
Kronos Denmark ApS

c/o Gorrissen Federspiel, Axeltorv 2, DK-1609
København V

Annual Report for 1 January - 31 December 2019

CVR No 24 24 27 81

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/5 2020

Mikael Philip Schmidt
Chairman of the General
Meeting

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Kronos Denmark ApS for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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.

Copenhagen, 26 May 2020

Executive Board

Ulrich Fritz Kabelac

Hans-Jürgen Theus

Independent Auditor's Report

To the Shareholder of Kronos Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Kronos Denmark ApS for the financial year 1 January - 31 December 2019, 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 Financial 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.

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.

Independent Auditor's Report

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.
- 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.

Independent Auditor's Report

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, 26 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jesper Bo Winther
State Authorised Public Accountant
mne26864

Thomas Lauritsen
State Authorised Public Accountant
mne34342

Company Information

The Company

Kronos Denmark ApS
c/o Gorrisen Federspiel
Axeltorv 2
DK-1609 København V

CVR No: 24 24 27 81

Financial period: 1 January - 31 December

Financial year: 21st financial year

Municipality of reg. office: Copenhagen

Executive Board

Ulrich Fritz Kabelac
Hans-Jürgen Theus

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Group Chart

Ultimate owner

Kronos Worldwide, Inc.
Delaware, USA

Owner

Kronos International, Inc.
Germany

Parent Company

Kronos Denmark ApS
Copenhagen, Denmark

Subsidiaries

100%

Kronos Norge AS,
Norway

Kronos Titan AS,
Norway

Titania AS,
Norway

100%

Kronos Europe S.A./N.V.
Belgium

Financial Highlights

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

	2019 DKK '000	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000
Key figures					
Profit/loss					
Operating profit/loss	-491	-533	-559	-529	-660
Profit/loss before financial income and expenses	-491	-533	-559	-529	-660
Net financials	211.159	455.829	620.041	26.828	-105.616
Net profit/loss for the year	210.668	455.296	619.482	26.299	-106.276
Balance sheet					
Balance sheet total	2.236.134	2.019.890	1.593.356	1.201.674	1.127.016
Equity	2.235.891	2.019.631	1.593.106	1.201.290	1.126.731
Ratios					
Gross margin	0,0%	0,0%	0,0%	0,0%	0,0%
Profit margin	0,0%	0,0%	0,0%	0,0%	0,0%
Return on assets	0,0%	0,0%	0,0%	0,0%	-0,1%
Solvency ratio	100,0%	100,0%	100,0%	100,0%	100,0%
Return on equity	9,9%	25,2%	44,3%	2,3%	-8,9%

The ratios have been prepared in accordance with the definitions described under accounting policies.

Management's Review

Financial Statements of Kronos Denmark ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

Kronos Denmark ApS main activity is to act as a holding company.

Kronos Denmark ApS is wholly owned by Kronos International Inc., which is the second largest producer of TiO₂ in Europe.

Development in the year

The income statement of the Company for 2019 shows a profit of TDKK 210,668, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 2,235,891.

The operating income in 2019 of Kronos Denmark's subsidiaries decreased compared to 2018. After a strong first half 2019 we saw a weakening business on second half of the year. Operating income is below expectation, which Management consider unsatisfactory.

In 2019 Kronos Europe S.A./N.V showed an operating income of \$ 9.2 million compared to an operating income of \$ 49.5 million in 2018. The main effect were lower average selling prices and higher raw material cost.

Titania AS's result decreased from \$ 34.5 to \$ 28.7 million. Main reason are a lower production volume and unfavorable foreign exchange effects.

Kronos Titan AS ended up with an operating income of \$ 1.3 million compared to an operating income of \$ 16.2 million for the year 2018.

Operating income from Kronos Norge AS changed from \$1.2 million in 2018 to \$ 1.8 in 2019.

The TiO₂ selling price, as one of the most important drivers of our business, were on average 3% lower at the beginning of 2019 compared to beginning of 2018 but relatively stable throughout 2019. Our average selling price at the end of fourth quarter of 2019 were 1 % lower than at the end of 2018.

