FSN SKA A/S

Annual report 2018

Approved at the annual general meeting 15/5 2019

Sletvej 2C, 8310 Tranbjerg J, Denmark, CVR 32 34 79 67, www.skamol.com

Chairman, Marcus Christer Egelstig

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of FSN SKA A/S for the financial year 1 January - 31 December 2018.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

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

Aarhus, 24 April 2019

Executive Board

Karsten Lundgaard

Board of Directors

Marcus Christer Egelstig Chairman	Nicholas Nehmzow Hjorth	Marcus Peer Østergaard Wintersø

Independent Auditor's Report

To the Shareholders of FSN SKA A/S

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of FSN SKA A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the 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 Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Independent Auditor's Report

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 and the Group'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 Group's and 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 Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Skive, 24 April 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Furbo
State Authorised Public Accountant
mne32204

Allan Christensen
State Authorised Public Accountant
mne35463

Company Information

The Company	FSN SKA A/S Sletvej 2 C DK-8310 Tranbjerg CVR No: 32 34 79 67 Financial period: 1 January - 31 December Municipality of reg. office: Aarhus
Board of Directors	Marcus Christer Egelstig, Chairman Nicholas Nehmzow Hjorth Marcus Peer Østergaard Wintersø
Executive Board	Karsten Lundgaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Resenvej 81 Postboks 19 DK-7800 Skive
Bankers	Skandinaviska Enskilda Banken AB (SEB) Bernstorffsgade 50 1577 København

Group Chart

Parent Company

FSN-SKA A/S
Denmark, Aarhus
Nom. DKK 10.219.330

Consolidated subsidiaries

100%	Skamol A/S Denmark, Aarhus Nom. DKK 43.095.000
100%	Skamol Rus LLC Russia, Ulyanovskaya Nom. RUB 10.000
100%	Skamol Polska S.p.Z.o.o Poland, Opole Nom. PLN 11.005.000
100%	Skamol Eastern Europe S.p.Z.o.o Poland, Trzebina Nom. PLN 800.000
100%	Skamol Americas Inc. USA, Charlotte Nom. USD 3.310.000
100%	Skamol Europe GmbH Germany, Neuss Nom. EUR 50.000
100%	Skamol France SAS France, TassinJa-Demi-Line Nom. EUR 50.000
100%	Skamol China Co. Ltd. China, Shanghai Nom. CNY 641.690
100%	Skamol Asia Pacific PTY Ltd. Australia, Victoria Nom. AUD 108
100%	NCM Core A/S Denmark, Vodskov Nom. DKK 1.011.000

Financial Highlights

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

	Group				
	2018	2017	2016	2015	2014
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Gross turnover	385	340	316	337	324
Net turnover	380	339	315	336	323
Adjusted EBITDA	77	83	79	76	77
Profit/loss before financial income and expenses	27	44	36	34	37
Net financials	-6	-7	-7	-10	-11
Net profit/loss for the year	14	21	16	14	14
Balance sheet					
Balance sheet total	634	622	538	563	593
Equity	371	364	337	313	299
Cash flows					
Cash flows from:					
- operating activities	42	63	66	63	59
- investing activities	-50	-103	-43	-12	-13
including investment in property, plant and equipment	-42	-97	-29	-11	-12
- financing activities	-3	47	-52	-52	-71
Change in cash and cash equivalents for the year	-11	7	-29	-1	-25
Number of employees	421	377	367	380	379
Ratios					
Profit margin	7,0%	12,9%	11,4%	10,1%	11,4%
Return on assets	4,3%	7,1%	6,7%	6,0%	6,2%
Solvency ratio	58,5%	58,5%	62,6%	55,6%	50,4%
Return on equity	3,8%	6,0%	4,9%	4,6%	4,7%
Adjusted EBITDA margin	20,0%	24,4%	25,0%	22,6%	23,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

The Group's activities
Sales to segments within Industry and Building.

Objectives and strategy
The company's Management and Board of Directors are continuously evaluating Skamol's strategy, and during 2017 the strategy was redefined and clarified in the new strategy "Skamol Way Forward". This strategy clearly defines Skamols identity as technical insulation systems.

This is reflected in Skamol's market organisation, which is divided into two divisions: Industry and Building.

Market development and sales
In 2018 Skamol's turnover was DKK 385 million against DKK 340 million in 2017 and adjusted EBITDA amounted to DKK 77 million in 2018 compared to DKK 83 million in 2017. The growth in turnover was a consequence of the Skamol Way Forward strategy, whereas the decline in EBITDA was a consequence of a delay in startup of the new polish factory.

