FSN SKA A/S

Annual report 2020

Approved at the annual general meeting ____________

Hasselager Centervej 1, 8260 Viby, Denmark, CVR 32 34 79 67, www.skamol.com

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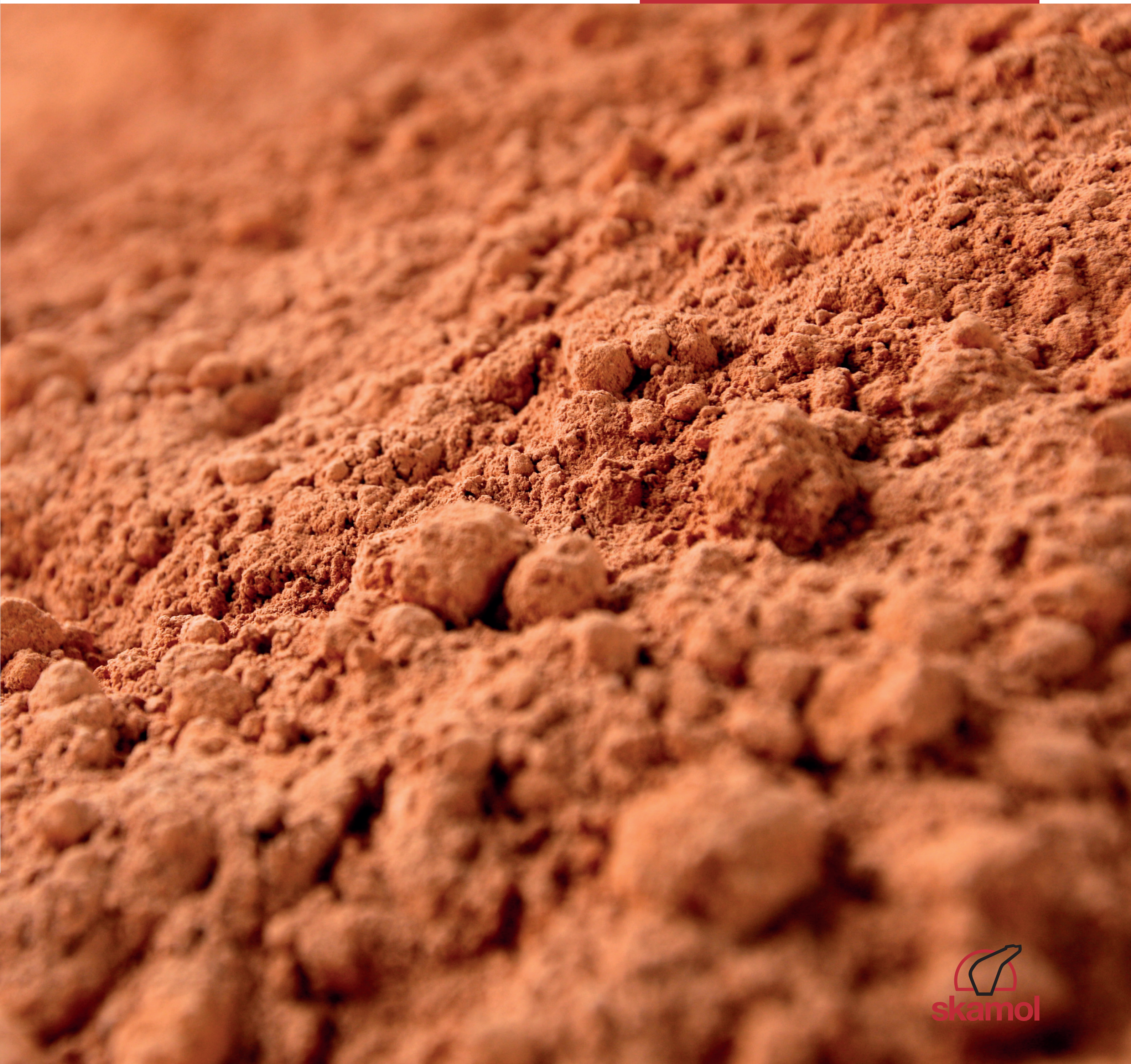
Chairman, Marcus Christer Egelstig



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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 2020.

