
Cembrit Holding A/S

Gasværksvej 24, 1., DK-9000 Aalborg

Annual Report for 1 January - 31 December 2020

CVR No 18 33 67 74

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/06 2021

Michael Christensen
Chairman of the General
Meeting



pwc

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Cembrit Holding A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aalborg, 30 June 2021

Executive Board

Michael Christensen
Executive Officer

Torben Axelsen
Executive Officer

Board of Directors

Jørn Mørkeberg Nielsen
Chairman

Morten Rosager Andersen

Michael Christensen

Torben Axelsen

Henrik Gaardsøe
Staff Representative

Jens Søgaard
Staff Representative

Carsten Ejberg Jensen
Staff Representative

Independent Auditor's Report

To the Shareholder of Cembrit Holding A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Cembrit Holding A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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 Financial Statements" section of our report. We are independent of the Company 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the 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 Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the 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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the 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 Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Hellerup, 30 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob Fromm Christiansen

statsautoriseret revisor

mne18628

Kristian Højgaard Carlsen

statsautoriseret revisor

mne44112

Company Information

The Company

Cembrit Holding A/S
Gasværksvej 24, 1.
DK-9000 Aalborg

CVR No: 18 33 67 74

Financial period: 1 January - 31 December

Incorporated: 1 January 1995

Municipality of reg. office: Aalborg

Board of Directors

Jørn Mørkeberg Nielsen, Chairman
Morten Rosager Andersen
Michael Christensen
Torben Axelsen
Henrik Gaardsøe
Jens Søgaard
Carsten Ejberg Jensen

Executive Board

Michael Christensen
Torben Axelsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	117.664	24.086	-70.204	-105.837	-64.191
Profit/loss before financial income and expenses	42.862	-44.494	-136.748	-180.313	-120.983
Net financials	9.836	5.900	9.258	-4.535	-49.570
Net profit/loss for the year	134.878	-8.474	-27.653	-116.210	-54.876
Balance sheet					
Balance sheet total	1.954.381	1.675.120	1.675.688	1.528.247	1.611.464
Equity	1.107.406	998.012	1.005.200	1.037.689	205.908
Investment in property, plant and equipment	2.080	3.690	969	3.330	2.460
Number of employees	56	47	52	60	50
Ratios					
Solvency ratio	56,7%	59,6%	60,0%	67,9%	12,8%
Return on equity	12,8%	-0,8%	-2,7%	-18,7%	-22,5%

Management's Review

Business review

The Cembrit Holding Group is a key manufacturer and distributor of fibre-cement products for all kinds of exterior and interior protective surfaces. The market focus is Europe and export markets. Cembrit Holding A/S is a 100% owned subsidiary of Cembrit Group A/S and the Cembrit Holding's primary activity is to manage shared functions within Group. Furthermore, the company holds the shares in the subsidiaries stated in note 7.

Financial review

The income statement of the Company for 2020 shows a gross profit of TDKK 117,664 (2019: TDKK 24,086) and a net profit of TDKK 134,878 (2019: TDKK -8,474), and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 1,107,406. In the 2019 Annual Report was stated that the performance was expected to improve in 2020. The improvement in performance was based on the market outlook and new initiatives launched. With result for 2020 of TDKK 90,154 the expectation stated in the 2019 Annual Report has been meet.

Outlook

With COVID-19 the level of uncertainty is high and accurately assessing the impact on our financial performance for 2021 is difficult. If the impact from COVID-19 is less material and the launched initiatives deliver as planned, performance is expected to remain unchanged compared to 2020.

Knowledge resources

The Company's future success depends in part on its ability to hire, assimilate and retain highly qualified personnel. Cembrit also depends on know-how in its business. The Company emphasizes on the protection of its know-how when working with third parties.

Research and development activities

Cembrit conducts ongoing product development. Cembrit wants to continue and strengthen these activities going forward. Part of the product development is performed in a branch in the Czech Republic.

Forward-looking statements

Statements in the Annual Report 2020 concerning the future reflect the company's current expectations about future events and financial results. Statements concerning the future are naturally subject to uncertainty, and actual results may differ from expected results. COVID-19 has increased the level of uncertainty. Differences may be caused by, but are not limited to, economic and financial market developments, developments in product demand, competitive conditions etc. The company disclaims any liability to update or adjust statements in the Annual Report 2020 about future or possible reasons for differences between actual and anticipated results except where required by legislation.