The market organisation in Skamol has been further strengthened during 2018 through a professionalization of the sales force through targeted training and standard work. As part of the regionalized structure, Skamol has in July 2018 acquired a company in Australia, that is now covering the Asia Pacific region.

Manufacturing and product development
During 2018, Skamol has executed a number of investment projects in order to increase and upgrade capacity, and reduce production costs.

The most significant investment project in 2018 was the completion of the startup of the new plant in Poland. The startup of the new plant has been successful, but delayed 6 months compared to plan. Following this, Skamol has at the end of 2018 initiated installation of additional capacity in the Polish plant. This is expected to double the output of the Polish plant, expected to start by the end of 2019.

Skamol will continue to invest in globalization, increasing local presence, and product development and capabilities.

Risk management
The company focuses on both internal and external risks.

Internal risks are eliminated through policies and procedures that address the issues. Furthermore, the company works with risk management through internal KPI follow-up.

The development of Skamol's IT infrastructure is also an important priority for the company, and in 2018 an upgraded ERP system was ongoing, which will form the future platform in addition to other IT solutions for the Skamol Group.

Continuous improvements are of high importance to Skamol, and further areas to optimize the business has been identified and will be worked on in 2019.

In 2017 Skamol has implemented Skamol Business System, which provides the overall management framework within Skamol Group. This involves clarification of policies etc. as an enabler for realizing Skamols growth strategy as well as identifying and mitigating risks. This has been further strengthened with implementation of Skamol Operating Model, which clearly describes how processes are conducted as an important part of the simplification of Skamols way of working.

Financial risks
For the whole Skamol Group inclusive of the parent company FSN SKA the interest-bearing debt amounted to DKK 181 million at the end of 2018. This is an decrease of the interest-bearing debt of DKK 1 million compared with 2017.

Compared to the established drawing right, Skamol has a net cash position of totally DKK 43 million at the end of 2018.

The company follows a financial policy, which operates with a low risk profile so that currency and credit risks only occur due to commercial circumstances.

As an international company, Skamol Group is exposed to risks related to currency transactions in connection with the purchase and sale of goods and services. It is Group policy to undertake identification of currency risks on current transactions. Skamol Group's main currencies are EUR, USD, RUR and PLN.

The costs of Skamol's Russian subsidiary are primarily in RUR, whereas sales are primarily in RUR and secondarily in EUR, which means that the Skamol Group as regards earnings in the

Russian business is sensitive to fluctuations in the exchange rate of the RUR. During all of 2018, RUR has continued the weak position towards other currencies.

It is Group policy to optimise the loan portfolio through continuous adjustments and to carry out an ongoing assessment of optimisation opportunities.

Result, Balance and Cash Flow
The figures in brackets are 2017-figures
In 2018 the turnover increased to DKK 385 million (DKK 340 million). EBITDA before non-recurrent items (adjusted EBITDA) amounted to DKK 77 million (DKK 83 million) corresponding to 20.0 % (24.4 %) of the turnover. Depreciations and amortizations were DKK 45.7 million (DKK 40.1 million).

The total assets were DKK 634 million (DKK 622 million).

At the end of 2018 Skamol employed 443 employees. Of these, 166 employees in Denmark and 277 outside Denmark. Compared to 2017, the total number of employees increased by 40.

Deviations compared to outlook for 2018
As expected, the Group's turnover increased in 2018 compared to 2017, together with a positive cashflow from operations.

Due to the delay in the startup of the new plant in Poland, EBITDA did not develop as expected in 2018. This gave temporary constraints and imbalances towards the market, which had a negative impact on the earnings, as well as limitations to the turnover growth in 2018.

Outlook for 2019
Skamol expects increasing turnover and earnings in the coming years, including 2019.

Overall, Skamol estimates that there continues to be a large growth potential for Skamol's systems worldwide.

In 2019 Skamol expects an increase in turnover and EBITDA compared to 2018, and a positive cash flow from operations.

Subsequent events
After the closing of the financial year no subsequent events have occurred, which have material impact of Skamol's financial position.

Management
Since 2013, FSN Capital is the owner of Skamol.

In 2018 the Board was composed of the following members:

Bo Rygaard, Chairman, joined 03.09.2013
Marcus Christer Egelstig, joined 30.10.2015
Nicholas Nehmzow Hjorth, joined 10.01.2017
Curt Germundsson, retired 10.08.2018
Søren Drewsen, joined 10.08.2018
Klaus Hermann Franz, joined 31.08.2015
Mette Feldstedt, employee representative, joined 24.02.2010
Jørgen Bak, employee representative, joined 01.12.2013

Employee representatives are elected for the Skamol A/S Board of Directors. The company complies with the notice about employee representation in public and private companies of the 1st July 2010. The latest election of employee representatives took place in 2015. Two employee representatives are elected to the Board of Skamol A/S. Election of employee representatives for Skamol's Board will take place again in 2019.

