

Spæncom A/S

Akacievej 1, Fløng
2640 Hedehusene
Denmark

CVR no. 26 27 10 10

Annual report 2019

The annual report was presented and approved at the
Company's annual general meeting on

27 August 2020

chairman

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Spæncom A/S
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Spæncom A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Hedehusene, 27 August 2020
Executive Board:

Sven Magnus Ström
CEO

Board of Directors:

Nicolas Yatzimirsky
Chairman

Anne France Marie Laclide-
Drouin

Emmanuelle Claire Cochard

Michael Meldgaard Axelsen

Jan Frydenlund

Independent auditor's report

To the shareholder of Spæncom A/S

Opinion

We have audited the financial statements of Spæncom A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position 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.

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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 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

Independent auditor's report

- 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.

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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Copenhagen, 27 August 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
mne32271

Spæncom A/S
Annual report 2019
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Management's review

Company details

Spæncom A/S
Akacievej 1
Fløng
2640 Hedehusene
Denmark

Telephone: +45 88 88 82 00
Website: www.spaencom.dk

CVR no.: 26 27 10 10
Financial year: 1 January – 31 December

Board of Directors

Nicolas Yatzimirsky, Chairman
Anne France Marie Laclide-Drouin
Emmanuelle Claire Cochard
Michael Meldgaard Axelsen
Jan Frydenlund

Executive Board

Sven Magnus Ström, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen
Denmark

Management's review

Financial highlights

DKKm	2019	2018	2017	2016	2015
Key figures					
Gross profit/loss	112	162	168	136	120
Operating profit/loss	-22	21	42	19	0
Profit/loss from financial income and expenses	-6	-7	-10	-4	-3
Profit/loss for the year	-22	10	26	12	-1
Balance sheet					
Total assets	512	521	474	349	326
Equity	126	167	157	126	118
Investment in property, plant and equipment	13	6	23	10	8
Ratios					
Gross margin	15,49%	22,50%	22,49%	20,00%	20,73%
Operating margin	-3,04%	2,92%	5,62%	2,20%	-0,20%
Return on equity	-15,02%	3,09%	15,40%	6,60%	-1,70%
Solvency ratio	24,61%	32,05%	33,12%	36,10%	36,20%

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Gross margin
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

The core competences of Spæncom A/S are to develop, produce and erect concrete elements. It is the vision of Spæncom A/S to be the preferred partner in all construction projects using concrete elements and to be the largest supplier of highly refined industrialized construction systems.

This vision is pursued by focusing on innovation, high quality and consistency of supply, combined with the ability to compete through value adding solutions, high productivity and focus on costs.

Development in activities and financial position

The income statement of the Company for 2019 shows a loss of DKK 21,837 thousand and at 31 December 2019, the balance sheet of the company shows equity of DKK 125,882 thousand.

The production volume for the year is higher than last year despite an uneven load throughout the year.

The Company's production of concrete elements takes place from production facilities in Aalborg, Kolding and Vemmelev and constitutes the majority of the Company's activities. The headquarter is situated in Hedehusene.

The Company's revenue for the year amounted to DKK 722.5 million, which is an increase compared to last year when revenue amounted to DKK 720.5 million. The Company's revenue for the year is in line with the expected revenue according to the expectations stated in the annual report for 2018.

During the financial year, overhead costs have increased which we now have addressed.

Operating loss amounted to DKK 22.0 million. It is impacted by an uneven load throughout the year and negative slippage in a few projects. The operating loss was below the expectations stated in the annual report for 2018.

Net financials amounting to a negative DKK 6.0 million include value adjustments of the market value of shares and bonds.

The net result is not considered satisfactory and a turnaround process is ongoing.

The Group

The Group comprises the parent company, Spæncom A/S, as well as the subsidiary, Spæncom Betonfertigteile GmbH & Co KG (hereinafter named SBF).

During the financial year, the land, buildings and production plant of SBF have been idle.

Particular risks

Considering the Company's activities within production of concrete elements, the Company is inherently and to a great extent dependent on the general development in the construction industry, which is generally considered to be sensitive to market fluctuations.

Operational risks

To some extent, the Company's costs depend on the development in raw material prices – especially the prices of steel, cement and energy – and to the largest possible extent, the Company attempts to hedge this risk by entering into long-term agreements with its suppliers. Similarly, the Company's production is relatively wage intensive, and consequently, the Company's costs are also influenced by the development in wages and salaries.