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 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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

Aarhus, 15 March 2021

Executive Board

Poul Erik Kamstrup Kristensen

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 2020 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 2020 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 2020, 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.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
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.

Aarhus, 15 March 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Meldgaard	Lars Greve Jensen
State Authorised Public Accountant	State Authorised Public Accountant
mne24826	mne32199

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	Poul Erik Kamstrup Kristensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C
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 (Shanghai) Trading Co. Ltd.
    China, Shanghai
    Nom. CNY 641.690
  - 100% Skamol Asia Pacific PTY Ltd.
    Australia, Victoria
    Nom. AUD 108
  - 100% Skamol United Kingdom Ltd.
    UK, Hampshire
    Nom. GBP 30.000
  - 100% NCM Core A/S
    Denmark, Aarhus
    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				
	2020	2019	2018	2017	2016
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Turnover	394	403	385	340	316
Adjusted EBITDA	84	87	77	83	79
Profit/loss before financial income and expenses	15	36	27	44	36
Net financials	-10	-10	-6	-7	-7
Net profit/loss for the year	-2	17	14	21	16
Balance sheet					
Balance sheet total	704	716	639	622	538
Equity	372	395	371	364	337
Cash flows					
Cash flows from:					
- operating activities	55	48	41	63	66
- investing activities	-38	-63	-50	-103	-43
including investment in property, plant and equipment	-26	-43	-42	-97	-29
- financing activities	5	48	-3	47	-52
Change in cash and cash equivalents for the year	22	33	-12	7	-29
Number of employees	422	448	421	377	367
Ratios					
Profit margin	3,8%	8,9%	7,0%	12,9%	11,4%
Return on assets	2,1%	5,0%	4,2%	7,1%	6,7%
Solvency ratio	52,8%	55,3%	58,1%	58,5%	62,6%
Return on equity	-0,5%	4,4%	3,8%	6,0%	4,9%
Adjusted EBITDA margin	21,3%	21,5%	20,0%	24,4%	25,0%

Management's Review

The Group's activities
Sales of specialty insulation systems 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 growth areas within Skamol's target markets.

Market development and sales
In 2020 Skamol's turnover was DKK 394 million against DKK 403 million in 2019 and adjusted EBITDA amounted to DKK 84 million in 2020 compared to DKK 87 million in 2019. The reduction in turnover and EBITDA was a consequence of the impact from COVID-19 in the beginning of 2020.

Skamol has in 2020 – despite of the COVID-19 impact - experienced growth in individual key markets, such as the Asia Pacific region, as a result of the strategic initiatives that are being executed in Skamol.

The market organisation in Skamol has been further strengthened during 2020 through an increasingly global coverage, where additional sales offices have been opened to facilitate the continued growth.

Manufacturing and product development
During 2020, 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 2020 was the completion of a new production line in the Polish plan. The new line was started up during 2020. This is expected to double the output of the Polish plant in a planned ramp up.

Furthermore, Skamol has invested significantly in R&D activities during 2020, where new products have been developed and were introduced to the market in 2020 or are ready to market in 2021.

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. During 2020 further development of the IT infrastructure was made, e.g. continued optimization of ERP platform and process support as well as communication platforms.

Continuous improvements are of high importance to Skamol, and Skamol has worked on initiatives to improve productivity during 2020. This work will continue into 2021.

During 2020 Skamol has implemented an execution framework, which is designed to facilitate a strict execution of Skamol's strategic priorities when entering 2021.

Management's Review

Financial risks
Interest-bearing debt amounted to DKK 235 million at the end of 2020. Net interest-bearing debt amounted to DKK 170 million.