During 2018, a total of 6 board meetings were held in Skamol. Board committees have not been established.

The general meeting has not adopted specific authorizations for e.g. allocations.

Report on the Gender Composition in Management, cf. Section 99 b of the Danish Financial Statements Act
Skamol's Board of Directors has outlined target figures for number of under-represented gender in the top management segment. It is the Board's goal that if possible the mix of the Board shall be balanced so that each gender as a minimum is represented by 1 member appointed by the general assembly. It is the target to reach the defined goal at the end of 2022, so this is aligned with a natural exchange of the Board composition. The change to the composition of the board during 2018 did not change the gender composition, thus the target was not reached this year.

At other management levels it is Skamol's intention to increase the share of the underrepresented gender towards a balanced make-up between male and female representatives. It is the policy of the company to aim for a diversified organisation through an unprejudiced selection process where no candidate is deselected due to gender, age, nationality etc. Candidates are solely selected based on experience, competences and performance.

Skamol has at the end of 2018 a share of 39% female representatives compared to male representatives at other management level, compared to 35% at the end of 2017. During 2018 Skamol has made efforts to continue to pay attention to making job advertisements equally attractive for men and women – both for internal and external candidates

Policies regarding corporate social responsibility

Skamol has defined policies regarding corporate social responsibility, including policies on

- Sustainability with environmental and climate related matters through development of products with increased energy efficiency and lifetime, and through continuous work on reduction of energy consumption and waste in production;
- Caring about people through focused work on health and safety and continuous people development and process optimisation, and by applying a Code of Conduct supporting a company culture that promotes integrity, our values, ethical guidelines and the Skamol Group policies;
- Respecting human rights through applying a Code of Conduct internally and in the cooperation with suppliers requiring compliance with the ILO Conventions, and national laws and regulations;
- Preventing corruption, bribery and money laundering by applying a Code of Conduct internally and in the cooperation with suppliers requiring compliance with all applicable laws and regulations on bribery, corruption and money laundering; by conducting integrity due diligences on all M&A processes and on an assessed risk basis in regard to customers and suppliers; and by applying a whistle blower policy and procedure to encourage staff, board members and others to report suspected or actual violations of laws, regulations or Skamol's Code of Conduct without retribution.

ESG impacts through the value chain

Skamol processes unique raw material into technical insulation systems. Sustainability is integrated into the entire supply chain from sourcing to producing energy efficient systems to our customers. The result of Skamol's efforts is a net reduction in energy consumption and greenhouse gas emissions.

Within the Building Division, Skamol delivers technical insulation systems for renovations and new buildings.

Within Industry Division, Skamol delivers technical insulation systems for hot face and back up insulation that lowers the energy costs in production processes.

Skamol's raw materials are originally founded in Moler/Diatomite. Skamol excavates these raw materials in a sustainable way with respect for the landscapes and communities both during and after excavation.

Raw material supply
- Climate impact raw material sourcing
- Water use and pollution
- Responsible use and repatriation of land areas in raw material mining
- Supplier labor conditions and human rights
- Supplier health and safety

Production
- Climate impact
- Chemicals and pollution
- Resource efficiency, recycling and waste management
- Sustainable and safe packaging
- Water use
- Labor conditions and human rights
- Health and safety
- Local community impact

Management and marketing
- Sustainable product innovation
- Attracting and retaining employees
- Diversity
- Anti-Corruption and integrity
- Data security
- Sanctioned countries
- Sustainable brand positioning

Customer end-use
- Climate impact of shipping and delivery
- Product contribution to energy efficiency
- Product longevity
- Product take-bake and circular design
- Product quality and safety
- Product contribution to end user safety
- Supply chain transparency

ESG risks and opportunities

Skamol systems
Skamol has a unique opportunity to contribute positively to the health, safety and environment of key stakeholders, from the way Skamol sources raw materials, treats employees and provides solutions to customers.