Management's review

Operating review

The Company's production and products are mainly based on well-known and thoroughly tested techniques, and the majority of the tasks are performed under well-known risks; the Company attempts to minimize the risks through certified quality assurance programs.

Currency risks

The Company's exposure to exchange rate fluctuations is limited as only a limited part of the transactions are denominated in currencies other than DKK. The main part of the transactions in foreign currencies is denominated in EUR, which is not hedged due to Denmark's fixed exchange rate policy vis-à-vis the Euro. Transactions in other currencies are hedged if Management finds it appropriate.

Interest rate risks

In relation to its mortgage debt, the Company is subject to an interest rate risk. The interest rate exposure is related to fluctuations in the CIBOR rate.

At year end, there were no outstanding interest rate derivatives.

Credit risks

The Company's customers comprise a wide range of the operators in the Danish construction industry in particular, but with a considerable part of the revenue distributed among the large operators in the industry.

As the Company predominantly contracts and invoices in accordance with AB92/AB18, projects and debts are normally secured by means of guarantees from reputable guarantors and by means of transports. The maximum credit risk that may occur for trade receivables and other receivables corresponds to the value at which they are recognized in the balance sheet. No single receivable constitutes a significant part. For the most part, debtor balances are insured.

The Company contracts only with reputable financial institutions controlled by respected financial supervisory authorities.

Liquidity risks

The positive development in the liquidity proves that liquidity management should continuously be a focus area for the Company. However, based on budgeted results, Spæncom expects that the current financial resources are adequate and that the short-term liquidity reserves are sufficient. These reserves include the parent company's contribution of working capital if necessary.

Targets and expectations for the year ahead

We expect a flat development of revenue and a positive EBIT is forecasted. COVID-19 is not currently foreseen to have any significant impact on the 2020 performance.

Development and research

It is a continuous effort to develop processes, methods and products which are of use to the Company and its stakeholders. This is done both within the Company and in cooperation with clients and advisors as well as in cooperation with the Consolis Group, which uses significant resources on the development of products and production methods.

Spæncom does not undertake actual research but participates in various development projects together with universities, technological institutes and other operators within the industry.

Management's review

Operating review

Human Capital

To ensure the continuing growth of Spæncom A/S, it is essential that the Company continuously attracts and maintains highly educated professionals such as engineers, designers and production staff. To ensure a high and a competitive product quality, the Company makes use of state-of-the-art processes in the tender and design phase. Today, Spæncom A/S possesses the highest expertise within design and project development in the concrete element industry.

Corporate social responsibility cf. 99ab

Spæncom has – as a part of the Consolis Group – a Sustainability Policy that rest on the pillars:

- Health & Safety
- Environmental impact
- Social responsibility

that covers all relevant aspects of Corporate Social Responsibilities. The different aspects are described below.

All policies are developed to secure full compliance with all applicable laws and regulations.

Environment/Climate

At Spæncom A/S, we are fully committed to carry out our business activities in an environmentally responsible and sustainable manner and to minimize the environmental implications of our activities. As a company, we have adopted an Environmental Policy with the following principles:

- Operating practices, which seek to minimize impact, prevent pollution and minimize the likelihood of environmental harm through work and management practices, continuous improvement, training and the use of new technology.
- Compliance with all applicable environmental laws and regulations in both existing operations and new developments.
- Ensure suppliers adhere to legislation regarding delivery of raw materials on-site.
- Environmental assessment of existing operations and new projects.
- Plan, review and assess our environmental performance against measurable targets and best practices to drive continuous improvement.
- Report, monitor and analyze our environmental performance.
- Maximize our energy and resource efficiency, lower our carbon intensity and reduce emissions by managing our usage of energy, water consumption and waste generation: 1) Waste management to minimize wastes, develop recycling opportunities, and ensure proper handling and disposal methods. 2) Product development, which seeks to combine commercial viability and efficient use of resources.

The policy regarding environment is integrated in Spæncom A/S' certified quality management system.

Spæncom is operating in accordance with the environmental permits given by the municipalities, where the factories are located.

Management's review

Operating review

The key environmental risks identified by the authorities are:

- Energy consumption
- Water consumption
- Emission to water
- Emission to air
- Noise
- Disposals

These key areas are measured on a regular basis as a part of Spæncom's environmental program and in compliance with authorities' requirements.

Spæncom does not have any open issues with the authorities in this respect.