Compared to the established drawing right, Skamol has a net cash position of totally DKK 139 million at the end of 2020.

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, PLN, AUD and NOK.

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 2020, 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 2019-figures
In 2020 the turnover decreased to DKK 394 million (DKK 403 million). EBITDA before one time items (adjusted EBITDA) amounted to DKK 84 million (DKK 87 million) corresponding to 21.3 % (21.5 %) of the turnover. Depreciations and amortizations were DKK 51.3 million (DKK 48.5 million).

The total assets were DKK 704 million (DKK 716 million).

At the end of 2020 Skamol employed 417 employees. Of these, 176 employees in Denmark and 241 outside Denmark. Compared to 2019, the total number of employees decreased by 41.

Deviations compared to outlook for 2020
In 2020 Skamol realized a slight decrease in turnover and EBITDA compared to 2019, whereas it was expected to increase. The main reason for this deviation was the impact from COVID-19 in the beginning of 2020. As expected, Skamol realized a positive cashflow from operations.

Outlook for 2021
Skamol expects increasing turnover and earnings in the coming years, including 2021.

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

In 2021 Skamol expects an increase in turnover and EBITDA compared to 2020, 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's Review

Management
Since 2013, FSN Capital is the owner of FSN SKA A/S and Skamol. In 2020 the Board of FSN SKA A/S was composed of the following members:

Marcus Christer Egelstig, Chairman, joined 30.10.2015
Nicholas Nehmzow Hjorth, joined 10.01.2017
Marcus Peer Østergaard Wintersø, joined 04.05.2018

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 2019. 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 2023.

During 2020, a total of 1 board meeting were held in FSN SKA A/S and 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
In FSN SKA A/S the 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 composition of the board during 2020 did not change the gender composition, thus the target was not reached this year.

At other management levels in the group 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 perfor-mance.

Skamol group has at the end of 2020 a share of 45 % female representatives compared to male representatives at other management level, compared to 30% at the end of 2019. During 2020 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 specialty 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 Sector, Skamol delivers specialty insulation systems for renovations and new buildings.
- Within Industry Sector, Skamol delivers specialty 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:

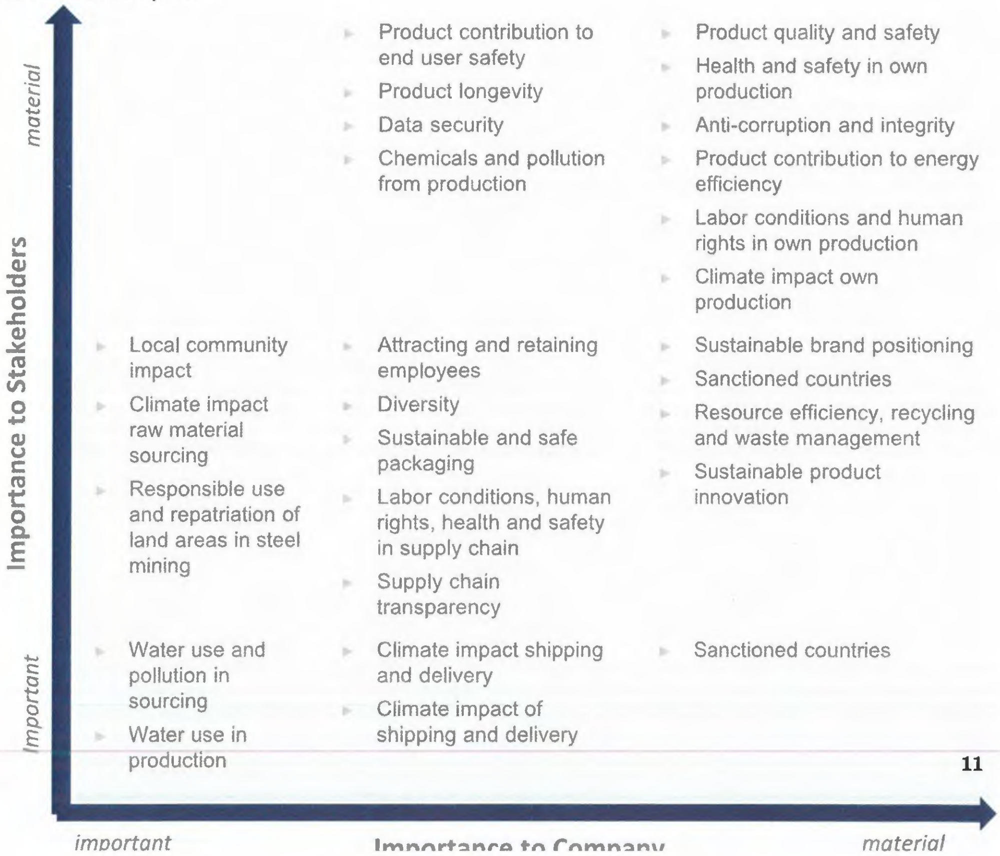
- **Building Sector.** Energy saving, safe and healthy indoor climate systems
- **Industry Sector.** Energy saving and cost-effective systems

