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BDO Statsautoriseret revisionsaktieselskab
Kolding Åpark 8A, 7. sal
DK-6000 Kolding
CVR no. 20 22 26 70

# FIBERLINE A/S

**BARMSTEDT ALLE 5, 5500 MIDDELFART**

# ANNUAL REPORT

**1 JANUARY - 31 DECEMBER 2019**

**The Annual Report has been presented and adopted at the Company's Annual General Meeting on 11 September 2020**

**Søren Stig Hansen**

**CVR NO. 13 63 91 08**

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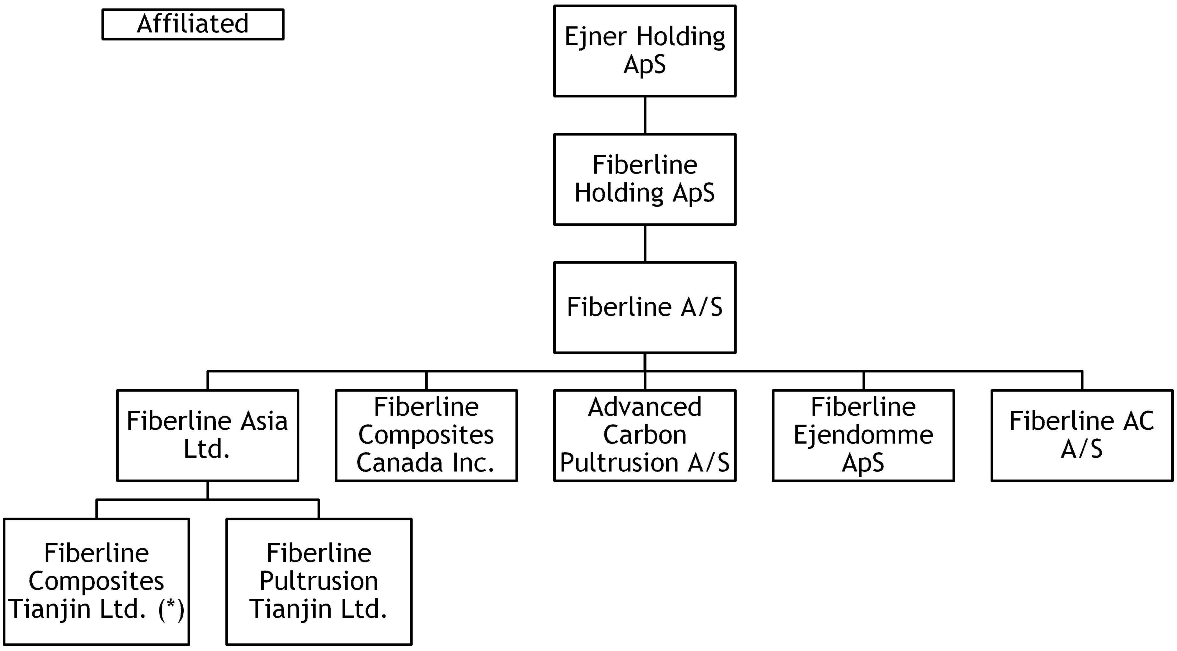
## COMPANY DETAILS

| | |
|---|---|
| **Company** | Fiberline A/S<br>Barmstedt Alle 5<br>5500 Middelfart<br><br>CVR No.: 13 63 91 08<br>Established: 1 November 1989<br>Registered Office: Middelfart<br>Financial Year: 1 January - 31 December |
| **Board of Directors** | Peter Thorning, chairman<br>Torben Østergaard Nielsen<br>Henrik Thorning<br>Lars Naur<br>Tommy Bøgh Thomsen |
| **Board of Executives** | Ole Arenfeldt Jensen |
| **Auditor** | BDO Statsautoriseret revisionsaktieselskab<br>Kolding Åpark 8A, 7. sal<br>6000 Kolding |
| **Bank** | Nordea<br>Kolding Åpark 2<br>6000 Kolding |
| **Law Firm** | Andersen Partners<br>Jernbanegade 31<br>6000 Kolding |

## GROUP STRUCTURE




(*) Fiberline Composites Tianjin Ltd. shall be de-registered after merger with Fiberline Pultrusion Tianjin Ltd. per 30 June 2019.

The following associated companies are not included in the consolidation but are recognised at equity value under the equity method:

Schöck Balkonsysteme GmbH, Tyskland

## 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 Fiberline A/S for the financial year 1 January - 31 December 2019.

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 2019 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

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.

Middelfart, 11 September 2020

Board of Executives

Ole Arenfeldt Jensen

Board of Directors

| | | |
|---|---|---|
| Peter Thorning<br>Chairman | Torben Østergaard Nielsen | Henrik Thorning |
| Lars Naur | Tommy Bøgh Thomsen | |

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Fiberline A/S**

### Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Fiberline A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flows, notes and a summary of significant accounting policies for both the Group and the Parent Company. 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 or the Company at 31 December 2019 and of the results of the Group and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2019 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 Responsibilities 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.

INDEPENDENT AUDITOR'S REPORT

**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:

- 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.

**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.

**INDEPENDENT AUDITOR'S REPORT**

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.

Kolding, 11 September 2020

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Lars Kruse
State Authorised Public Accountant
MNE no. mne11677

## FINANCIAL HIGHLIGHTS OF THE GROUP

| | 2019<br>DKK '000 | 2018<br>DKK '000 | 2017<br>DKK '000 | 2016<br>DKK '000 | 2015<br>DKK '000 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net revenue | 593,749 | 632,581 | 519,145 | 444,049 | 298,591 |
| Gross profit/loss | 144,654 | 153,247 | 186,311 | 129,806 | 104,900 |
| Operating profit/loss | -43,163 | -7,732 | 36,837 | 12,376 | 15,184 |
| Financial income and expenses, net | -20,341 | -19,699 | -17,484 | -14,617 | -14,202 |
| Profit/loss for the year before tax | -63,528 | -27,686 | 19,353 | -2,241 | 982 |
| Profit/loss for the year | -52,572 | -37,439 | 12,770 | -2,815 | 3,029 |
| Profit/loss for the year ex. minority interests | -44,516 | 28,665 | 15,250 | -4,289 | 2,571 |
| **Balance sheet** | | | | | |
| Balance sheet total | 555,570 | 700,258 | 641,367 | 598,841 | 435,526 |
| Equity | 115,633 | 175,919 | 197,464 | 157,816 | 68,568 |
| Equity ex. minority interests | 103,925 | 156,183 | 111,664 | 71,537 | 68,164 |
| **Cash flows** | | | | | |
| Investment in tangible fixed assets | -26,692 | -15,791 | -25,727 | -39,439 | -16,288 |
| **Ratios** | | | | | |
| Rate of return | -10.2 | -1.7 | 9.3 | 3.7 | 4.7 |
| Solvency ratio | 18.7 | 22.3 | 17.4 | 11.9 | 15.7 |
| Return on equity | -36.1 | -20.1 | 7.2 | -9.0 | 4.7 |
| Return on equity (excl. minority interests) | -34.2 | 21.4 | 16.6 | -6.1 | 4.0 |
| Fair value | 8,539.4 | 12,833.5 | 9,175.3 | 5,878.2 | 5,601.0 |
| Solvency ratio II incl. minority interests | 24.4 | 27.8 | 33.9 | 30.2 | 21.8 |

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

Rate of return: $\dfrac{\text{Profit/loss on ordinary activities x 100}}{\text{Average invested capital}}$

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: $\dfrac{\text{Equity ex. minorities, at year end x 100}}{\text{Total equity and liabilities, at year end}}$

Return on equity: $\dfrac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

Return on equity (ex minorities): $\dfrac{\text{Profit/loss after tax ex minorities x 100}}{\text{Average equity ex minorities}}$

Net revenue per employee DKK ('000): $\dfrac{\text{Net revenue DKK('000)}}{\text{Average number of full-time employees}}$

**FINANCIAL HIGHLIGHTS OF THE GROUP**

| | |
|---|---|
| Fair value | $\dfrac{\text{Equity, at year end x 100}}{\text{Share capital, at year end}}$ |
| Solvency ratio II (incl minorities): | $\dfrac{\text{Equity, at year end + minorities + subordinate loan capital x 100}}{\text{Equity and liabilities, at year end}}$ |

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

MANAGEMENT'S REVIEW

**Principal activities**
Fiberline Composites is a family-owned business which since its formation in 1979 has focused on development, manufacture and sale of composite profiles in glass and carbon fibre. Fiberline has two business areas:

- Wind Turbine Components: Carbon and glass fibre profiles to the wind turbine industry
- Building & Construction: Glass fibre profiles to the building industry

**Wind turbine components**
The Wind turbine components division develops and sells carbon and glass fibre pultruded products to the wind power industry.