Spæncom's work to ensure environmentally sustainable practices are guided by several internal working groups focusing on issues such as concrete mix optimization, production consumption of materials and energy and design optimization. The Group is satisfied with the results of efforts to minimize the environmental implications of our activities during the reporting year, and we plan to continue these efforts going forward.

Human rights

Spæncom/Consolis' Code of Conduct is an integrated document of all white-collar employees' contracts. The Code of Conduct covers among others equal rights for employees.

Spæncom is not aware of any specific, material risks that violate human rights. Consequently, no systems, procedures or due diligence processes are in place. However, Spæncom launched a whistleblower program to facilitate that concerns about human rights violation can be raised.

Social and staff matters

The type of work at the factories and on the assembly sites naturally contains latent risk of injuries, which is the reason that Spæncom is committed to providing a safe and healthy work environment for its employees and to conducting its business in a safe manner.

Our Health and Safety Policy is one of the components of our business compliance, and it is directly linked to quality and operational excellence.

Our H&S management systems reflect our values and require visible and active engagement.

- We protect the health and safety of our employees, sub-contractors and visitors; everyone is expected to behave with a safety mindset.
- No priority or productivity can ever justify putting oneself or anyone else at risk
- We are committed to compliance with all health, safety and environmental requirements wherever we operate.
- We measure and review our health and safety records, implement corrective actions, monitor our progress and target « zero accidents and zero occupational health problems ».
- Our H&S management systems are based on continuous improvement and are fully integrated into our operational excellence initiatives.

Management's review

Operating review

— It is everyone's responsibility to ensure that safety rules are applied. Our leadership team and employees receive regular training on health and safety.

The principles associated with Health and Safety are what define us as a company to our customers, our employees and the communities where we conduct business. The high level of importance that we have assigned to these areas is reflected in our everyday actions.

The concrete implementation of the Health and Safety Policy contains a clear requirement of evaluating risks connected to new task and frequent safety inspections on all sites to secure that risks are identified and managed. Further, Spæncom has firm and clear instructions on the use of personal protecting equipment, root cause analysis behind each accident, annual safety weeks, etc.

During 2018 and 2019, the accident rates have increased year-on-year. This is not satisfactory and Management has increased the focus on safety with the ambition to decrease the accidents.

Year	FR 1	FR 2
2015	6,0	45
2016	3,0	19
2017	1,1	16
2018	5,7	20
2019	6,5	22

FR 1: Accidents with lost time per million working hours
FR 2: Accidents (with and without lost time) per million working hours

Finally, the policy regarding working environment is integrated in Spæncom A/S certified quality management system.

Statement on gender composition

Currently, the Company's supreme management body, the Board of Directors, consists of five members. Two of the members are female. It is the Company's target, to have at least one female member on the Board, which is fulfilled. The goal has been set based on the Group's industry, in which the workforce consists primarily of men. The formal management consists of one person that is a female.

The Company strives to maintain and fulfil the goals set for gender quotation at all management levels but will always employ the best qualified candidate. Both male and female employees are encouraged to apply for internally advertised positions and to develop their competences and careers. At the moment, 5 out of 20 on all management levels are women. This is compared to the general gender composition of the company, where about 10% are women.

Anti-Corruption

Spæncom complies with Consolis Group's Anti Money Laundering Policy. Further, white-collar employees have Spæncom/Consolis Code of Conduct as an integrated document of their employment contract. The Code of Conduct covers among others anti-corruption and fair trade.

In general, corruption is – according to Transparency International – very low in Denmark, where Spæncom conducts its business. Therefore, the general risk level is rather low. Spæncom has a strong belief that the Code of Conduct and Anti Money Laundering Policy are appropriate measures to avoid corrupt behavior among the company's employees.

Management's review

Operating review

Events after the balance sheet date

No events have occurred after the balance sheet date that materially affects the Company's financial position.

Dividends and the annual general meeting

The Board of Directors will recommend to the annual general meeting that no dividend should be distributed.

The annual general meeting will be held on 27 August 2020 at the Company's premises in Hedehusene (Akacievej 1).