The past year and follow-up on development expectations from last year

During 2019 Kronos average production capacity utilization rate was approximately 98 %. Kronos produced 546,000 metric tons worldwide. Our income from operations was lower in 2019 compared to the same period in 2018. Average sales prices were 6 % lower in average compared to 2018 whereas sales volume increased by about 15%. Cost of sales overall increased due to higher raw materials and other production costs. Therefore our cost of sales as a percentage of net sales increased to 78% compared to 66% in 2018.

Management's Review

Capital resources

The secured revolving credit facility amounting to € 90 million matures in September 2022. Outstanding borrowings bear interest at EURIBOR plus 1.6% per annum. The facility is collateralized by the accounts receivable and inventories of the borrowers, plus a limited pledge of all of the other assets of the Belgian borrower. The facility contains certain restrictive covenants that, among other things, restrict the ability of the borrowers to incur debt, incur liens, pay dividends or merge or consolidate with, or sell or transfer all or substantially all of the assets to, another entity, and requires the maintenance of certain financial ratios. At December 31, 2019 we are in compliance with all our debt covenants.

There was no drawing down under the credit facility during 2019.

Environment

Kronos Denmark ApS has no activity in Denmark, why we have no impact on the environment.

We refer to the groups report in the consolidated financial statements of Kronos Worldwide Inc. (10-K Report).

Intellectual capital/Knowledge resources

Kronos Denmark ApS has no employees in Denmark.

We refer to the groups report in the consolidated financial statements of Kronos Worldwide Inc. (10-K Report).

Special risks - operating risks and financial risks

Kronos Denmark ApS has no special risks. The operating result is affected by the performance of subsidiaries, the norwegian currency and the demand for the products of the group.

Management's Review

Targets and expectations for the year ahead

We expect our production volumes in 2020 to be slightly higher as compared to the 2019 production volumes. Based on anticipated production levels, and assuming current global economic conditions continue, including limited impact on our business from the coronavirus discussed below, we expect our 2020 sales volumes to be slightly lower as compared to 2019 sales volumes. We will continue to monitor current and anticipated nearterm customer demand levels throughout the year and align our production and inventories accordingly.

Overall we expect our sales in 2020 will be lower than in 2019, principally as a result of the unfavourable impact of lower expected sales volumes. In addition, we expect our income from operations in 2020 will be lower as compared 2019 due to the unfavourable impact of lower expected sales volumes and higher raw material costs (principally feedstock).

Our expectations for our future operating results are based upon a number of factors beyond our control, including worldwide growth of gross domestic product, competition in the marketplace, continued operation of competitors, technological advances, worldwide production capacity and the consequences arising directly or indirectly out of the recent coronavirus outbreak. The extent of the impact of the coronavirus outbreak on our operational and financial performance will depend on future developments, including the severity, duration and spread of the outbreak and its impact on, among other things, overall demand for our products and our customers' products, supply chains, our operations and the operations of our competitors, all of which are uncertain and cannot be predicted. If actual developments differ from our expectations, our results of operations could be unfavourably affected.

Our overall expectations for Kronos Denmark Group is an operating income of \$ 52.5 million for the year 2020. This result is due to the expectations of an operating income in Kronos Europe S.A./N.V. (\$ 7.6 million), Titania AS (\$ 33.2 million), Kronos Titan AS (\$ 9.7 million) and Kronos Norge AS (\$ 2.0 million).

Titania AS achieved an operation income of \$ 14.3 million in Q1 2019, whereas Kronos Titan AS ends in the first quarter with an operating income of \$ 1.6 million and Kronos Europe S.A./N.V showed an operating loss of \$ 3.6 million for the same period.

Research and development

Kronos Denmark ApS has no research and development activity.

We refer to the groups report in the consolidated financial statements of Kronos Worldwide Inc. (10-K Report).