Management's Review

Special risks

Risk will always play an important part in our business, and we maintain focus on the identification, mitigation and management of risks in our day-to-day work. Cembrit's business is cyclical by nature, When the level of activity in the industry is high, the primary focus is on new building rather than renovation. However, the expectation is that the renovation business will partly compensate for any decline in the European construction industry in the event of a down-turn in the economy.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Gross profit/loss		117.664	24.086
Staff expenses	1	-59.285	-40.074
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-15.517	-28.506
Profit/loss before financial income and expenses		42.862	-44.494
Income from investments in subsidiaries		48.995	30.142
Financial income	2	36.344	70.137
Financial expenses	3	-26.508	-64.237
Profit/loss before tax		101.693	-8.452
Tax on profit/loss for the year	4	33.185	-22
Net profit/loss for the year		134.878	-8.474

Balance Sheet 31 December

Assets

	Note	2020 TDKK	2019 TDKK
Completed development projects		8.360	6.018
Acquired licenses		5	81
Acquired other similar rights		51.608	61.749
Development projects in progress		8.570	7.279
Intangible assets	5	68.543	75.127
Plant and machinery		2.161	2.701
Other fixtures and fittings, tools and equipment		5.346	4.875
Property, plant and equipment	6	7.507	7.576
Investments in subsidiaries	7	976.376	943.917
Fixed asset investments		976.376	943.917
Fixed assets		1.052.426	1.026.620
Receivables from group enterprises		785.539	568.917
Other receivables		6.463	3.730
Deferred tax asset	10	109.889	75.786
Receivables		901.891	648.433
Cash at bank and in hand		64	67
Currents assets		901.955	648.500
Assets		1.954.381	1.675.120

Balance Sheet 31 December

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital	8	83.000	83.000
Reserve for development costs		13.159	13.159
Reserve for hedging transactions		155	155
Retained earnings		<u>1.011.092</u>	<u>901.698</u>
Equity		<u>1.107.406</u>	<u>998.012</u>
Payables to group enterprises		0	29.588
Other payables		<u>3.413</u>	<u>0</u>
Long-term debt	11	<u>3.413</u>	<u>29.588</u>
Payables to group enterprises	11	815.304	642.568
Corporation tax		918	0
Other payables	11	<u>27.340</u>	<u>4.952</u>
Short-term debt		<u>843.562</u>	<u>647.520</u>
Debt		<u>846.975</u>	<u>677.108</u>
Liabilities and equity		<u>1.954.381</u>	<u>1.675.120</u>
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	83.000	13.159	155	901.698	998.012
Exchange adjustments	0	0	0	-25.484	-25.484
Net profit/loss for the year	0	0	0	134.878	134.878
Equity at 31 December	83.000	13.159	155	1.011.092	1.107.406

Notes to the Financial Statements

	2020 <u>TDKK</u>	2019 <u>TDKK</u>
1 Staff expenses		
Wages and salaries	55.150	36.637
Pensions	3.380	2.797
Other social security expenses	755	640
	<u>59.285</u>	<u>40.074</u>
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	7.759	10.121
Supervisory Board	30	942
	<u>7.789</u>	<u>11.063</u>
Average number of employees	<u>56</u>	<u>47</u>
2 Financial income		
Interest received from group enterprises	36.344	30.694
Exchange adjustments	0	39.443
	<u>36.344</u>	<u>70.137</u>
3 Financial expenses		
Interest paid to group enterprises	13.170	13.646
Other financial expenses	9.764	16.141
Exchange adjustments, expenses	3.574	34.450
	<u>26.508</u>	<u>64.237</u>
4 Tax on profit/loss for the year		
Current tax for the year	918	94
Deferred tax for the year	10.681	-225
Adjustment of tax concerning previous years	0	153
Adjustment of deferred tax concerning previous years	-44.784	0
	<u>-33.185</u>	<u>22</u>

Notes to the Financial Statements

5 Intangible assets

	Completed development projects	Acquired licenses	Acquired other similar rights	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	9.836	9.243	165.664	10.852
Additions for the year	4.234	0	237	2.314
Cost at 31 December	14.070	9.243	165.901	13.166
Impairment losses and amortisation at 1 January	3.818	9.162	103.915	3.573
Impairment losses for the year	153	0	0	1.023
Amortisation for the year	1.739	76	10.378	0
Impairment losses and amortisation at 31 December	5.710	9.238	114.293	4.596
Carrying amount at 31 December	8.360	5	51.608	8.570

Development projects consists of improving existing product portfolio with an expected timeframe of 1-5 years.