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018
Revenue	2	722.540	720.476
Production costs	3	<u>-610.345</u>	<u>-558.055</u>
Gross profit		112.195	162.421
Distribution costs	3	-61.647	-62.807
Administrative expenses	3	-73.011	-77.417
Other operating income		499	92
Other operating costs		<u>0</u>	<u>-1.241</u>
Operating profit/loss		-21.964	21.048
Financial income	4	248	515
Financial expenses	5	<u>-6.224</u>	<u>-7.340</u>
Profit/loss before tax		-27.940	14.223
Tax on profit/loss for the year	6	<u>6.103</u>	<u>-4.463</u>
Profit/loss for the year	7	<u><u>-21.837</u></u>	<u><u>9.760</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	8		
Acquired Licenses		<u>2.857</u>	<u>4.091</u>
Property, plant and equipment	9		
Land and buildings		86.700	89.053
Plant and machinery		44.925	43.148
Fixtures and fittings, tools and equipment		1.611	1.376
Property, plant and equipment in progress		<u>1.377</u>	<u>861</u>
		<u>134.613</u>	<u>134.438</u>
Investments	10		
Equity investments in group entities		5.000	5.000
Deposits		<u>904</u>	<u>851</u>
		<u>5.904</u>	<u>5.851</u>
Total fixed assets		<u>143.374</u>	<u>144.380</u>
Current assets			
Inventories			
Raw materials and consumables		18.688	22.545
Finished goods and goods for resale		<u>2.335</u>	<u>3.183</u>
		<u>21.023</u>	<u>25.728</u>
Receivables			
Trade receivables		151.057	168.872
Receivables from group entities		24.232	27.899
Intercompany cashpool		159.348	130.984
Construction contracts	11	10.381	19.292
Other receivables		258	313
Corporation tax		44	45
Prepayments	12	<u>1.189</u>	<u>2.668</u>
		<u>346.509</u>	<u>350.073</u>
Securities		<u>648</u>	<u>616</u>
Cash at bank and in hand		<u>164</u>	<u>156</u>
Total current assets		<u>368.344</u>	<u>376.573</u>
TOTAL ASSETS		<u>511.718</u>	<u>520.953</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	41.126	42.105
Treasury shares		0	-4.384
Retained earnings		84.756	109.998
Proposed dividends for the financial year		0	19.000
Total equity		125.882	166.719
Provisions			
Provisions for deferred tax	14	15.579	21.683
Other provisions	15	11.715	1.215
Total provisions		27.294	22.898
Liabilities other than provisions			
Non-current liabilities other than provisions			
Mortgage loans	16	37.728	42.412
Current liabilities other than provisions			
Current portion of non-current liabilities		4.774	4.761
Banks, current liabilities		111.371	114.873
Pre-invoicing, construction contracts	11	65.592	66.531
Trade payables		59.590	42.057
Payables to group entities		26.143	10.154
Other payables		53.344	50.548
		320.814	288.924
Total liabilities other than provisions		358.542	331.336
TOTAL EQUITY AND LIABILITIES		511.718	520.953
Mortgages and collateral	17		
Contractual obligations, contingencies, etc.	18		
Related party disclosures	19		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Treasury Shares	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	42.105	-4.384	119.238	0	156.959
Transferred over the profit appropriation	<u>0</u>	<u>0</u>	<u>-9.240</u>	<u>19.000</u>	<u>9.760</u>
Equity at 1 January 2019	42.105	-4.384	109.998	19.000	166.719
Dividends paid	0	0	0	-19.000	-19.000
Capital reduction by cancellation of treasury shares	-979	4.384	-3.405	0	0
Transferred over the profit appropriation	<u>0</u>	<u>0</u>	<u>-21.837</u>	<u>0</u>	<u>-21.837</u>
Equity at 31 December 2019	<u><u>41.126</u></u>	<u><u>0</u></u>	<u><u>84.756</u></u>	<u><u>0</u></u>	<u><u>125.882</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Spæncom A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Consolis Denmark A/S.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statement Act and to the consolidated financial statements of Consolis Denmark A/S, the Company has not prepared consolidated financial statements.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries, incurred to generate revenue for the year. Commercial entities recognise their cost of sales, whereas production entities recognise production costs incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

In addition, provisions for bad debts on contract work are recognised.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

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1 Accounting policies (continued)

Intangible assets

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 2-10 years.

Property, plant and equipment

Buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25-50 years
Plant and machinery	3-25 years
Fixtures and fittings, tools and equipment	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Investments

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, writedown is made to this lower value.

The item in the balance sheet includes 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.

Deposits are measured at cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual construction contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual construction contract.