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.



Management's Review

KEY ESG GOALS	EFFORTS 2020	PERFORMANCE	AMBITIONS 2021

1. Loyal customers

EFFORTS 2020

- Our ambition was to conduct one annual training of all sales staff in market, branding, processes, systems, products and performance.
- Due to COVID-19 it has not been possible to conduct physical training. The physical training was replaced by interactive go-to-market training sessions for all sales staff. The training sessions were conducted in regional groupings and covered branding, processes, systems, products and performance.

PERFORMANCE

Training of all sales staff

AMBITIONS 2021

- Conduct at least 50 webinars for customers with training, information and promotion. The webinars will include sustainability as a topic.
- Increase number of customer interactions, both physical and interactive meetings, by 100% compared to 2020 through increased use of virtual meetings and with registration in SuperOffice, our global CRM system.

2. Loyal and motivated employees

EFFORTS 2020

- All Skamol departments implemented training in using Skamol Business System. The training was partly conducted on a monthly basis, where ways of working allowed for this due to COVID-19.
- Overall, 2020 has been a year with challenges, due to the implications coming from COVID-19, as well as changes in the company. As a consequence of that, turnover (both voluntarily and involuntarily) has been relatively high in 2020. Furthermore, Net Promotor Score has had a negative development in 2020 due to these reasons.

PERFORMANCE

Skamol Business System

eNPS*

2020	22%
2019**	
2018	27%
2017	30%
2016	30%

* Employee Net Promoter Score

** No survey in 2019 due to change in provider

AMBITIONS 2021

- Improving employee satisfaction and loyalty is a key priority for Skamol.
- Initiatives are planned for 2021 to adjust the Skamol culture, e.g. through more simple, relevant and frequent employee surveys through the use of Winningtemp, as well as improved communication in the organisation through (virtual) townhall meetings. Furthermore, flexible work arrangements will be introduced, e.g. working from home, where it is possible to combine with individual employees job content.
- Target is to reduce employee turnover to max 10%.
- Furthermore, target is to improve employee satisfaction and increase Net Promoter Score by at least 5 points.

3. Caring about people

EFFORTS 2020

- During 2020 we achieved an improvement in lost-time-incidents with a total of 2 registered incidents.
- Safety training continued in all Skamol's locations.
- Safety walk registration procedure was implemented during 2H 2020 with a total of 10 registered safety walks.

PERFORMANCE

Zero lost-time incidents

Safety training and walks

Lost-time incidents*

2020	2.9
2019	4.2
2018	5.0
2017	4.3
2016	6.1

* Lost-time incidents per million worked hours

AMBITIONS 2021

- The overall ambition related to safety is to achieve zero lost-time-incidents.
- Continuing safety trainings and increase numbers of registered safety walks to 2 safety walks per month per production site.