Management's Review

Statement of corporate social responsibility

Kronos Denmark ApS is a holding company without any activities in Denmark who's business model is to own subsidiaries. Besides Kronos Danmark ApS, there are no other companies in the Group subject to the disclosure requirements in §99a of the Danish Financial Statements Act.

There are no activities or employees in the company other than the above mentioned, thus it is our opinion that in connection with the company's activities there are no risks of negative impact on employee conditions and human rights.

Kronos Denmark ApS has no production and therefore, it is also assessed that there is no risk of negative impact on the environment and climate. In addition, the Group operates only in Northern Europe, where there are strict rules regarding ethical business conduct, including bribery and corruption. It is therefore the management's assessment that there are no significant risks to the company's environment in relation to social responsibility.

Based on the company's activities and the fact that no significant risks are related to corporate social responsibility, the company has assessed and decided not to develop social responsibility policies.

We refer to the groups report in the consolidated financial statements of Kronos Worldwide Inc. (10-K Report).

Statement on gender composition

The Executive Board in Kronos Denmark ApS consist of two members. According to the derogation in the Danish Business Authorities' guidelines it is Management's assesment that there is an equal composition of gender in Management.

Kronos Denmark ApS has no employees, and since this is less than 50 employees, Management has decided not to prepare policies to increase the underrepresented gender, according to the derogation in the Danish Business Authorities' guidelines.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Management's Review

Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

The company is not directly affected by the events of COVID-19 but indirectly through its subsidiaries. Management is monitoring developments closely, but it is too early to assess to what extent COVID-19 will impact revenue and earnings in 2020. See also note 2.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> DKK '000	<u>2018</u> DKK '000
Other external expenses		-491	-533
Gross profit/loss		-491	-533
Income from investments in subsidiaries	3	211.153	455.823
Financial income	4	6	6
Profit/loss before tax		210.668	455.296
Tax on profit/loss for the year		0	0
Net profit/loss for the year		210.668	455.296

Balance Sheet 31 December

Assets

	Note	2019 DKK '000	2018 DKK '000
Investments in subsidiaries	5	2.216.106	1.999.361
Fixed asset investments		2.216.106	1.999.361
Fixed assets		2.216.106	1.999.361
Receivables from group enterprises		19.469	19.966
Deferred tax asset	7	0	0
Receivables		19.469	19.966
Cash at bank and in hand		559	563
Currents assets		20.028	20.529
Assets		2.236.134	2.019.890

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK '000	2018 DKK '000
Share capital		1.001	1.001
Retained earnings		2.234.890	2.018.630
Equity		2.235.891	2.019.631
Trade payables		243	259
Short-term debt		243	259
Debt		243	259
Liabilities and equity		2.236.134	2.019.890
Capital resources	1		
Subsequent events	2		
Distribution of profit	6		
Contingent assets, liabilities and other financial obligations	8		
Related parties	9		
Fee to auditors appointed at the general meeting	10		
Accounting Policies	11		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK '000	DKK '000	DKK '000
Equity at 1 January	1.001	2.018.630	2.019.631
Exchange adjustments relating to foreign entities	0	14.572	14.572
Other equity movements	0	-8.980	-8.980
Net profit/loss for the year	0	210.668	210.668
Equity at 31 December	1.001	2.234.890	2.235.891

Notes to the Financial Statements

1 Capital resources

Kronos Denmark ApS, subsidiaries of Kronos Denmark and affiliated companies are part of a borrowers group having a EUR 90 million secured revolving credit facility. The Facility agreement matures in September 2022 and contains certain restrictive covenants that, among other things, restrict the borrowers to incur debt, incur liens, pay dividends or merge or consolidate with, or sell or transfer all or substantially all of the assets to, another entity, and requires the maintenance of certain financial ratios.

At December 31, 2019, there were no outstanding borrowings under the credit facility, and we do not plan to draw any amount of the revolving credit facility during 2020. We expect to comply with the covenants in the credit facility. On this basis, we consider the capital resources for 2020 as satisfactory.

2 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

The company is not directly affected by the events of COVID-19 but indirectly through its subsidiaries. Management is monitoring developments closely, but it is too early to assess to what extent COVID-19 will impact revenue and earnings in 2020.