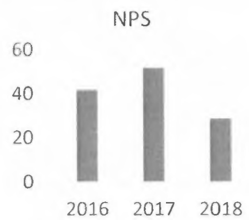
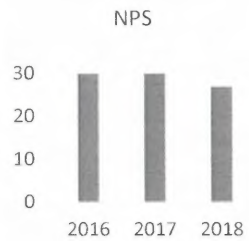
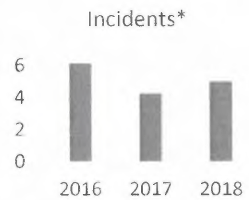
Megatrends move towards reduction of energy consumption and higher requirements for better living conditions, which reflect opportunities for Skamol, e.g. within:

- Building Division. Energy saving, safe and healthy indoor climate systems
- Industry Division. Energy saving and cost-effective systems

Skamol processes
As a global company, Skamol can be exposed to integrity risks. Continuous focus and increased awareness on how to handle and identify risks, is a top priority for the Skamol Group.

Through a focus on creating a culture that supports this agenda, by caring about people and the way we act, we have an opportunity to attract the right people with the right mindset.

Skamol focuses on health and safety. It is key that we do not expose our employees or surroundings
to risks and that we do everything we can to prevent incidents from happening. To support these efforts,
we continuously have focus on training, communication and improvement of processes and procedures.

KEY ESG GOALS	EFFORTS 2018	PERFORMANCE	AMBITIONS 2019
1. Loyal customers	**Skamol professionalized sales operation:** ▪ **Established clear customer and market plans and classification.** ▪ **Implemented CRM system to support clear customer plans and classification.** ▪ **Implemented price management process and tools to secure customer and market oriented pricing.** ▪ **Initiated a service center for 24/7 delivery service.** ▪ **Increased control of quality** ▪ **Improved R&D capabilities and product pipeline to reflect strategic initiatives.**		**Improve market knowledge and competitiveness:** ▪ **Customer needs. Continuous training of sales people and key managers within Skamol for the benefit of our customers.** ▪ **Product Management: improve market understanding and product lifecycle management.** ▪ **Planning and Logistics:planning and logistics setup for the benefit of our customers.**
2. Loyal and motivated employees	**Skamol reorganized R&D and production operations and improved performance management:** ▪ **Established New Business Units including clear roles and responsibilities.** ▪ **Moved to new geographic office locations to increase ability to attract the right talents.** ▪ **Further developed Skamol Business System to include more process outlines and guidelines.** ▪ **People Development Review model and process implemented to support strategic competence development.** ▪ **Lean Daily Management implemented at all plants.**		**Improve leadership and communication:** ▪ **Skamol Leadership Program. Develop and implement Skamol leadership training.** ▪ **Skamol Business System. Consolidate, systemize, and further develop Skamol Operating Model to ensure clarity and scalability in all areas.** ▪ **Quality Improvement Program. Implement Quality Improvement Program to ensure simplified ways of working.**
3. Caring about people	**Skamol has improved safety conditions and safety training:** ▪ **60 Danish production workers have completed safety training in 2018.** ▪ **Global way of handling incidents and accidents implemented.** ▪ **Global way of performing Safety walks implemented.** ▪ **New safety site to handle incidents and accidents, show emergency plans, guidelines on personal protective equipment and workwear, and safety reports.**	 *per million worked hours	**Further standardizing of processes and digitalizing of safety data:** ▪ **Material Safety Data. Establish global system for handling of supplier material safety data and workplace instructions.** ▪ **Work Instructions. Establish online accessible solution for handling/sharing of work instructions** ▪ **Workplace organization. Implement standardized work place organization methods at all locations.** ▪ **Safety training. Conduct an international safety training**
4. Integrity	**Skamol has established firm integrity processes:** **Defined Code of Conduct, which amongst other addresses human rights, anti-corruption and bribery prevention.** ▪ **Code of Conduct continuously signed by all new employees** ▪ **Code of Conduct continuously signed by all new suppliers meeting pre-defined criteria** ▪ **Integrity due diligence implemented on all M&A processes and on an assessed risk basis in regard to customers and suppliers.** ▪ **Whistleblower policy and procedure implemented.**	 **Code of conduct signed** ▪ 100% of employees ▪ 100% of suppliers	**Further standardizing of integrity processes:** ▪ **Extend integrity process to include screening for sanctions.**
5. Energy efficient systems	**Skamol has:** ▪ **Developed new products providing increased energy efficiency.** ▪ **Tested energy efficiency effects of products at customer sites, allowing to calculate average energy savings and CO2 reductions in different scenarios, being the first steps towards implementing an energy efficiency tracking system.**	**Example of product equipment lifetime in Industry**  **SkamoSteel:** 30 years **Non-insulated:** 15 years	**Increase energy efficiency and documentation:** ▪ **New products. Further improve energy efficiency through developing new products with improved insulation properties.** ▪ **Tracking energy efficiency. Implement a system that can track CO2 reduction and energy savings** ▪ **Reduced energy consumption. Reduce energy consumption in production.**

Fast and simple mounting → **Reduces energy costs** → **Extends lifetime of production equipment** → **System**

SkamoAlu
Industry

We are proud to be part of creating a safer, healthier and more resource efficient world.