4. Integrity

EFFORTS 2020

- Code of conduct signed by all employees.
- Code of conduct signed by all raw material suppliers.
- Sanction's screening conducted for all customers.
- Sanction's screening conducted for all suppliers.
- The Skamol whistleblower channel has proven its purpose as there have been a few alerts, related to distributors/agents escalating commercial disagreements on individual trading, which have all been handled at the appropriate levels in the organization.

PERFORMANCE

Code of conduct signed with 100% of employees

Code of conduct signed with 100% of raw material suppliers

Sanction's screening conducted with:
100% of customers
100% of suppliers

AMBITIONS 2021

- In 2021 relevant code of conduct training tools for employees will be identified for improved understanding of behaviour in this respect.
- Code of conduct signed by all employees.
- Code of Conduct signed by all raw material suppliers.
- Sanction's screening for all customers to be digitalized as part of Skamol's IT landscape.
- Sanction's screening for all suppliers to be digitalized as part of Skamol's IT landscape.

5. Reduce environmental footprint

EFFORTS 2020

- During 2020 an energy accounting system for all sites has been implemented and specific targets for reduction of energy have been defined.
- In addition, energy efficiency projects have been conducted to reduce energy consumption and GHG emissions.

PERFORMANCE

Implementation of system GHG accounting

GHG emissions (tCO_2e):
Scope 1: 28,622.4
Scope 2: 3,737.4

GHG emissions/production output:
To be reported from 2021

AMBITIONS 2021

- There is an ambition to reduce Skamol's environmental footprint e.g. through energy efficiencies, alternative energy sources and reduced waste – and a long term ambition to have climate neutral operations.
- During 2021 we will prepare a roadmap on moving towards these ambitions.
- For 2021 the target is a reduction of GHG emissions relative to production output (2020 as base year), through improvement and optimization of equipment and processes.

Income Statement 1 January - 31 December

	Note	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**394.366**	**403.364**	**0**	**0**
Expenses for raw materials and consumables		-126.080	-125.549	0	0
Other external expenses		-79.232	-66.834	-7.745	-109
Gross profit/loss		**189.054**	**210.981**	**-7.745**	**-109**
Staff expenses	2	-122.505	-126.280	0	0
EBITDA		**66.549**	**84.701**	**-7.745**	**-109**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-51.349	-48.462	0	0
Profit/loss before financial income and expenses		**15.200**	**36.239**	**-7.745**	**-109**
Income from investments in subsidiaries		0	0	9.101	18.406
Financial income	4	181	409	1.381	1.928
Financial expenses	5	-9.977	-10.677	-5.845	-5.153
Profit/loss before tax		**5.404**	**25.971**	**-3.108**	**15.072**
Tax on profit/loss for the year	6	-7.592	-9.057	920	1.842
Net profit/loss for the year		**-2.188**	**16.914**	**-2.188**	**16.914**