Fiberline's involvement in the wind power industry goes back to the 80'ies when the company established a cooperation with a customer to develop pultruded glass fibre profiles for turbine wings. Today, the pultruded profiles for turbine wings continue to be among the most significant products manufactured to several customers. The division has developed fast over the last years and includes web profiles and carbon fibre pultrusion to some of the worlds' longest wind turbine wings.

The products are primarily manufactured at the company's factory and head quarter in Middelfart, Denmark. In 2009, a production entity was established in Tianjin, China, which today competitively provides services to an increasing share of the division's customers.

The wind turbine business is global.

**Building & Construction**
The Building & Construction divison develops and sells standard profiles for load-bearing structures. The production of profiles is carried out at the company's main office in Middelfart, Denmark. The revenue in the Building & Construction division comes from all of Europe, but Denmark and the DACH countries are main markets.

The construction profiles are used for a wide variety of construction work, but are most often used when the unique qualities of the composites are required, for example building work which must be able to resist rough environments. Fiberline is the first and only company in the world to display the CE mark on its entire range of GRP structural profiles. Even though this mark has been used for decades on steel and concrete, it is the ultimate recognition of the unique properties of fibreglass. CE marking makes it easier for you to compare fibreglass to other building materials.

**Exceptional matters**
Please see description under “Result of the year compared to expectations”.

**Uncertainty as to recognition and measurement**
There are no uncertainties as to recognition and measurement.

**Development in activities and financial position**
During the year, a major shift in the product portfolio has been implemented. This has temporarily reduced the revenue. A new significant customer contract has been signed securing growth in revenue in the coming year.

The development in the operational performance and the profitability has been positive during the second half of the year and continue to improve during the first half of the new financial year.

**Result of the year compared to expectations**
The result is below expectations and not satisfactory. One area of the business has not been profitable and was closed down in 2019. As a consequence, significant one-off adjustments have been taken into account this year. The improvement in the operational performance has been more than upset with negative impact from closing down the non-performing part of the business. The development in the other parts of the business was more or less as expected.

**Significant events after the end of the financial year**
In March 2020, the COVID-19 pandemic closed down major activities in most of the world. Fiberline was fast to implement all the precautions and safe guard rules suggested by the Government and Health Authorities. Fiberline has been able to operate with full production during the period of time with COVID-19.

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

**Special risks**
The use of polymer materials exposes the Group against price volatility on these markets. The Group's price policy and price agreements with customers and suppliers allow for this volatility, in order to deal with all related risks.

The Group is not assessed to be subject to special environmental, currency, or interest risks.

There are no material changes in the currency exposure of the Group compared with earlier years. The Group assesses currently its currency and interest positions, and provides the hedging that is considered appropriate for business purposes. No speculative currency positions are concluded.

**Future expectations**
The development activities are expected to generate future revenue and profit. Fiberline has signed a new large-scale contract in the wind turbine components division. The Group expects a further growth in revenue in 2020 and a positive result.

**Environmental situation**
The Group continues its focus on reduction of unnecessary resource requirements, including reduction of the energy consumption. The company has been energy certified according to ISO 50001:2011 since the beginning of 2019, Fiberline uses 100% green electricity. By using green electricity only, more than 75% of Fiberline's total energy consumption came from renewable sources in 2019 – up from 14% the previous year.

**Energy policy**
Fiberline's business model is based upon supplying structural materials for the energy-efficient society. A central part of our operating philosophy at all times is to create more with less. This approach to industrial manufacture and the role of our products in future society has resulted in the following guidelines for Fiberline's energy management:

- As a minimum we comply with the legislation and agreed supplementary requirements concerning energy consumption and energy management in the countries in which we operate.
- We strive to be best in class within our sector.
- We sell the customer a product that helps him reduce his own energy consumption in relation to traditional structural materials or which helps to create good and efficient alternative energy
- We strive year on year to reduce our own energy consumption per unit of output. Specific targets for this are defined annually
- We strive to ensure that our partners in the supply chain are also energy-efficient
- We ensure through energy-oriented planning of new acquisitions and systematic maintenance activities that the energy efficiency of our production equipment is optimised
-

Every year, Fiberline's Management plans activities to reduce energy consumption etc. and reviews the previous year's activities with target to further improvement. The Management makes information available and provides necessary resources to realise the defined objectives and targets.

**Knowledge resources**
The company possesses a considerable knowhow within composite materials and pultrusion technology, which forms the basis for the company's leadership on its markets.

**Knowledge resources (continued)**
The company's retention of employees with high professional competence is decisive for the maintenance and growth of the business.

During the business year, the company has considerably increased the level of investment regarding education of the staff.

**Research and development activities**
The company keeps a high level of development activities with several customer-driven development projects.

As most of Fiberline's products are customised profiles, the main part of our development work is carried out in a close cooperation with the customer. This was also the case in 2019. Depending on the complexity of the customer's requirments, it may take several years' development work to arrive at a final product that is fit for purpose. In 2019, the development work in Fiberline was primarily focused on the Wind Turbine Components division because of large demand for new products from both new and existing wind customers. The development work had a direct impact on the revenue of the Wind Turbine Components division in 2019, because some of the products we developed during the year contributed to the considerable increase in both glass and carbon fibre profiles. Besides the customer development, a considerable amount of in-house development work was carried out of our carbon fibre production in order to achieve a higher degree of industrialisation.

**Corporate social responsibility**
**CSR policy**
At Fiberline Composites CSR is an integrated part of our values and business fundamentals, and so it has always been. We provided composite profiles of glass and carbon fibre, primarily to customers within renewable energy and sustainable construction. Throughout the whole value chain we focus on "creating more with less", i.e. to continuously create more value for our customers and for the society using continuously less resources. We are convinced that we strengthen both climate and competitiveness through responsible administration of resources.

At Fiberline we will:

- Comply with current legislation and respect human rights
- As an active member of local and international industrial organisations work targeted at strengthening our own and the sector's efforts in relation to, among others, environment, security, research and education
- Ensure our employees work in a healthy, safe and attractive work environment with focus on good management, community and a continuous effort to ensure current improvements within health, safety and job satisfaction
- Apply technologies to prevent and reduce environmental impact
- By systematic efforts currently reduce waste and energy consumption and increase the recycling rate and the share of renewable energy. Actively support research and education by a close cooperation with universities and other educational institutions
- Fight corruption

Fiberline's CSR policy is reflected in our Code of Conduct.

**Efforts and results**
Efforts and results for 2019 are reviewed shortly in the following. We have not identified any special risks in relation to compliance with our CSR policies.

MANAGEMENT'S REVIEW

**Corporate social responsibility (continued)**

**From values to practise**
Since the establishment of Fiberline in 1979, corporate social responsibility has always been an integrated part of our core business. In line with the fact that the company is getting more industrialised and operates on a globalised market, it is necessary to maintain the so far purely value based corporate social responsibility through a more formalised and standardised practise. We continue this work through a wide range of activities and through attitude influence. Our values, policies, objectives, etc. are described in our management system. The company accepts all general principles of the UN Global Impact.

**Sustainable Development Goals**


As a company that have always supported its customers with sustainable products and solutions, Fiberline fully believes that UN's 17 Sustainable Development Goals (the SDG's) can be a guidance on how we should work strategically with CSR. In order to incorporate the SDG's into our strategy, our main focus during 2019 has been on creating awareness and educating our top management on the SDG's. Our products already contribute directly and indirectly to multiple SDG's.