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual construction contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

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1 Accounting policies (continued)

Securities and equity investments

Other securities and equity investments included in investment comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

Other securities and equity investments recognised as current assets comprise listed securities measured at fair value at the balance sheet date, corresponding to market value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

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	<u>2019</u>	<u>2018</u>
DKK'000		
2 Segment information		
Geographical segments		
Revenue, Denmark	<u>722.540</u>	<u>720.476</u>
	<u>722.540</u>	<u>720.476</u>
Business segments		
Own production	528.583	556.206
Erection, freight and external deliveries	<u>193.957</u>	<u>164.270</u>
	<u>722.540</u>	<u>720.476</u>
3 Staff costs		
DKK'000	<u>2019</u>	<u>2018</u>
Wages and salaries	258.310	245.578
Pensions	20.264	20.083
Other social security costs	<u>1.802</u>	<u>1.598</u>
	<u>280.376</u>	<u>267.259</u>
Staff costs are recognised in the financial statements as follows:		
Production costs	240.750	234.268
Distribution costs	9.887	9.093
Administrative costs	<u>29.739</u>	<u>23.898</u>
	<u>280.376</u>	<u>267.259</u>
Average number of full-time employees	<u>529</u>	<u>505</u>
Staff costs include remuneration of the Company's Executive Board of DKK 4,155 thousand (2018: DKK 3,427 thousand).		
Staff costs include remuneration of the Company's Board of Directors of DKK 30 thousand (2018: DKK 30 thousand).		
DKK'000	<u>2019</u>	<u>2018</u>
4 Financial income		
Interest income from group entities	147	402
Other financial income	<u>101</u>	<u>113</u>
	<u>248</u>	<u>515</u>

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DKK'000	<u>2019</u>	<u>2018</u>
5 Financial expenses		
Interest expense	1.469	1.621
Guarantees and commissions	4.661	4.834
Other financial expenses	94	885
	<u>6.224</u>	<u>7.340</u>
6 Tax on profit/loss for the year		
Current tax for the year	0	994
Deferred tax for the year	-6.103	3.469
	<u>-6.103</u>	<u>4.463</u>
7 Proposed profit appropriation/distribution of loss		
Proposed dividends for the year	0	19.000
Retained earnings	-21.837	-9.240
	<u>-21.837</u>	<u>9.760</u>
8 Intangible assets		
DKK'000		Acquired licenses
Cost at 1 January 2019		<u>9.071</u>
Cost at 31 December 2019		<u>9.071</u>
Amortisation and impairment losses at 1 January 2019		-4.980
Amortization for the year		<u>-1.234</u>
Amortisation and impairment losses at 31 December 2019		<u>-6.214</u>
Carrying amount at 31 December 2019		<u>2.857</u>

Financial statements 1 January – 31 December

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9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2019	251.560	196.803	17.114	861	466.338
Additions for the year	2.585	8.947	834	516	12.882
Disposals for the year	-286	-33	0	0	-319
Cost at 31 December 2019	253.859	205.717	17.948	1.377	478.901
Depreciation and impairment losses at 1 January 2019	-162.507	-153.655	-15.738	0	-331.900
Depreciation for the year	-4.652	-7.170	-599	0	-12.421
Disposals for the year	0	33	0	0	33
Depreciation and impairment losses at 31 December 2019	-167.159	-160.792	-16.337	0	-344.288
Carrying amount at 31 December 2019	86.700	44.925	1.611	1.377	134.613

10 Investments

DKK'000	Equity investments in group entities
Cost at 1 January 2019	92.316
Cost at 31 December 2019	92.316
Revaluations at 1 January 2019	-87.316
Revaluations 31 December 2019	-87.316
Carrying amount at 31 December 2019	5.000

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			DKK'000	DKK'000
Spæncom Betonfertigteile GmbH & Co.KG.	Alteno, Germany	100	4.811	-1.433
			4.811	-1.433

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DKK'000	<u>2019</u>	<u>2018</u>
11 Construction contracts		
Construction contracts selling price	922.966	856.440
Construction contracts received on account	<u>-978.177</u>	<u>-903.679</u>
	<u>-55.211</u>	<u>-47.239</u>
Construction contracts recognised as assets	10.381	19.292
Construction contracts recognised in liabilities	<u>-65.592</u>	<u>-66.531</u>
	<u>-55.211</u>	<u>-47.239</u>

12 Prepayments

Prepayments, DKK 1.189 thousand (2018: DKK 2.668 thousand), consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interests.

13 Equity

The contributed capital consists of:

A shares, 110.655 shares with total nom. value of DKK 11,065 thousand.