Income Statement 1 January - 31 December

	Note	Group 2018 TDKK	Group 2017 TDKK	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Gross turnover	1	**384.474**	**340.395**	**0**	**0**
Net turnover	1	**380.440**	**339.325**	**0**	**0**
Other operating income		1.505	3.368	0	0
Expenses for raw materials and consumables		-151.735	-125.524	0	0
Other external expenses		-53.282	-34.272	-10	-10
Gross profit/loss		**176.928**	**182.897**	**-10**	**-10**
Staff expenses	2	-103.414	-98.958	0	0
EBITDA		**73.514**	**83.939**	**-10**	**-10**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-45.693	-40.076	0	0
Other operating expenses		-1.191	0	0	0
Profit/loss before financial income and expenses		**26.630**	**43.863**	**-10**	**-10**
Income from investments in subsidiaries		0	0	13.750	21.048
Financial income	4	2.428	1.454	4.233	3.062
Financial expenses	5	-8.801	-8.798	-3.896	-4.086
Profit/loss before tax		**20.257**	**36.519**	**14.077**	**20.014**
Tax on profit/loss for the year	6	-6.212	-15.914	-32	591
Net profit/loss for the year		**14.045**	**20.605**	**14.045**	**20.605**

Balance Sheet 31 December

Assets

	Note	Group 2018 TDKK	Group 2017 TDKK	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Completed development projects		4.085	2.457	0	0
Acquired licenses		502	0	0	0
Goodwill		272.585	292.158	0	0
Development projects in progress		3.318	1.457	0	0
Intangible assets	7	**280.490**	**296.072**	**0**	**0**
Land and buildings		87.100	50.285	0	0
Plant and machinery		88.150	50.301	0	0
Other fixtures and fittings, tools and equipment		10.707	6.696	0	0
Prepayments for property, plant and equipment		36.138	101.649	0	0
Property, plant and equipment	8	**222.095**	**208.931**	**0**	**0**
Investments in subsidiaries	9	0	0	449.483	443.203
Fixed asset investments		**0**	**0**	**449.483**	**443.203**
Fixed assets		**502.585**	**505.003**	**449.483**	**443.203**
Inventories	10	**38.898**	**35.120**	**0**	**0**
Trade receivables		74.347	47.850	0	0
Receivables from group enterprises		0	0	89.270	97.332
Other receivables		1.578	6.433	7	7
Deferred tax asset	14	2.321	3.552	682	2.086
Corporation tax		0	0	13.393	4.866
Prepayments	11	574	1.055	0	0
Receivables		**78.820**	**58.890**	**103.352**	**104.291**
Cash at bank and in hand		**13.479**	**23.420**	**0**	**0**
Currents assets		**131.197**	**117.430**	**103.352**	**104.291**
Assets		**633.782**	**622.433**	**552.835**	**547.494**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2018 TDKK	Group 2017 TDKK	Parent Company 2018 TDKK	Parent Company 2017 TDKK
Share capital		10.219	10.213	10.219	10.213
Reserve for net revaluation under the equity method		0	0	16.053	0
Reserve for development costs		4.049	3.038	0	0
Retained earnings		356.895	350.496	344.891	353.534
Equity	12	**371.163**	**363.747**	**371.163**	**363.747**
Provision for deferred tax	14	8.923	11.807	1.425	1.667
Other provisions		0	613	0	0
Provisions		**8.923**	**12.420**	**1.425**	**1.667**
Credit institutions		178.864	157.784	178.864	157.784
Long-term debt	15	**178.864**	**157.784**	**178.864**	**157.784**
Credit institutions	15	1.740	24.179	985	24.179
Lease obligations		0	1.030	0	0
Prepayments received from customers		0	377	0	0
Trade payables		48.760	41.805	0	0
Corporation tax		1.370	5.765	0	0
Other payables		22.962	15.326	398	117
Short-term debt		**74.832**	**88.482**	**1.383**	**24.296**
Debt		**253.696**	**246.266**	**180.247**	**182.080**
Liabilities and equity		**633.782**	**622.433**	**552.835**	**547.494**

Distribution of profit	13
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Statement of Changes in Equity