**Social conditions**

**Safety**
Fiberline has focus on being a healthy, safe and attractive place to work. The balance for 2019 was 35,7 accidents per 1 million working hours. In 2019, Fiberline has increased its focus on safety at work significantly:

- Safety has been acknowledged by top management as focus areas
- ”Number of days since last accident” is #1 on our Top 6 KPIs, which are discussed on a weekly basis in every single department, including top management
- This includes **always** registering and following up on nearby-accidents, so we can proactively use them to prevent future accidents
- A new working environment organization has been established
- Our safety regulations have been updated
- Improved safety has been acknowledged as a strategic benefit in our project portfolio management
- Work place assessments are made systematically in the company, which during 2019 have identified certain potentials for improvements.

**Health**
Fiberline offers all its employees a canteen scheme with focus on healthy food. Moreover, Fiberline offers a fitness centre, which the employees are free to use outside work hours. All employees at Fiberline with more than three months of employment are automatically covered by a health insurance. The offers of the health insurance go from basic desires for insurance against long waiting lists in connection with preliminary examinations, operations and after-treatment, to treatment by a physiotherapist, chiropractor and psychologist. The desire to create a healthy place of work was the

**Corporate social responsibility (continued)**
reason that Fiberline decided to take out health insurance for all the company's employees. It is essential to Fiberline that all employees have a good health and have a good health insurance in case of sickness.

Fiberline has a target of maximum 4.0% absence due to illness. Status for 2019 was 4.0% absence due to illness.

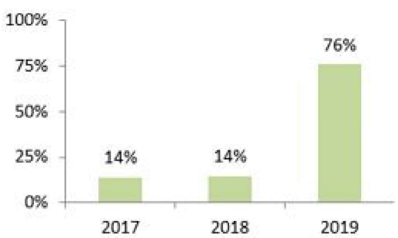
| Sick leave (absence %) | 2017 | 2018 | 2019 |
|---|---|---|---|
| White collar | - | 2.6% | 1.1% |
| Blue collar | | 4.7% | 5.5% |
| **Total** | **3.5%** | **4.0%** | **4.0%** |

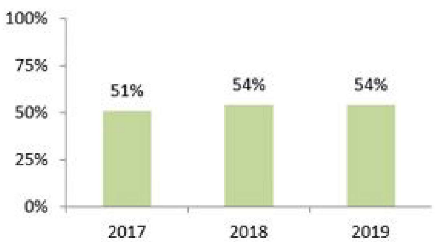
**Research and education**
Fiberline takes an active part in research and education through a close cooperation with universities and other educational institutions. We educate both young and adult apprentices and have a valuable cooperation with changing trainees from different educations. In 2019, Fiberline had a number of trainees in the production as well as in the administration, who were in the process of education.

Furthermore, Fiberline has taken part in various research projects supported by the European Union and the Danish Government. For example, Fiberline is an active participant in the Working Group specialized in fibre reinforced polymer. The Working Group is a part of the Technical Committee working on a harmonized Eurocode for composites. For this project, Fiberline has also donated products for research.

**Environmental and climate-related conditions**
Our production units are subject to special requirements and control from the local environmental authorities, who help to ensure a sound environment with control of for instance waste and air emissions. We have chosen an environment and working environment friendly core technology with closed processes, and continuously aim to reduce waste and energy consumption in order to improve the environmental footprint of the products.

- Since 2010, as the first glass-fibre manufacturer in Europe, Fiberline has forwarded all glass fibre production waste for recycling. In 2018, we have implemented a system for recycling of carbon fibre production waste
- In 2019, we sent 54 % of the company's waste for recycling.
- Fiberline's energy management has been ISO 50.001 certified since 2016, and together with other companies in the plastics industry, we have signed a trade agreement with the Danish Energy Agency, including binding targets for energy efficiency
- As of January 1st 2019, Fiberline uses 100% green electricity
- The share of renewables in Fiberlines gross final energy consumption was 75,7% in 2019.
- The total energy consumption per manufactured ton profiles increased by 17.2% in 2019 against 2018
- The total water consumption was reduced by 30.9%



**Corporate social responsibility (continued)**
**Industry efforts**
As an active member of national and international trade organisations, we target strengthening our own and the trade's effort regarding environment, safety, research, and education. We participate actively in "Plastindustrien" (the trade association for plastics converting companies in Denmark), in the Board of the composite section, in the board of the European trade organization EuCIA, and in the sustainability committee. Here, for instance we work on the recycling of composites.

**Human rights and combat of corruption**
Fiberline complies with current legislation and respects human rights in all countries in which we operate. Since 2017, Fiberline has an in-house training program where all relevant employees must attend a training course regarding Fiberline's anticorruption policy. The completion of the training is registered in our HR system.

**Compliance with policies/control of suppliers**
Besides complying with current legislation on human rights and anti-corruption, Fiberline requires that all suppliers do the same. At the qualification of new suppliers, all potential suppliers are requested to complete a self-assessment, in which the supplier, among others, is assessed with respect to how they ensure that the working conditions of their employees are in order and that the employees are not involved in corruption.

Based on this self-assessment, Fiberline performs on-site audits where the suppliers are to elaborate on and substantiate their answers. If it is found that suppliers are in breach of human rights or corruption, Fiberline will immediately take appropriate actions.
Fiberline has a target that all approved suppliers of direct material are to be audited every second year. Human rights and anti-corruption are two of the parameters on which Fiberline audits its existing suppliers. No cases of corruption or breach of human rights have been identified among suppliers.

**Target figures and policies for the underrepresented gender**
At Fiberline, we believe in diversity, including that equal distribution of genders contributes positively to the working environment. We wish to attract and retain the best candidates to any job position, irrespective of gender. When filling in vacant positions, Fiberline pursues always this policy in order to promote diversity in the company. We will:

- Attract and retain diversified and quaified staff
- Ensure equality and diversity, and create equal career and education opportunities irrespective of gender, age, nationality, race, political and sexual orientation, and religion
- Ensure a strong culture, which prevents discrimination, mobbing, and where all can be a part of the community.
-

Fiberline has at Group level a target that minimum 15% of the top-management must be women. Fiberline A/S has a target that minimum 20% of other managers must be women.

| Top management - gender distribution (%) | 2017 | 2018 | 2019 |
|---|---|---|---|
| Male | 91% | 90% | 90% |
| Female | 9% | 10% | 10% |

The aggregate gender distribution in the organisation was at the end of 2019 22% women and 78% men. In the executive management, the share of women was 10% (1 woman). The share of other female managers at Fiberline was 14% (2 women) at the end of 2019, an increase of 100% from the previous year. The board of directors has made a target for the board of minimum 25% or 1 female member by the end of 2022. Today the board of directors consists of 5 male members, all elected by the annual general meeting.

## Target figures and policies for the underrepresented gender (continued)

| Total staff - gender distribution (%) | 2017 | 2018 | 2019 |
|---|---|---|---|
| Male | - | 78% | 78% |
| Female | - | 22% | 22% |

| Other management - gender distribution (%) | 2017 | 2018 | 2019 |
|---|---|---|---|
| Male | 87% | 93% | 86% |
| Female | 13% | 7% | 14% |

## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

| | Note | Group | | Parent company | |
|---|---|---|---|---|---|
| | | 2019<br>DKK | 2018<br>DKK '000 | 2019<br>DKK | 2018<br>DKK '000 |
| **NET REVENUE** | 1, 2 | **593,748,751** | **632,581** | **451,310,065** | **357,658** |
| Cost of sales | 2 | -350,615,219 | -394,549 | -234,381,564 | -144,672 |
| Other operating income | | 4,169,051 | 5,710 | 11,462,775 | 119,830 |
| Other external expenses | 3 | -102,648,807 | -90,495 | -95,161,811 | -76,248 |
| **GROSS PROFIT/LOSS** | | **144,653,776** | **153,247** | **133,229,465** | **256,568** |
| Staff costs | 4 | -143,169,132 | -127,890 | -135,352,065 | -119,506 |
| Depreciation, amortisation and impairment losses | 2 | -40,118,629 | -30,697 | -33,692,263 | -25,519 |
| Other operating expenses | 2 | -4,529,308 | -2,392 | -2,656,847 | -1,529 |
| **OPERATING PROFIT/LOSS** | | **-43,163,293** | **-7,732** | **-38,471,710** | **110,014** |
| Result of equity investments in group and associates | 2, 5 | -23,919 | -255 | -3,325,194 | -71,659 |
| Other financial income | 6 | 543,010 | 624 | 655,727 | 672 |
| Other financial expenses | 7 | -20,883,880 | -20,323 | -16,830,777 | -14,972 |
| **PROFIT/LOSS BEFORE TAX** | | **-63,528,082** | **-27,686** | **-57,971,954** | **24,055** |
| Tax on profit/loss for the year | 2, 8 | 10,956,172 | -9,753 | 13,978,699 | -21,146 |
| **PROFIT/LOSS FOR THE YEAR** | 9 | **-52,571,910** | **-37,439** | **-43,993,255** | **2,909** |