Balance Sheet 31 December

Assets

	Note	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
		TDKK	TDKK	TDKK	TDKK
Completed development projects		17.270	3.208	0	0
Software		14.257	13.365	0	0
Acquired licenses		1.028	1.365	0	0
Goodwill		228.905	252.053	0	0
Development projects in progress		7.818	14.890	0	0
Intangible assets	7	**269.278**	**284.881**	**0**	**0**
Land and buildings		87.337	87.058	0	0
Plant and machinery		107.149	78.649	0	0
Other fixtures and fittings, tools and equipment		15.891	17.665	0	0
Prepayments for property, plant and equipment		16.282	55.370	0	0
Property, plant and equipment	8	**226.659**	**238.742**	**0**	**0**
Investments in subsidiaries	9	0	0	464.847	475.265
Fixed asset investments		**0**	**0**	**464.847**	**475.265**
Fixed assets		**495.937**	**523.623**	**464.847**	**475.265**
Inventories	10	**62.414**	**41.953**	**0**	**0**
Trade receivables		68.327	91.299	0	0
Receivables from group enterprises		0	0	26.813	35.224
Other receivables		11.043	9.574	0	0
Deferred tax asset	14	1.517	1.661	0	0
Corporation tax		667	2.216	2.920	6.841
Receivables		**81.554**	**104.750**	**29.733**	**42.065**
Cash at bank and in hand		**64.255**	**45.842**	**0**	**0**
Currents assets		**208.223**	**192.545**	**29.733**	**42.065**
Assets		**704.160**	**716.168**	**494.580**	**517.330**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Share capital	12	10.219	10.219	10.219	10.219
Reserve for net revaluation under the equity method		0	0	30.357	40.775
Reserve for hedging transactions		-585	0	-585	0
Reserve for exchange rate conversion		-19.529	0	-19.529	0
Retained earnings		382.347	384.535	351.990	343.760
Equity		**372.452**	**394.754**	**372.452**	**394.754**
Provision for deferred tax	14	15.466	13.195	183	155
Provisions for pensions and similar obligations		555	578	0	0
Provisions		**16.021**	**13.773**	**183**	**155**
Credit institutions		226.988	226.339	121.339	121.339
Lease obligations		128	165	0	0
Other payables		7.390	2.913	0	0
Long-term debt	15	**234.506**	**229.417**	**121.339**	**121.339**
Credit institutions	15	0	960	0	960
Trade payables		57.942	57.256	0	0
Corporation tax		1.412	454	0	0
Other payables	15	21.827	19.554	606	122
Short-term debt		**81.181**	**78.224**	**606**	**1.082**
Debt		**315.687**	**307.641**	**121.945**	**122.421**
Liabilities and equity		**704.160**	**716.168**	**494.580**	**517.330**

	Note
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Statement of Changes in Equity

Group

	Share capital	Reserve for net revalua- tion under the equity method	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10.219	0	0	0	384.535	394.754
Exchange adjustments	0	0	0	-19.529	0	-19.529
Fair value adjustment of hedging instruments, end of year	0	0	-585	0	0	-585
Net profit/loss for the year	0	0	0	0	-2.188	-2.188
Equity at 31 December	**10.219**	**0**	**-585**	**-19.529**	**382.347**	**372.452**

Parent Company

	Share capital	Reserve for net revalua- tion under the equity method	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
Equity at 1 January	10.219	40.775	0	0	343.760	394.754
Exchange adjustments	0	0	0	-19.529	19.529	0
Exchange adjustments relating to foreign entities	0	-19.529	0	0	0	-19.529
Fair value adjustment of hedging instruments	0	0	-585	0	0	-585
Net profit/loss for the year	0	9.111	0	0	-11.299	-2.188
Equity at 31 December	**10.219**	**30.357**	**-585**	**-19.529**	**351.990**	**372.452**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020	Group 2019
		TDKK	TDKK
Net profit/loss for the year		-2.188	16.914
Adjustments	16	68.705	67.875
Change in working capital	17	572	-20.193
Cash flows from operating activities before financial income and expenses		**67.089**	**64.596**
Financial income		0	-1.519
Financial expenses		-9.626	-7.449
Cash flows from ordinary activities		**57.463**	**55.628**
Corporation tax paid		-2.122	-7.624
Cash flows from operating activities		**55.341**	**48.004**
Purchase of intangible assets		-12.321	-20.333
Purchase of property, plant and equipment		-25.936	-42.838
Cash flows from investing activities		**-38.257**	**-63.171**
Raising of loans from credit institutions		4.504	47.880
Cash flows from financing activities		**4.504**	**47.880**
Change in cash and cash equivalents		**21.588**	**32.713**
Cash and cash equivalents at 1 January		44.882	11.739
Exchange adjustment of current asset investments		-2.215	430
Cash and cash equivalents at 31 December		**64.255**	**44.882**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		64.255	45.842
Overdraft facility		0	-960
Cash and cash equivalents at 31 December		**64.255**	**44.882**