6 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	6.001	15.737
Additions for the year	0	2.080
Cost at 31 December	6.001	17.817
Revaluations at 1 January	0	0
Revaluations at 31 December	0	0
Impairment losses and depreciation at 1 January	3.300	10.862
Depreciation for the year	540	1.609
Impairment losses and depreciation at 31 December	3.840	12.471
Carrying amount at 31 December	2.161	5.346

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
7 Investments in subsidiaries		
Cost at 1 January	1.269.221	1.267.199
Exchange adjustment	-28	0
Additions for the year	25.000	2.022
Cost at 31 December	<u>1.294.193</u>	<u>1.269.221</u>
Value adjustments at 1 January	-325.304	-342.380
Exchange adjustment	-24.935	1.297
Net profit/loss for the year	48.996	30.142
Dividend to the Parent Company	-16.574	-14.363
Value adjustments at 31 December	<u>-317.817</u>	<u>-325.304</u>
Carrying amount at 31 December	<u>976.376</u>	<u>943.917</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Cembrit A/S	Denmark	100%
Cembrit a.s.	Czech Republic	100%
Cembrit Oy	Finland	100%
Cembrit Production Oy	Finland	100%
Cembrit Production S. A.	Poland	100%
Cembrit Ltd.	Great Britain	100%
Cembrit Sp. z o.o.	Poland	100%
Cembrit AB	Sweden	100%
Cembrit AS	Norway	100%
Cembrit Kft.	Hungary	100%
Cembrit NV/SA	Belgium	100%
Cembrit Ireland Limited	Ireland	100%
Cembrit GmbH	Germany	100%
Cembrit BV	Netherlands	100%

8 Equity

The share capital consists of 1 share of a nominal value of TDKK 83,000,000. No shares carry any special rights.

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
9 Distribution of profit		
Retained earnings	134.878	-8.474
	134.878	-8.474

10 Deferred tax asset

Deferred tax asset at 1 January	75.786	0
Amounts recognised in the income statement for the year	34.103	225
Amounts recognised in equity for the year	0	75.561
Deferred tax asset at 31 December	109.889	75.786

Based on current budgets we expect the tax value of losses to be available for utilization against future taxable income within the next 5 years.

11 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Payables to group enterprises

Between 1 and 5 years	0	29.588
Long-term part	0	29.588
Other short-term debt to group enterprises	815.304	642.568
	815.304	672.156

Other payables

Between 1 and 5 years	3.413	0
Long-term part	3.413	0
Other short-term payables	27.340	4.952
	30.753	4.952

Notes to the Financial Statements

12 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Cembrit Holding A/S uses forward exchange contracts to hedge currency risks regarding expected future cash flow that meet the criteria for cash flow hedging. The fair value reserve of the derivatives is recognised in the equity until the hedged items are included in the income statement. In addition, unrealised fair value of derivatives is recognised in other receivables and other liabilities.

At 31 December 2020, the fair value of the cash flow hedge instruments amounts to DKK - 13,7m (2019 DKK - 5,6m) recognized under other receivables or other payables.

Interest rate risks

At 31 December 2020 the market value of the Group's interest rate swap is DKK -0,4m (2019 DKK - 0,4m). The interest swap has been recognised in the income statement as financial expense due to inefficiency.

Fair values

The fair value of the financial instruments deviates from the value recognised in the Company's balancesheet at 31 December 2020.

13 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2020 TDKK	2019 TDKK
Within 1 year	3.631	3.544
Between 1 and 5 years	8.275	10.984
After 5 years	2.836	4.787
	<u>14.742</u>	<u>19.315</u>

Other contingent liabilities

Willingness has been expressed to support a few subsidiaries. Cembrit Holding A/S has as the principal a contingent liability consisting of a residual risk in relation to the individual subsidiaries.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Cembrit Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

14 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

Selskabet indgår i koncernrapporten for moderselskabet

<u>Name</u>	<u>Place of registered office</u>
Cembrit Group A/S	Gasværksvej 24, 1. 9000 Aalborg Denmark

The Group Annual Report of Cembrit Group A/S may be obtained at the following address:
www.cembrit.com

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Cembrit Holding A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Cembrit Group A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation and impairment losses.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

15 Accounting Policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Other external expenses

Other external expenses comprise expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of other income and other external expenses.

Notes to the Financial Statements

15 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses like compensated absence and pensions, including other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised exchange adjustments as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

15 Accounting Policies (continued)

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover production costs, selling costs and administrative expenses and development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is up to 10 years.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Licences are amortised over the period of the agreement, but not exceeding 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

15 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	10-16	years
Other fixtures and fittings, tools and equipment	3-15	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments in subsidiaries and associates are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the cost value adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

15 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Equity

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in 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 will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$