BALANCE SHEET AT 31 DECEMBER

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| ASSETS | Note | 2019<br>DKK | 2018<br>DKK '000 | 2019<br>DKK | 2018<br>DKK '000 |
| Development projects completed.. | | 39,473,989 | 34,284 | 39,473,989 | 34,284 |
| Intangible fixed assets acquired.... | | 9,258,410 | 10,644 | 9,216,340 | 10,602 |
| Development projects in progress and prepayments..................... | | 8,954,753 | 11,106 | 8,954,753 | 11,106 |
| **Intangible fixed assets.............** | 10 | **57,687,152** | **56,034** | **57,645,082** | **55,992** |
| Land and buildings.................... | | 196,007,226 | 212,999 | 196,007,226 | 212,999 |
| Production plant and machinery.... | | 92,076,958 | 88,297 | 38,518,773 | 43,827 |
| Other plant, fixtures and equipment............................ | | 18,652,743 | 20,469 | 18,534,713 | 17,608 |
| Leasehold improvements........... | | 1,656,606 | 1,878 | 1,656,606 | 1,878 |
| Tangible fixed assets in progress and prepayment...................... | | 10,701,034 | 8,932 | 10,044,926 | 1,868 |
| **Tangible fixed assets................** | 11 | **319,094,567** | **332,575** | **264,762,244** | **278,180** |
| Equity investments in group enterprises............................ | | 0 | 0 | 41,642,854 | 45,801 |
| Equity investments in associated enterprises............................ | | 2,176,794 | 2,200 | 2,176,794 | 2,200 |
| Receivables from group enterprises............................ | | 0 | 0 | 1,016,313 | 8,478 |
| Rent deposit and other receivables............................ | | 394,249 | 700 | 394,249 | 467 |
| **Fixed asset investments...........** | 12 | **2,571,043** | **2,900** | **45,230,210** | **56,946** |
| **FIXED ASSETS.........................** | | **379,352,762** | **391,509** | **367,637,536** | **391,118** |
| Inventories............................ | | 81,019,582 | 102,599 | 77,270,440 | 81,426 |
| Prepayments.......................... | | 2,351,638 | 649 | 2,351,638 | 649 |
| **Inventories...........................** | | **83,371,220** | **103,248** | **79,622,078** | **82,075** |
| Trade receivables.................... | | 63,051,796 | 164,173 | 24,620,287 | 46,716 |
| Receivables from group enterprises............................ | | 3,489,793 | 4,301 | 17,675,640 | 7,352 |
| Other receivables.................... | | 3,186,243 | 2,103 | 1,553,850 | 7,469 |
| Corporation tax receivable.......... | | 2,871,575 | 0 | 2,871,575 | 0 |
| Prepayments and accrued income. | 13 | 2,099,819 | 2,466 | 2,099,819 | 1,513 |
| **Receivables...........................** | | **74,699,226** | **173,043** | **48,821,171** | **63,050** |
| **Cash and cash equivalents.........** | | **18,146,808** | **32,458** | **323,968** | **26** |
| **CURRENT ASSETS.....................** | | **176,217,254** | **308,749** | **128,767,217** | **145,151** |
| **ASSETS.................................** | | **555,570,016** | **700,258** | **496,404,753** | **536,269** |

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## BALANCE SHEET AT 31 DECEMBER

| EQUITY AND LIABILITIES | Note | Group 2019 DKK | Group 2018 DKK '000 | Parent company 2019 DKK | Parent company 2018 DKK '000 |
|---|---|---|---|---|---|
| Share capital | 14 | 1,217,000 | 1,217 | 1,217,000 | 1,217 |
| Reserve for revaluation | | 0 | 0 | 40,569,030 | 52,163 |
| Reserve for development costs | | 0 | 0 | 25,772,403 | 21,081 |
| Retained profit | | 102,707,918 | 154,966 | 32,709,252 | 77,543 |
| Minority shareholders | | 11,708,004 | 19,736 | 0 | 0 |
| **EQUITY** | | **115,632,922** | **175,919** | **100,267,685** | **152,004** |
| Provision for deferred tax | 15 | 20,077,808 | 33,526 | 36,500,572 | 49,622 |
| **PROVISION FOR LIABILITIES** | | **20,077,808** | **33,526** | **36,500,572** | **49,622** |
| Mortgage debt | | 45,597,928 | 54,651 | 45,597,928 | 54,651 |
| Bank loan | | 60,141,978 | 80,195 | 60,141,978 | 80,195 |
| Other bank debt | | 2,221,919 | 5,422 | 0 | 0 |
| Hedging instruments | | 11,658,232 | 14,705 | 11,658,232 | 14,705 |
| Holiday allowance commitment | | 4,693,482 | 0 | 4,693,482 | 0 |
| Subordinate loan capital | | 19,755,123 | 18,902 | 19,755,123 | 18,902 |
| Lease liabilities | | 2,820,152 | 3,825 | 2,820,152 | 3,825 |
| **Long-term liabilities** | 16 | **146,888,814** | **177,700** | **144,666,895** | **172,278** |
| Short-term portion of long-term liabilities | 16 | 26,483,363 | 21,263 | 23,150,483 | 18,010 |
| Bank debt | | 122,228,813 | 72,644 | 122,228,813 | 65,072 |
| Contract work in progress | | 1,362,771 | 0 | 1,362,771 | 0 |
| Prepayments received from customers | | 1,794,672 | 960 | 1,794,672 | 103 |
| Trade payables | | 101,714,456 | 187,015 | 49,332,863 | 56,396 |
| Payables to group enterprises | | 1 | 2,088 | 0 | 4,801 |
| Corporation tax | | 1,711,705 | 3 | 0 | 843 |
| Other liabilities | | 17,674,691 | 29,140 | 17,099,999 | 17,140 |
| **Current liabilities** | | **272,970,472** | **313,113** | **214,969,601** | **162,365** |
| **LIABILITIES** | | **419,859,286** | **490,813** | **359,636,496** | **334,643** |
| **EQUITY AND LIABILITIES** | | **555,570,016** | **700,258** | **496,404,753** | **536,269** |

| | |
|---|---|
| **Contingencies etc.** | 17 |
| **Charges and securities** | 18 |
| **Related parties** | 19 |
| **Consolidated financial statements** | 20 |

## EQUITY

| | Group | | | |
|---|---|---|---|---|
| | Share capital | Retained profit | Minority shareholders | Total |
| Equity at 1 January 2019 | 1,217,000 | 154,966,160 | 19,735,893 | 175,919,053 |
| Foreign exchange adjustments | | -602,934 | 28,305 | -574,629 |
| Value adjustments from revaluations | | -9,516,000 | | -9,516,000 |
| Adjustment of financial instruments | | 2,376,408 | | 2,376,408 |
| Proposed distribution of profit | | -44,515,716 | -8,056,194 | -52,571,910 |
| **Equity at 31 December 2019** | **1,217,000** | **102,707,918** | **11,708,004** | **115,632,922** |

| | Parent company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Reserve for revaluation | Reserve for net revaluation according to equity method | Reserve for development costs | Retained profit | Total |
| Equity at 1 January 2019 | 1,217,000 | 52,162,143 | 0 | 21,080,779 | 77,543,031 | 152,002,953 |
| Reversal of previous revaluations | | -9,516,000 | | | | -9,516,000 |
| Depreciations | | -2,077,113 | | | 2,077,113 | |
| Foreign exchange adjustments | | | | | -602,421 | -602,421 |
| Adjustment of financial instruments | | | | | 2,376,408 | 2,376,408 |
| Transfers to/from other items | | | 3,325,194 | | -3,325,194 | |
| Proposed distribution of profit | | | -3,325,194 | | -40,668,061 | -43,993,255 |
| Transferred to reserve for development costs | | | | 4,691,624 | -4,691,624 | |
| **Equity at 31 December 2019** | **1,217,000** | **40,569,030** | **0** | **25,772,403** | **32,709,252** | **100,267,685** |

## CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2019** DKK | **2018** DKK '000 | **2019** DKK | **2018** DKK '000 |
| Profit/loss for the year | -52,571,910 | -37,439 | -43,993,255 | 2,909 |
| Reversed depreciation of the year | 39,993,864 | 30,565 | 33,554,434 | 25,384 |
| Reversed realization gains/losses | 1,853,310 | 858 | -19,151 | -114,125 |
| Profit/loss from associates | 23,919 | 255 | 23,919 | 255 |
| Profit/loss from subsidiaries | 0 | 0 | 3,301,275 | 71,404 |
| Adjustment of other financial expenses | 853,074 | 804 | 853,074 | 804 |
| Reversed tax on profit/loss for the year | -10,956,172 | 9,753 | -13,978,699 | 21,146 |
| Corporation tax paid | -1,681,032 | 0 | -842,922 | 0 |
| Change in inventory | 20,000,314 | 64,928 | 2,452,345 | -3,063 |
| Change in receivables | 99,383,751 | -93,997 | 17,088,144 | -24,269 |
| Change in current liabilities (ex bank and tax) | -90,793,740 | 47,027 | -4,155,832 | 4,878 |
| **CASH FLOWS FROM OPERATING ACTIVITY** | **6,105,378** | **22,754** | **-5,716,668** | **-14,677** |
| Purchase of intangible fixed assets | -15,671,721 | -5,657 | -15,629,651 | -5,657 |
| Sale of intangible fixed assets | 143,818 | 0 | 100,838 | 0 |
| Purchase of tangible fixed assets | -26,691,511 | -15,791 | -18,441,999 | -2,966 |
| Sale of intangible and tangible fixed assets | 0 | 758 | 0 | 682 |
| Purchase of financial assets | 308,170 | -374 | -2,342,479 | -2,896 |
| Sale of financial assets | 0 | 0 | 7,902,201 | 2,282 |
| Dividend received | 0 | 0 | 2,239,560 | 8,943 |
| **CASH FLOWS FROM INVESTING ACTIVITY** | **-41,911,244** | **-21,064** | **-26,171,530** | **388** |
| Proceeds from long-term borrowing | 0 | 30,807 | 0 | 24,338 |
| Repayments of loans | -28,088,467 | -26,668 | -24,969,097 | -25,776 |
| **CASH FLOWS FROM FINANCING ACTIVITY** | **-28,088,467** | **4,139** | **-24,969,097** | **-1,438** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **-63,894,333** | **5,829** | **-56,857,295** | **-15,727** |
| Cash and cash equivalents at 1. januar | -40,187,672 | -46,015 | -65,047,550 | -49,319 |
| **CASH AND CASH EQUIVALENTS AT 31. DECEMBER** | **-104,082,005** | **-40,186** | **-121,904,845** | **-65,046** |
| Specification of cash and cash equivalents at 31 December: | | | | |
| Cash and cash equivalents | 18,146,808 | 32,458 | 323,968 | 26 |
| Bank debt | -122,228,813 | -72,644 | -122,228,813 | -65,072 |
| **CASH AND CASH EQUIVALENTS, NET DEBT** | **-104,082,005** | **-40,186** | **-121,904,845** | **-65,046** |

NOTES

Note

| | Group | | Parent company | | Note |
|---|---|---|---|---|---|
| | 2019 DKK | 2018 DKK '000 | 2019 DKK | 2018 DKK '000 | |
| **Net revenue** | | | | | 1 |
| **Segment details (geography)** | | | | | |
| Scandinavia | 91,200,568 | 154,125 | 120,323,073 | 152,257 | |
| Europe | 358,052,051 | 385,032 | 325,267,139 | 189,236 | |
| America | 3,544,571 | 5,807 | 1,739,571 | 8,732 | |
| Asia | 140,951,561 | 87,617 | 3,980,282 | 7,433 | |
| | **593,748,751** | **632,581** | **451,310,065** | **357,658** | |

Segment details distributed on activities are considered to be detrimental to the Group and the Company's competitive situation, and are therefore not disclosed

**Special items** 2

**The group and the parent company**

Impariment test is made for each asset or group of assets, respectively, which generated an impariment loss of DKK 5,369,336. The loss has been recognised under "Depreciation, amortisation and impairment losses" in the Income Statement.

Costs for "Project Wing" of DKK 1,218,040 has been recognised under "Other operating expenses" in the Income Statement.

Further more the closing down of a business area generated one-off adjustments, which have been recognised under "Net revenue" and "Cost of sales" in the Income Statement of the group with an amount of DKK 15,736,118 and which have been recognised under "Result of equity investments" in the Income Statement of the parent company with an amount of DKK 8,025,420.

**Parent company**

Last years comparative figures for "Other operating income", "Result of equity investments in group and associates" and "Tax on profit/loss for the year" includes profits and tax from sale of intangible fixed assets of net DKK 31,000,000.

NOTES

| | Group | | Parent company | | |
|---|---|---|---|---|---|
| | 2019 DKK | 2018 DKK '000 | 2019 DKK | 2018 DKK '000 | Note |
| **Fee to statutory auditors** | | | | | 3 |
| Total fee: | | | | | |
| BDO | 2,508,065 | 2,344 | | | |
| Auditors of foreign subsidiaries | 89,775 | 129 | | | |
| | **2,597,840** | **2,473** | | | |
| Specification of fee: | | | | | |
| Statutory audit | 902,953 | 834 | | | |
| Assurance engagements | 0 | 110 | | | |
| Tax consultancy | 457,750 | 132 | | | |
| Other services | 1,237,137 | 1,397 | | | |
| | **2,597,840** | **2,473** | | | |
| **Staff costs** | | | | | 4 |
| Average number of employees | | | | | |
| Group: 348 (2018: 300) | | | | | |
| Parent company: 289 (2018: 251) | | | | | |
| Wages and salaries | 135,646,811 | 117,439 | 129,387,123 | 110,422 | |
| Pensions | 10,960,628 | 9,259 | 10,278,385 | 8,628 | |
| Social security costs | 6,145,793 | 4,920 | 5,270,657 | 4,184 | |
| Salaries activated/redistributed | -9,584,100 | -3,728 | -9,584,100 | -3,728 | |
| | **143,169,132** | **127,890** | **135,352,065** | **119,506** | |
| Remuneration of management and board of directors | 2,579,783 | 2,561,285 | 2,579,783 | 2,561,285 | |
| | **2,579,783** | **2,561,285** | **2,579,783** | **2,561,285** | |
| **Result of equity investments in group and associates** | | | | | 5 |
| Result of equity investments in group enterprises | 0 | 0 | -3,301,275 | -71,404 | |
| Result of equity investments in associated enterprises | -23,919 | -255 | -23,919 | -255 | |
| | **-23,919** | **-255** | **-3,325,194** | **-71,659** | |
| **Other financial income** | | | | | 6 |
| Group enterprises | 158,502 | 149 | 271,533 | 197 | |
| Other interest income | 384,508 | 475 | 384,194 | 475 | |
| | **543,010** | **624** | **655,727** | **672** | |