Group

	Share capital	Share premium account	Reserve for net revalua-tion under the equity method	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10.213	0	0	3.038	350.496	363.747
Cash capital increase	6	299	0	0	0	305
Exchange adjustments relating to foreign entities	0	0	0	0	-6.934	-6.934
Development costs for the year	0	0	0	2.266	-2.266	0
Depreciation, amortisation and impairment for the year	0	0	0	-1.255	1.255	0
Net profit/loss for the year	0	0	0	0	14.045	14.045
Transfer from share premium account	0	-299	0	0	299	0
Equity at 31 December	**10.219**	**0**	**0**	**4.049**	**356.895**	**371.163**

Parent Company

	Share capital	Share premium account	Reserve for net revalua-tion under the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January	10.213	0	0	0	353.534	363.747
Cash capital increase	6	299	0	0	0	305
Exchange adjustments relating to foreign entities	0	0	-9.487	0	2.553	-6.934
Net profit/loss for the year	0	0	25.540	0	-11.495	14.045
Transfer from share premium account	0	-299	0	0	299	0
Equity at 31 December	**10.219**	**0**	**16.053**	**0**	**344.891**	**371.163**

Cash Flow Statement 1 January - 31 December

	Note	Group 2018 TDKK	Group 2017 TDKK
Net profit/loss for the year		14.045	20.605
Adjustments	17	57.874	66.513
Change in working capital	18	-11.343	-6.863
Cash flows from operating activities before financial income and expenses		**60.576**	**80.255**
Financial income		2.429	1.454
Financial expenses		-8.800	-8.794
Cash flows from ordinary activities		**54.205**	**72.915**
Corporation tax paid		-12.260	-10.300
Cash flows from operating activities		**41.945**	**62.615**
Purchase of intangible assets		-9.909	-5.200
Purchase of property, plant and equipment		-42.183	-97.326
Sale of property, plant and equipment		2.319	0
Cash flows from investing activities		**-49.773**	**-102.526**
Repayment of loans from credit institutions		-2.505	0
Reduction of lease obligations		-1.030	0
Raising of loans from credit institutions		0	43.137
Lease obligations incurred		0	761
Cash capital increase		305	2.879
Cash flows from financing activities		**-3.230**	**46.777**
Change in cash and cash equivalents		**-11.058**	**6.866**
Cash and cash equivalents at 1 January		22.797	15.931
Cash and cash equivalents at 31 December		**11.739**	**22.797**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		13.479	23.420
Overdraft facility		-1.740	-623
Cash and cash equivalents at 31 December		**11.739**	**22.797**

Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
1 Revenue				
Geographical segments				
Turnover EU-countries	203.708	180.918	0	0
Turnover non-EU countries	176.732	158.407	0	0
Net turnover	**380.440**	**339.325**	**0**	**0**

2 Staff expenses

	2018	2017	2018	2017
Wages and salaries	97.311	93.178	0	0
Pensions	6.103	5.780	0	0
	103.414	**98.958**	**0**	**0**
Average number of employees	**421**	**377**	**0**	**0**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2018	2017	2018	2017
Amortisation of intangible assets	30.350	26.036	0	0
Depreciation of property, plant and equipment	15.343	14.040	0	0
	45.693	**40.076**	**0**	**0**

Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK

4 Financial income

Income from fixed asset investments	160	0	0	0
Interest received from group enterprises	0	0	4.233	3.062
Other financial income	1.371	498	0	0
Exchange adjustments	897	956	0	0
	2.428	**1.454**	**4.233**	**3.062**

5 Financial expenses

Other financial expenses	8.043	5.773	3.896	4.086
Exchange adjustments, expenses	758	3.025	0	0
	8.801	**8.798**	**3.896**	**4.086**

6 Tax on profit/loss for the year

Current tax for the year	8.722	16.408	-261	0
Deferred tax for the year	-2.815	-494	0	-591
Adjustment of tax concerning previous years	12	0	0	0
Adjustment of deferred tax concerning previous years	293	0	293	0
	6.212	**15.914**	**32**	**-591**

Notes to the Financial Statements

7 Intangible assets

Group

	Completed development projects	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	8.501	2.987	415.450	1.457
Exchange adjustment	-6	-48	-40	-7
Additions for the year	1.817	80	4.567	3.445
Disposals for the year	-74	0	0	0
Transfers for the year	1.717	-70	-23	-1.577
Cost at 31 December	11.955	2.949	419.954	3.318
Impairment losses and amortisation at 1 January	6.539	2.492	123.292	0
Exchange adjustment	-2	-20	0	0
Amortisation for the year	1.281	53	24.077	0
Reversal of amortisation of disposals for the year	-74	0	0	0
Transfers for the year	126	-78	0	0
Impairment losses and amortisation at 31 December	7.870	2.447	147.369	0
Carrying amount at 31 December	**4.085**	**502**	**272.585**	**3.318**

