortisation of goodwill at 31 December 2018	**641**
Carrying amount at 31 December 2018	**35,029**

Investments in subsidiaries (DKK '000)

Name and registered office	Equity	Profit/loss for the year	Ownership
Ardex Arki AB, Sweden	14,846	13,039	100 %
Ardex OY, Finland	20,184	20,073	100 %

NOTES

	2018 DKK '000	2017 DKK '000	Note
Share capital			7
Specification of the share capital:			
A-shares, 33,400 in the denomination of 500 DKK	16,700	16,700	
	16,700	**16,700**	

Provision for deferred tax 8

Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.

	Group		Parent company	
	2018 DKK '000	**2017** DKK '000	**2018** DKK '000	**2017** DKK '000
Deferred tax relates to:				
Development projects	4	0	4	0
Land and buildings	1,279	1,240	1,279	1,240
Operating equipment	1,890	1,742	1,890	1,742
Warranties	-383	-383	-382	-382
Loss allowed for carryforward	0	-52	0	-52
	2,790	**2,547**	**2,791**	**2,548**
Deferred tax, beginning of year	2,600	2,352	2,600	2,352
Deferred tax of the year, income statement	190	196	190	196
Provision for deferred tax 31 December 2018	**2,790**	**2,548**	**2,790**	**2,548**

Contingencies etc. 9

Contingent assets

The company has entered into operating lease agreements with an average annual lease payment of DKK ('000) 2,700. The lease contracts have a remaining period of up to 36 months and a total remaining payment of DKK ('000) 5,739.

Related parties 10

Controlling interest

Other related parties having performed transactions with the company

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

Transactions with related parties

The company did not carry out any substantial transactions that were not concluded on market conditions.

ACCOUNTING POLICIES

The Annual Report of Ardex Skandinavia A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprise.

The Annual Report is prepared consistently with the accounting principles applied last year.

Consolidated financial statements
The consolidated financial statements include the parent company Ardex Skandinavia A/S and its subsidiaries in which Ardex Skandinavia A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. At calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the income statement under an individual assessment of the useful life. Negative differences are recognised in the income statement upon acquisition. Differences from acquired enterprises amounts to DKK ('000).

Investments in associates are measured in the balance sheet at the proportional share of the value of the enterprises, calculated under the accounting policies of the parent company and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the income statement after elimination of the proportional share of internal gains and losses.

INCOME STATEMENT

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating income
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

ACCOUNTING POLICIES

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operatingl lease expenses, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Investments in subsidiaries
The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets
Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Patents and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 8 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Tangible fixed assets
Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and write-down. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

ACCOUNTING POLICIES

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings	15-40 years	25-50 %
Production plant and machinery	5-16 years	0 %
Other plant, fixtures and equipment	3-8 years	0-30 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments
Investments in subsidiaries are measured in the company's balance sheet under the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's deficit.

Impairment of fixed assets
The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, it is written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

ACCOUNTING POLICIES

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:
Cash and cash equivalents include bank overdraft and cash in hand.