NOTES

| | Group 2019 DKK | Group 2018 DKK '000 | Parent company 2019 DKK | Parent company 2018 DKK '000 | Note |
|---|---|---|---|---|---|
| **Other financial expenses** | | | | | 7 |
| Group enterprises | 41,717 | 87 | 173,821 | 219 | |
| Other interest expenses | 20,842,163 | 20,236 | 16,656,956 | 14,753 | |
| | **20,883,880** | **20,323** | **16,830,777** | **14,972** | |
| **Tax on profit/loss for the year** | | | | | 8 |
| Calculated tax on taxable income of the year | 558,029 | 126 | -2,871,575 | 843 | |
| Adjustment of deferred tax | -11,514,201 | 9,627 | -11,107,124 | 20,303 | |
| | **-10,956,172** | **9,753** | **-13,978,699** | **21,146** | |
| **Proposed distribution of profit** | | | | | 9 |
| Allocation to reserve for net revaluation according to equity method | 0 | 0 | -3,325,194 | -67,303 | |
| Retained earnings | -44,515,716 | 28,665 | -40,668,061 | 70,212 | |
| Minority interests' share of profit/loss in subsidiaries | -8,056,194 | -66,104 | 0 | 0 | |
| | **-52,571,910** | **-37,439** | **-43,993,255** | **2,909** | |

**Intangible fixed assets** 10

| | Group: Development projects completed | Group: Intangible fixed assets acquired | Group: Development projects in progress and prepayments |
|---|---|---|---|
| Cost at 1 January 2019 | 55,287,822 | 25,994,523 | 11,106,500 |
| Exchange adjustment at closing rate | 0 | 384 | 0 |
| Transfers to/from other items | 7,245,125 | 0 | -7,245,125 |
| Additions | 7,959,237 | 2,518,268 | 5,194,216 |
| Disposals | 0 | -53,705 | -100,838 |
| **Cost at 31 December 2019** | **70,492,184** | **28,459,470** | **8,954,753** |
| Depreciation at 1 January 2019 | 21,004,333 | 15,350,223 | 0 |
| Exchange adjustment at closing rate | 0 | -82 | 0 |
| Reversal of amortisation of assets disposed of | 0 | -10,770 | 0 |
| Impairment losses | 3,040,728 | 0 | 0 |
| Amortisation for the year | 6,973,134 | 3,861,689 | 0 |
| **Amortisation at 31 December 2019** | **31,018,195** | **19,201,060** | **0** |
| **Carrying amount at 31 December 2019** | **39,473,989** | **9,258,410** | **8,954,753** |

NOTES

Note

**Intangible fixed assets (continued)** 10

The Group's development projects relate to the development of new products and the development of production processes. The Group has established development cooperation with several international companies. The development focuses primarily on industries where the Group already has significant activities and cooperation with customers shows that there is a significant demand for the new products. The Group expects to continuously have significant development activities both for new product development and for further development of current products and processes. It is expected that the current development projects will be completed within 1-3 years.

| | Parent company | | |
|---|---|---|---|
| | Development projects completed | Intangible fixed assets acquired | Development projects in progress and prepayments |
| Cost at 1 January 2019 | 55,287,822 | 25,941,202 | 11,106,500 |
| Transfers to/from other items | 7,245,125 | 0 | -7,245,125 |
| Additions | 7,959,237 | 2,476,198 | 5,194,216 |
| Disposals | 0 | 0 | -100,838 |
| **Cost at 31 December 2019** | **70,492,184** | **28,417,400** | **8,954,753** |
| Depreciation at 1 January 2019 | 21,004,333 | 15,339,371 | 0 |
| Impairment losses | 3,040,728 | 0 | 0 |
| Amortisation for the year | 6,973,134 | 3,861,689 | 0 |
| **Amortisation at 31 December 2019** | **31,018,195** | **19,201,060** | **0** |
| **Carrying amount at 31 December 2019** | **39,473,989** | **9,216,340** | **8,954,753** |

The Group and the company's development projects relate to the development of new products and the development of production processes. The Company has established development cooperation with several international companies. The development focuses primarily on industries where the Company already has significant activities and cooperation with customers shows that there is a significant demand for the new products. The Company expects to continuously have significant development activities both for new product development and for further development of current products and processes. It is expected that the current development projects will be completed within 1-3 years.

NOTES

Note

## Tangible fixed assets 11

| | Group | | |
|---|---|---|---|
| | Land and buildings | Production plant and machinery | Other plant, fixtures and equipment |
| Cost at 1 January 2019 | 199,883,441 | 189,709,337 | 92,927,581 |
| Exchange adjustment | 0 | 196,238 | 1,404 |
| Transfers to/from other items | 0 | 7,904,483 | 509,467 |
| Additions | 0 | 12,237,137 | 4,125,755 |
| Disposals | 0 | -234,255 | -3,769,390 |
| **Cost at 31 December 2019** | **199,883,441** | **209,812,940** | **93,794,817** |
| Revaluation at 1 January 2019 | 60,092,107 | 22,140,963 | 1,350,000 |
| Reversal revaluation from previous years | -12,200,000 | 0 | 0 |
| **Revaluation at 31 December 2019** | **47,892,107** | **22,140,963** | **1,350,000** |
| Depreciation and impairment losses at 1 January 2019 | 46,975,548 | 123,553,767 | 73,809,543 |
| Exchange adjustment | 0 | 45,785 | 453 |
| Reversal of depreciation of assets disposed of | 0 | -248,260 | -1,896,928 |
| Impairment losses | 0 | 2,328,608 | 0 |
| Depreciation for the year | 4,792,774 | 14,197,045 | 4,579,006 |
| **Depreciation and impairment losses at 31 December 2019** | **51,768,322** | **139,876,945** | **76,492,074** |
| **Carrying amount at 31 December 2019** | **196,007,226** | **92,076,958** | **18,652,743** |
| Value of recognised assets, excluding revaluation under § 41 (1) | 148,915,119 | 82,623,852 | 17,707,743 |
| Financially leased assets | | 3,556,276 | 17,401,377 |

| | Group | |
|---|---|---|
| | Leasehold improvements | Tangible fixed assets in progress and prepayment |
| Cost at 1 January 2019 | 2,208,808 | 8,932,626 |
| Exchange adjustment | 0 | 3,000 |
| Transfers to/from other items | 0 | -8,413,950 |
| Additions | 0 | 10,428,209 |
| Disposals | 0 | -248,851 |
| **Cost at 31 December 2019** | **2,208,808** | **10,701,034** |
| Depreciation and impairment losses at 1 January 2019 | 331,321 | |
| Depreciation for the year | 220,881 | |
| **Depreciation and impairment losses at 31 December 2019** | **552,202** | |
| **Carrying amount at 31 December 2019** | **1,656,606** | **10,701,034** |

NOTES

Note

## Tangible fixed assets (continued) 11

| | Parent company | | |
|---|---|---|---|
| | Land and buildings | Production plant and machinery | Other plant, fixtures and equipment |
| Cost at 1 January 2019 | 199,883,441 | 133,266,180 | 89,594,037 |
| Transfers to/from other items | 0 | 837,559 | 509,467 |
| Additions | 0 | 4,792,993 | 4,125,755 |
| Disposals | 0 | -225,435 | 0 |
| **Cost at 31 December 2019** | **199,883,441** | **138,671,297** | **94,229,259** |
| Revaluation at 1 January 2019 | 60,092,107 | 15,884,957 | 0 |
| Reversal revaluation from previous years | -12,200,000 | 0 | 0 |
| **Revaluation at 31 December 2019** | **47,892,107** | **15,884,957** | **0** |
| Depreciation and impairment losses at 1 January 2019 | 46,975,548 | 105,324,082 | 71,987,302 |
| Reversal of depreciation of assets disposed of | 0 | -244,585 | 0 |
| Impairment losses | 0 | 2,328,608 | 0 |
| Depreciation for the year | 4,792,774 | 8,629,376 | 3,707,244 |
| **Depreciation and impairment losses at 31 December 2019** | **51,768,322** | **116,037,481** | **75,694,546** |
| **Carrying amount at 31 December 2019** | **196,007,226** | **38,518,773** | **18,534,713** |
| Value of recognised assets, excluding revaluation under § 41 (1) | 148,915,119 | 32,809,417 | 18,534,713 |
| Financially leased assets | | 3,556,276 | 17,401,377 |

| | Parent company | |
|---|---|---|
| | Leasehold improvements | Tangible fixed assets in progress and prepayment |
| Cost at 1 January 2019 | 2,208,808 | 1,868,702 |
| Transferred | 0 | -1,347,026 |
| Additions | 0 | 9,772,101 |
| Disposals | 0 | -248,851 |
| **Cost at 31 December 2019** | **2,208,808** | **10,044,926** |
| Depreciation and impairment losses at 1 January 2019 | 331,321 | |
| Depreciation for the year | 220,881 | |
| **Depreciation and impairment losses at 31 December 2019** | **552,202** | |
| **Carrying amount at 31 December 2019** | **1,656,606** | **10,044,926** |