Development projects include production, products ande market development

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	98.983	277.358	34.626	101.649
Exchange adjustment	-1.192	-1.545	-447	-2.585
Additions for the year	2.487	4.504	2.398	32.794
Disposals for the year	-6.579	-687	-984	-69
Transfers for the year	39.228	51.032	5.923	-95.651
Cost at 31 December	132.927	330.662	41.516	36.138
Impairment losses and depreciation at 1 January	48.698	227.057	27.930	0
Exchange adjustment	-164	-775	-231	0
Depreciation for the year	1.568	16.157	3.567	0
Reversal of impairment and depreciation of sold assets	-4.275	-423	-387	0
Transfers for the year	0	496	-70	0
Impairment losses and depreciation at 31 December	45.827	242.512	30.809	0
Carrying amount at 31 December	**87.100**	**88.150**	**10.707**	**36.138**

Notes to the Financial Statements

	Parent Company	
	2018	2017
	TDKK	TDKK
9 Investments in subsidiaries		
Cost at 1 January	433.430	433.430
Cost at 31 December	433.430	433.430
Value adjustments at 1 January	9.773	-264
Exchange adjustment	-7.470	3.989
Net profit/loss for the year	27.239	34.537
Dividend to the Parent Company	0	-15.000
Amortisation of goodwill	-13.489	-13.489
Value adjustments at 31 December	16.053	9.773
Carrying amount at 31 December	**449.483**	**443.203**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Skamol A/S	Aarhus	DKK 43.095.000	100%	281.636	27.239

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
10 Inventories				
Raw materials and consumables	11.389	7.120	0	0
Finished goods and goods for resale	23.271	25.496	0	0
Packaging materials	4.238	2.504	0	0
	38.898	**35.120**	**0**	**0**

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

12 Equity

The share capital is broken down as follow:

	Number	Nominal value
		TDKK
A-shares	208.697	2.087
B-shares	11.152	111
C-shares	802.084	3.208
D-shares	802.084	4.813
		10.219

The share capital has developed as follows:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	10.213	10.149	10.078	10.073	10.040
Capital increase	6	64	71	5	33
Capital decrease	0	0	0	0	0
Share capital at 31 December	**10.219**	**10.213**	**10.149**	**10.078**	**10.073**

13 Distribution of profit

	Parent Company	
	2018	2017
	TDKK	TDKK
Reserve for net revaluation under the equity method	25.540	0
Retained earnings	-11.495	20.605
	14.045	**20.605**

Notes to the Financial Statements

14 Provision for deferred tax

	Group		Parent Company	
	2018	2017	2018	2017
	TDKK	TDKK	TDKK	TDKK
Provision for deferred tax at 1 January	8.255	7.420	-419	0
Amounts recognised in the income statement for the year	-2.815	-494	0	-591
Amounts recognised in equity for the year	1.162	1.329	1.162	172
Provision for deferred tax at 31 December	**6.602**	**8.255**	**743**	**-419**

The recognised tax asset comprises tax loss carry forwards expected to be utilised within the next three to four years.
The deferred tax asset exists in foreign subsidiaries and is therefore not set off against deferred tax liability

15 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:

Credit institutions

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Between 1 and 5 years	178.864	157.784	178.864	157.784
Long-term part	178.864	157.784	178.864	157.784
Other short-term debt to credit institutions	1.740	24.179	985	24.179
	180.604	**181.963**	**179.849**	**181.963**

16 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

17 Cash flow statement - adjustments

	Group 2018	Group 2017
	TDKK	TDKK
Financial income	-2.428	-1.454
Financial expenses	8.801	8.798
Depreciation, amortisation and impairment losses, including losses and gains on sales	45.443	36.861
Tax on profit/loss for the year	6.212	15.914
Other adjustments	-154	6.394
	57.874	**66.513**

18 Cash flow statement - change in working capital

	2018	2017
Change in inventories	-3.779	319
Change in receivables	-21.163	-14.437
Change in other provisions	-613	54
Change in trade payables, etc	14.212	7.201
	-11.343	**-6.863**

19 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:
Security in the shares in certain group-companies and assignment of certain intra-group debts.

19 Contingent assets, liabilities and other financial obligations (continued)

Rental and lease obligations

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
	TDKK	TDKK	TDKK	TDKK
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	4.101	2.282	0	0
Between 1 and 5 years	4.018	3.115	0	0
	8.119	**5.397**	**0**	**0**

Guarantee obligations

A guarentee in the amount of DKK 750k with respects to the restoration of Moler areas and a guarentee in the amount of DKK 98k with respect to product security are incumbent on the group.