B shares, 300.608 shares with total nom. value of DKK 30,061 thousand

There have been no changes in the share capital during the last 5 years except from 2019.

The Company has in previous years acquired 2,321 A-shares and 7,466 B-shares. The total payment for the shares amounted to DKK 4,384 thousand, which has been transferred from retained earnings under equity.

In 2019 the reduction in share capital includes the cancellation of 2,321 A-shares of nom. DKK 100 each and 7,466 B-shares of nom. 100 each. The purpose of such reduction is to cancel the Company's holding of treasury shares.

14 Provision for deferred tax

DKK'000	<u>31/12 2019</u>	<u>31/12 2018</u>
Provision for deferred tax at 1 January	21.683	18.214
Amounts recognised in the income statement for the year	<u>-6.104</u>	<u>3.469</u>
	<u>15.579</u>	<u>21.683</u>

15 Other provisions

Provision for clean up of contamination	1.215	1.215
Disputes	<u>10.500</u>	<u>0</u>
	<u>11.715</u>	<u>1.215</u>

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16 Non-current liabilities other than provisions

DKK'000	31/12 2019	31/12 2018	Total debt at 31/12 2019	Repayment, first year	Outstanding debt after five years
Mortgage loans	42.502	47.173	42.502	4.774	19.778
	<u>42.502</u>	<u>47.173</u>	<u>42.502</u>	<u>4.774</u>	<u>19.778</u>

17 Mortgages and collateral

The following assets have been placed as securities with mortgage credit institutions:
Land and building at net book value of DKK 86,700 thousand for 2019 (2018: DKK 89,053 thousand).

Performance guarantees amount to DKK 105,176 thousand for 2019 (2018: DKK 133,630 thousand).

The Company has provided guarantees to the subsidiary Spæncom Betonfertigteile GmbH of EUR 3,313 thousand corresponding to DKK 24,747 thousand.

The following properties have been provided as collateral for mortgage debt of DKK 42,502 thousand:

- Borgergade 102, title no. 0009a, Tjæreby By, Tårnby
- Letvadvej 37, title no. 0003df, Sofiendal By, Skalborg
- Letvadvej 37, title no. 0002gz, Sofiendal By, Skalborg
- Soneberg 7, title no. 0002d, Rådvad By, Harte

18 Contractual obligations, contingencies, etc.

Contingent liabilities

Spæncom A/S is party to ongoing litigation. Management believes that the outcome of these lawsuits will not affect the Company's financial position beyond the receivables and obligations recognised in the balance sheet at 31 December 2019.

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 Consolis Denmark A/S, which is the administrative company of the joint taxation. 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.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

DKK'000	2019	2018
Within 1 year	4.504	4.407
Between 1 and 5 years	5.519	6.268
After 5 years	438	1.005
	<u>10.461</u>	<u>11.680</u>

Financial statements 1 January – 31 December

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19 Related party disclosures

Spæncom A/S' related parties comprise of the following:

Control

Bain Capital Holdings LP is the ultimate beneficial owner of Spæncom A/S.

Consolis A/S, Hedehusene, Denmark is the immediate parent Company and holds the entire contributed capital in the Company.

Other related parties

Sven Magnus Ström, Executive Management

Nicolas Yatzimirsky, Board of Directors

Anne France Marie Laclide-Drouin, Board of Directors

Emmanuelle Claire Cochard, Board of Directors

Jan Frydenlund, Board of Directors

Michael Meldgaard Axelsen, Board of Directors

Spæncom Betonfertigteile GmbH, Subsidiary

Spæncom Verwaltungs GmbH, Subsidiary

Financial statements 1 January – 31 December

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Related party transactions

DKK'000	<u>2019</u>
Purchase of services	(8.884)
Management fees	(15.441)
Sale of services	74
Purchase of goods	(9.376)

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 3.

Intercompany balances are shown in the balance sheet and associated interests in note 4 and 5.

Consolidated financial statements

Spæncom A/S is included in the Group Annual Report of:

Compact (BC) Sarl, Luxembourg (largest)

Consolis Denmark A/S, Hedehusene, Denmark (smallest)

The Group Annual Report of Compact (BC) Sarl may be obtained at the following address:

Akacievej 1
Fløng
2640 Hedehusene
Denmark

The Group Annual Report of Consolis Denmark A/S may be obtained at the following address:

Akacievej 1
Fløng
2640 Hedehusene
Denmark