NOTES

Note

## Fixed asset investments 12

| | Group | |
|---|---|---|
| | Equity investments in associated enterprises | Rent deposit and other receivables |
| Cost at 1 January 2019 | 2,454,915 | 8,507,807 |
| Additions | 0 | 4,635,222 |
| Disposals | 0 | -3,275,435 |
| **Cost at 31 December 2019** | **2,454,915** | **9,867,594** |
| Impairment losses and amortisation at 1 January 2019 | 254,909 | 63,814 |
| Exchange adjustment | -707 | 0 |
| Reversed amortisation on disposal | 0 | -63,814 |
| Loss for the year | 23,919 | 0 |
| Deduction lease obligation | 0 | 9,473,345 |
| **Impairment losses and amortisation at 31 December 2019** | **278,121** | **9,473,345** |
| **Carrying amount at 31 December 2019** | **2,176,794** | **394,249** |

| | Parent company | |
|---|---|---|
| | Equity investments in group enterprises | Equity investments in associated enterprises |
| Cost at 1 January 2019 | 132,275,027 | 2,454,915 |
| **Cost at 31 December 2019** | **132,275,027** | **2,454,915** |
| Dividend | -2,239,560 | 0 |
| **Revaluation at 31 December 2019** | **-2,239,560** | **0** |
| Impairment losses at 1 January 2019 | 86,473,332 | 254,909 |
| Exchange adjustment | -1,135 | -707 |
| Loss for the year | 1,920,416 | 23,919 |
| **Impairment losses at 31 December 2019** | **88,392,613** | **278,121** |
| **Carrying amount at 31 December 2019** | **41,642,854** | **2,176,794** |

NOTES

Note

## Fixed asset investments (continued) 12

| | Parent company | |
|---|---|---|
| | Receivables from group enterprises | Rent deposit and other receivables |
| Cost at 1 January 2019 | 17,110,792 | 8,210,524 |
| Additions | 2,342,480 | 4,635,222 |
| Disposals | -7,827,501 | -2,978,152 |
| **Cost at 31 December 2019** | **11,625,771** | **9,867,594** |
| Impairment losses at 1 January 2019 | 8,632,420 | 0 |
| Impairment losses for the year | 1,977,038 | 0 |
| Deduction lease obligation | 0 | 9,473,345 |
| **Impairment losses at 31 December 2019** | **10,609,458** | **9,473,345** |
| **Carrying amount at 31 December 2019** | **1,016,313** | **394,249** |

### Investments in subsidiaries (DKK)

| Name and registered office | Equity | Profit/loss for the year | Ownership |
|---|---|---|---|
| Fiberline Asia Ltd., Hongkong | 25,833,673 | 12,199,414 | 75.11 % |
| Fiberline Composites Tianjin Ltd., Kina | - | -304,567 | 100 % |
| Fiberline Pultrusion Tianjin Ltd., Kina | 25,908,743 | 12,508,477 | 100 % |
| Fiberline Composites Canada Inc., Canada | -8,055,008 | -1,372,775 | 100 % |
| Advanced Carbon Pultrusion A/S, Middelfart | 30,209,853 | -22,636,948 | 51 % |
| Fiberline Ejendomme ApS, Middelfart | -8,084 | -12,983 | 100 % |
| Fiberline AC A/S, Middelfart | 357,172 | -42,828 | 100 % |

### Investments in associates (DKK)

| Name and registered office | Equity | Profit for the year | Ownership |
|---|---|---|---|
| Schöck Balkonsysteme GmbH, Tyskland | 8,707,176 | -95,676 | 25 % |

## Prepayments and accrued income 13

Prepayments and accrued income recognized under liabilities include costs incurred for subsequent financial years.

## Share capital 14

| | 2019<br>DKK | 2018<br>DKK '000 |
|---|---|---|
| Specification of the share capital: | | |
| Equities, 1,217 in the denomination of 1,000 DKK | 1,217,000 | 1,217 |
| | **1,217,000** | **1,217** |

NOTES

**Note**

**Provision for deferred tax** **15**

Provision for deferred tax comprises deferred tax on contract work in progress, prepayments and accrued income, inventory, long-term liabilities, intangible and tangible fixed assets including financial obligations and tax loss carryforward.

| | | | | |
|---|---|---|---|---|
| Deferred tax, beginning of year | 32,697,228 | 19,500 | 49,621,427 | 23,878 |
| Deferred tax of the year, income statement | -11,448,420 | 9,589 | -11,107,124 | 20,303 |
| Deferred tax of the year, equity | -2,013,731 | 4,437 | -2,013,731 | 4,437 |
| Transfers to/from other items | 842,731 | 0 | 0 | 1,004 |
| **Provision for deferred tax 31 December 2019** | **20,077,808** | **33,526** | **36,500,572** | **49,622** |

NOTES

Note

## Long-term liabilities 16

| | Group | | | | |
|---|---|---|---|---|---|
| | 31/12 2019 total liabilities | Repayment next year | Debt outstanding after 5 years | 31/12 2018 total liabilities | Current portion at the beginning of the year |
| Mortgage debt | 54,706,695 | 9,108,767 | 9,736,000 | 63,712,983 | 9,061,264 |
| Bank loan | 73,179,512 | 13,037,534 | 16,505,000 | 86,131,021 | 5,937,113 |
| Other bank debt | 5,554,799 | 3,332,880 | 0 | 8,674,170 | 3,252,814 |
| Hedging instruments | 11,658,232 | 0 | 0 | 14,704,909 | 0 |
| Holiday allowance commitment | 4,693,482 | 0 | 4,693,482 | 0 | 0 |
| Subordinate loan capital | 19,755,123 | 0 | 19,755,123 | 20,681,049 | 1,779,000 |
| Lease liabilities | 3,824,334 | 1,004,182 | 0 | 5,056,634 | 1,232,301 |
| | **173,372,177** | **26,483,363** | **50,689,605** | **198,960,766** | **21,262,492** |

| | Parent company | | | | |
|---|---|---|---|---|---|
| | 31/12 2019 total liabilities | Repayment next year | Debt outstanding after 5 years | 31/12 2018 total liabilities | Current portion at the beginning of the year |
| Mortgage debt | 54,706,695 | 9,108,767 | 9,736,000 | 63,712,983 | 9,061,264 |
| Bank loan | 73,179,512 | 13,037,534 | 16,505,000 | 86,131,021 | 5,937,113 |
| Hedging instruments | 11,658,232 | 0 | 0 | 14,704,909 | 0 |
| Holiday allowance commitment | 4,693,482 | 0 | 4,693,482 | 0 | 0 |
| Subordinate loan capital | 19,755,123 | 0 | 19,755,123 | 20,681,049 | 1,779,000 |
| Lease liabilities | 3,824,334 | 1,004,182 | 0 | 5,056,634 | 1,232,301 |
| | **167,817,378** | **23,150,483** | **50,689,605** | **190,286,596** | **18,009,678** |

### Subordinate loan capital

Subordinated loan capital is at interest with the company's bank overdraft rate + 2%. The principal is irrevocable from the lender's side until a change of ownership is made directly or indirectly by the company or the equity ratio is 30% or more. The solvency ratio is calculated using the same principle as in the Annual Report for 2013 (Solidarity II is applied), with the exception that the exclusively accounting consequences of the company's swap business are not recognized in the statement. Finally, the subordinated loan may be redeemed in whole or in part by further supply of subordinated capital.

### Hedging instruments

The fair value of the interest rate swap agreed upon will pose DKK 0 when it expires at the end of the agreement period.

Until the expiration date, the fair value of the hedging instrument will develop based on developments in interest rates and the remaining maturity of the agreement.