3 Income from investments in subsidiaries

	2019 DKK '000	2018 DKK '000
Share of profits/losses of subsidiaries before tax	282.292	640.878
Tax of subsidiaries	-70.452	-184.431
Change in intercompany profit on inventories purchased within the Group	-687	-624
	211.153	455.823

4 Financial income

Interest received from group enterprises	6	6
	6	6

Notes to the Financial Statements

	2019 <u>DKK '000</u>	2018 <u>DKK '000</u>
5 Investments in subsidiaries		
Cost at 1 January	3.364.569	3.364.569
Cost at 31 December	<u>3.364.569</u>	<u>3.364.569</u>
Value adjustments at 1 January	-1.365.208	-1.792.260
Exchange adjustment	14.572	-15.218
Net profit/(loss) for the year	211.840	456.447
Change in pension obligations in subsidiaries	-8.980	-13.553
Change in intercompany profit on inventories	<u>-687</u>	<u>-624</u>
Value adjustments at 31 December	<u>-1.148.463</u>	<u>-1.365.208</u>
Carrying amount at 31 December	<u>2.216.106</u>	<u>1.999.361</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Kronos Europe SA/NV	Belgium	100%
Kronos Norge AS	Norway	100%
Kronos Titan AS	Norway	100%
Titania AS	Norway	100%

	2019 <u>DKK '000</u>	2018 <u>DKK '000</u>
6 Distribution of profit		
Retained earnings	210.668	455.296
	<u>210.668</u>	<u>455.296</u>

Notes to the Financial Statements

	2019 DKK '000	2018 DKK '000
7 Deferred tax asset		
Deferred tax asset at 1 January	0	0
Deferred tax asset at 31 December	0	0
	0	0

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

Calculated tax asset	1.388	1.281
Write-down to assessed value	-1.388	-1.281
Carrying amount	0	0

8 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company's operating subsidiaries in Belgium and Norway and an affiliated company in Germany are party together with the Danish company to a EUR 90 million secured revolving credit facility ("Credit Facility"). The Credit Facility was renewed during September 2017. The Credit Facility is available in multiple currencies, including U.S. dollars, euros and Norwegian kroner. The Credit Facility is collateralized by accounts receivable and inventory of the Borrowers, plus a limited pledge of certain other assets of the Company, including the shares in Kronos Norge AS. The Credit Facility contains, among others, various restrictive covenants, including restrictions on financial conditions, incurring liens, asset sales, additional financial indebtedness, mergers, investments and acquisitions, transactions with affiliates and dividends. As of 31 December 2019 there were no outstandings under the European Credit Facility.

Notes to the Financial Statements

9 Related parties

	Basis
Controlling interest	
Kronos International, Inc. Peschstrasse 5 D-51373 Leverkusen Tyskland/Germany	Ultimate owner

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.

With reference to section 98 C(7) of the Danish Financial Statements Act, related parties transactions have not been disclosed in the Annual Report.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Kronos Worldwide, Inc.	

The Group Annual Report of Kronos Worldwide, Inc. may be obtained at the following address:

Kronos Worldwide, Inc.
5430 LBJ Freeway
Suite 1700
Dallas, TX, 75240
USA

Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
	DKK '000	DKK '000
10 Fee to auditors appointed at the general meeting		
PricewaterhouseCoopers		
Audit fee	231.000	232.500
Non-audit services	<u>39.000</u>	<u>37.500</u>
	<u>270.000</u>	<u>270.000</u>

Notes to the Financial Statements

11 Accounting Policies

The Annual Report of Kronos Denmark ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements, and refer to the consolidated financial statements of Kronos Worldwide, Inc.

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 Kronos Worldwide, Inc., 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, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income Statement

Other external expenses comprise expenses to management, administrative staff, office expenses, etc.

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 and realised and unrealised exchange adjustments.

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.

Balance Sheet

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 fair values of identifiable net assets at the time of acquisition 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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Financial debts

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$