Other contingent liabilities

The Danish 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 by the Group amounts to TDKK 13,321. Moreover, the Danish 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.

Depending on reaching predefined criteria at the end of 2019, Skamol A/S has an obligation to pay out up to PLN 2,5 mil in 2020 in connection with the aquisition of polish distributor

The bank has a pledge on subsidiary shares in Skamol Eastern Europe S.p.Z.o.o.

20 Related parties

	Basis
Controlling interest	
FSN Capital III Limited Partnership	Controlling shareholder

Notes to the Financial Statements

20 Related parties (continued)

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

The company is included in the consolidated report for the parent company

Name	Place of registered office
FSN Capital III Limited Partnership	Copenhagen

The Group Annual Report of FSN Capital III Limited Partnership may be obtained at the following address:

Kongens Nytorv 26, 2. sal
1050 Copenhagen
Denmark

21 Fee to auditors appointed at the general meeting

PricewaterhouseCoopers				
Audit fee	205	197	10	10
Tax advisory services	233	364	0	0
	438	**561**	**10**	**10**
Other audit firms				
Audit fee	110	41	0	0
Other assurance engagements	523	164	0	0
	633	**205**	**0**	**0**
	1.071	**766**	**10**	**10**

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of FSN SKA A/S for 2018 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 Consolidated and Parent Company Financial Statements for 2018 are presented in TDKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, FSN SKA A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income

Notes to the Financial Statements

22 Accounting Policies (continued)

and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Revenue

Information on geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

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 Group.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Notes to the Financial Statements

22 Accounting Policies (continued)

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 Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

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 are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5-20 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5-20 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Production buildings	50 years
Other buildings	15-50 years
Plant and machinery	8-20 years
Other equipment	3-5 years
Own Moler deposits	20 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment 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, the asset is written down to its lower recoverable amount.

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.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to

Notes to the Financial Statements

22 Accounting Policies (continued)

"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.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

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, such as loans from credit institutions, 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

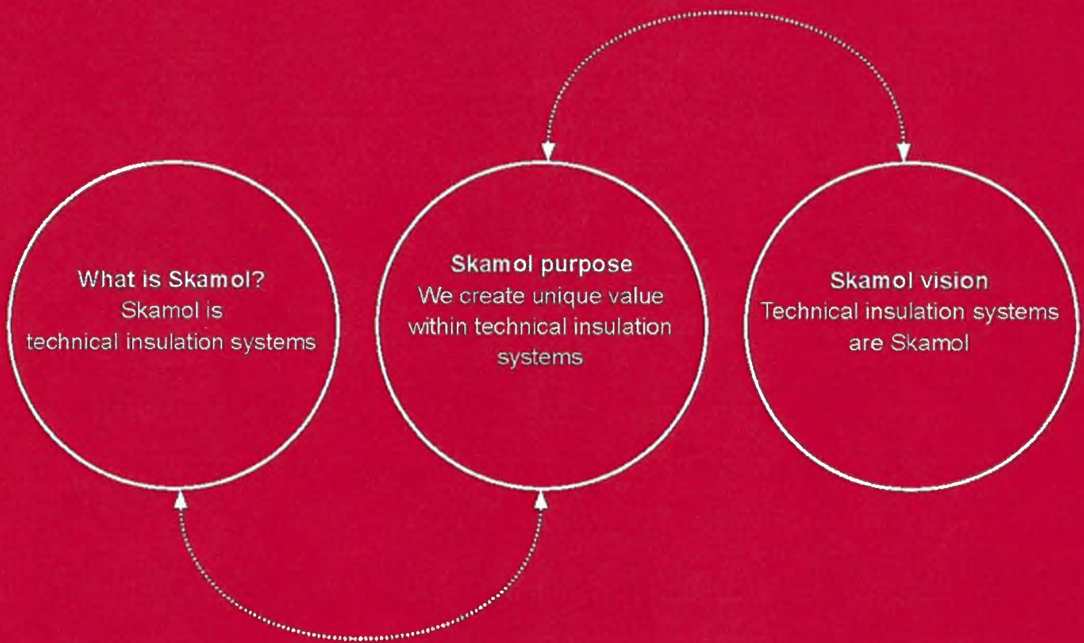
Profit margin $\dfrac{\text{Profit before financials x 100}}{\text{Revenue}}$

Return on assets $\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$

Notes to the Financial Statements

22 Accounting Policies (continued)

Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Adjusted EBITDA margin	$\frac{\text{Adjusted EBITDA x 100}}{\text{Turnover}}$



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