Note

**Contingencies etc.** 17
**Contingent liabilities**

**Financial instruments**
Long-term debt includes the negative fair value of interest rate swaps of DKK 11,658,232. Interest rate swaps have been entered into to hedge at fixed interest rate on the Group's floating rate and mortgage loans. The interest rate swap has a principal of DKK 89 million and ensures a fixed interest rate of between 3.78% and 4.38% for a loan period of between 3 and 8 years. Priority loans, bank loans and interest rate swaps have been concluded with the same counterparty.

**Lease obligation**
The Group has entered into lease agreements regarding leasing of standard and special tools. For lease agreements where the secondary period has occurred, the lease agreement can be terminated with 3 months notice. The secondary lease payment constitutes per. 31 December 2019 DKK 137,828 annually.

There is full deduction access between loan payment regarding the lease agreements and payment on the balance sheet receivable (DKK 9,473,345).

The Group has entered into operating lease agreements, where the annual payment amounts to DKK 3,020,000. The total residual lease payment amounts to DKK 5,462,000 per. 31 December 2019, of which DKK 0 is due after 5 years.

**Other liabilities**
In connection with capital injections in the Chinese company, an "Exit Agreement" has been concluded with IFU that Fiberline A/S guarantee for the purchase of IFU's equity investments in the Chinese company on specified terms after the end of 2020.

The group is party to a few pending claims filed by customers against the group. At present the outcome of the claims is uncertain, including the effect in terms of value. If a claim is realized the management expect that the claim will be covered by the company's insurance.

**Joint liabilities**
The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group’s joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group’s joint taxable income is stated in the annual report of Ejner Holding ApS, which serves as management company for the joint taxation.

NOTES

Note

## Charges and securities 18

| | Group | | Parent company | |
|---|---|---|---|---|
| | Carrying amount of assets | Nominal value of mortgage or outstanding debt | Carrying amount of assets | Nominal value of mortgage or outstanding debt |
| | DKK | DKK | DKK | DKK |
| The following assets are set as security for debt: | | | | |
| Owner mortgage in the property land no 5e Staurby by, Vejlby......... | 196,007,226 | 38,600,000 | 196,007,226 | 38,600,000 |
| The following assets are financed by financial leasing: | | | | |
| Production plant and machinery...... | 3,556,276 | 3,824,334 | 3,556,276 | 3,824,334 |
| Other plant, fixtures and equipment | 17,401,377 | 9,473,345 | 17,401,377 | 9,473,345 |

There is registered a floting charge to Nordea of DKK 110,000,000. The floating charge includes the following assets whose carrying amount amounts to:

| | |
|---|---|
| Acquired intangible fixed assets | DKK 9,216,340 |
| Development projects | DKK 48,428,742 |
| Production plants and machinery as well as other plant, fixtures and equipment | DKK 46,140,759 |
| Inventories | DKK 77,270,440 |
| Trade receivables | DKK 24,620,287 |

In addition, mortgage loans have been secured to mortgage credit institutions. Outstanding debt per. 31 December 2019 amounts to DKK 54,706,695. The book value of the property Barmstedt Allé amounts to DKK 196,007,226.

The book value of pledged assets is stated solely on the basis of the distribution used in the annual report. In addition, it may be added the book value of operating equipment etc. which will be covered by the mortgage under section 37 of the Danish Land Registration Act.

For the security of the subsidiary Fiberline Pultrusion Tianjin Ltd.'s commitment to IFU, DKK 5,554,799, the parent company has issued a guaranty of payment.

NOTES

Note

**Related parties** 19

The Company's related parties include:

**Controlling interest**

Ejner Holding ApS, Barmstedt Allé 5, 5500 Middelfart, is the ultimate shareholder.

**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 also include companies in which the above mentioned group of persons has material interests.

**Transactions with related parties**

The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

**Consolidated financial statements** 20

The company is included in the consolidated financial statements for Ejner Holding ApS Barmstedt Allé 5, 5500 Middelfart, CVR-no. 35 52 31 70.

## ACCOUNTING POLICIES

The Annual Report of Fiberline A/S for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large 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 Fiberline A/S and its subsidiaries in which Fiberline 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.

The date of acquisition is the date at which the Group gains actual control over the acquired business.

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 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.

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.

**Minority interests**
The accounting items of the subsidiaries are recognised in full in the consolidated financial statements. The minority interests’ proportional share of the results and equity of the subsidiaries is stated as separate items in the allocation of profit/loss and in individual main items under equity.

## 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

**Other operating expenses**
Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

**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, operational lease expenses, etc.

Payments related to operating lease expenses and other lease agreements are recognised in the Income Statement during the continuance of the contract. The Company's total liability concerning operating and other lease agreements are stated under contingencies, 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 and associates**
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.

The income statement of the ower company recognises the proportional share of the results of each associate after proportional 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.

## ACCOUNTING POLICIES

## BALANCE SHEET

**Intangible fixed assets**
Patents, licences and software are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term. Licences and software are amortised over 3-5 years.

Development costs are capitalized only to the extent that they relate to development projects that will lead to expansion of the company's product range or improvement of the company's production methods. Costs incurred for testing in connection with the production of customer-specific profiles are expensed in the income statement under other operating expenses. Received grants are recognized in the income statement under Other operating income or offset under capitalized development costs and are recognized as income in line with depreciation.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

The company's products have a long life cycle. A developmental course typically takes 2-4 years, and the lifespan of the products is typically 5-20 years or in some cases longer. Capitalized development costs are depreciated on line after completion of development work over the estimated economic useful life, which is on average 7 years.

**Tangible fixed assets**
Domicile properties are recognized at fair value, see section 41 of the Danish Financial Statements Act. Revenue is recognized directly in equity.

Production plants and machinery are measured at revalued value according to section 41 of the Danish Financial Statements Act, reduced by accumulated depreciation and write-downs. Revenue is recognized directly in equity. As fair value assessments do not take into account the costs incurred by the company for initiation and process development of the company's production facilities and machinery, the estimated fair value of the costs incurred is added.

Other plant, equipment and fixtures are measured at cost.

The depreciation basis is cost plus additions according to section 41 of the Danish Financial Statements Act, less the estimated residual value after completion of the useful life. There are no depreciations on land.

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.

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.............................................................................. | 50 years | 0 % |
| Production plant and machinery.................................................... | 3-15 years | 0 % |
| Other plant, fixtures and equipment............................................... | 3-20 years | 0 % |
| Leasehold improvements............................................................. | 5 years | 0 % |

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.

**Lease contracts**
Lease contracts relating to tangible fixed assets where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the group and the company's other tangible fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability and the interest portion of the lease payment is recognised in the income statement over the term of the contract.

The leasing relationship is established in conjunction with the transfer of tools and that, in connection with the transfer, a receivable is settled in accordance with the lease term of the lease contract, the lease liabilities are offset against the receivable relating to handover of tools.

For leases that are considered operating leases, benefits are recognized in the income statement over the term of the contract. The Group's total liability relating to operating leases and leases and finance leases, which are not capitalized / deferred in accordance with the transitional provisions, are disclosed in contingent items etc.

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

Investments in subsidiaries and associates 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

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 and associates 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 receivables, 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 and associates' deficit.

**Other receivables:**
In connection with the transfer of tools, a long-term receivable has arisen. The loan is settled over 5 years.

**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, write-down is provided 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, write-down is provided to the lower value.

Finished goods and work in progress are included at the standard cost. In addition, indirect production costs are imposed.

Indirect production costs include indirect materials and wages, energy consumption in production, as well as maintenance, depreciation and leasing expenses on the machinery, factory buildings and equipment used in the production process.

Uncurricular and slowly tradable goods are written down to the expected net realizable value.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

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

**Contract work in progress**
Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

**Accruals, assets**
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

**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.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

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 would 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.

## ACCOUNTING POLICIES

**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.

Amortised cost of current liabilities usually corresponds to nominal value.

The capitalised residual lease liability on finance lease contracts is also recognised as financial liabilities.

**Derivative financial instruments**
The initial recognition measures derivative financial instruments in the balance sheet at cost price and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in receivables and liabilities, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under initial cost for the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

**Foreign currency translation**
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The income statements of foreign subsidiaries and associates fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.

Exchange adjustment of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.

ACCOUNTING POLICIES

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.

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.