Notes to the Financial Statements

		Group		Parent Company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Turnover EU-countries	191.497	195.562	0	0
	Turnover non-EU countries	202.869	207.802	0	0
	Net turnover	**394.366**	**403.364**	**0**	**0**
2	**Staff expenses**				
	Wages and salaries	113.192	115.918	0	0
	Pensions	9.313	10.362	0	0
		122.505	**126.280**	**0**	**0**
	Including remuneration to the Executive Board of:				
	Executive Board	7.012	-	0	0
	Supervisory Board	0	0	0	0
		7.012	**0**	**0**	**0**
	Average number of employees	**427**	**448**	**0**	**0**

Remuneration to the Executive Board for 2019 has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Remuneration to the Executive Board for 2020 also includes salary and severence pay to the former CEO.

		Group 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	27.665	26.526	0	0
	Depreciation of property, plant and equipment	23.684	21.936	0	0
		51.349	**48.462**	**0**	**0**

Notes to the Financial Statements

		Group		Parent Company	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
4	**Financial income**				
	Interest received from group enterprises	0	0	1.261	1.568
	Other financial income	181	409	120	360
		181	**409**	**1.381**	**1.928**
5	**Financial expenses**				
	Other financial expenses	9.977	10.677	5.845	5.153
		9.977	**10.677**	**5.845**	**5.153**
6	**Tax on profit/loss for the year**				
	Current tax for the year	5.108	4.378	-755	-1.001
	Deferred tax for the year	2.083	5.520	-192	0
	Adjustment of deferred tax concerning previous years	401	-841	27	-841
		7.592	**9.057**	**-920**	**-1.842**

Notes to the Financial Statements

7 Intangible assets

Group

	Completed development projects	Software	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	13.558	14.744	11.805	410.878	14.890
Exchange adjustment	-115	0	-88	-19	-114
Additions for the year	3.495	2.006	0	0	4.653
Transfers for the year	12.005	1.633	25	2	-11.611
Cost at 31 December	28.943	18.383	11.742	410.861	7.818
Impairment losses and amortisation at 1 January	10.350	1.379	10.440	158.825	0
Exchange adjustment	-48	0	-41	6	0
Amortisation for the year	1.371	2.739	297	23.123	0
Transfers for the year	0	8	18	2	0
Impairment losses and amortisation at 31 December	11.673	4.126	10.714	181.956	0
Carrying amount at 31 December	**17.270**	**14.257**	**1.028**	**228.905**	**7.818**

Development projects include production, products and 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	135.562	336.523	51.772	55.554
Exchange adjustment	-5.590	-8.337	-1.851	-2.883
Additions for the year	1.163	4.973	4.040	18.106
Disposals for the year	0	-84	-23	-193
Transfers for the year	6.934	46.383	-542	-54.302
Cost at 31 December	138.069	379.458	53.396	16.282
Impairment losses and depreciation at 1 January	48.504	257.874	34.107	184
Exchange adjustment	-642	-2.996	-699	-8
Depreciation for the year	2.559	16.694	4.567	0
Reversal for the year of previous years' impairment losses	0	-69	-14	0
Transfers for the year	311	806	-456	-176
Impairment losses and depreciation at 31 December	50.732	272.309	37.505	0
Carrying amount at 31 December	**87.337**	**107.149**	**15.891**	**16.282**

	Parent Company	
	2020	2019
	TDKK	TDKK

9 Investments in subsidiaries

	2020	2019
Cost at 1 January	434.490	433.430
Additions for the year	0	1.060
Transfers for the year	0	0
Cost at 31 December	434.490	434.490
Value adjustments at 1 January	40.775	16.053
Exchange adjustment	-19.523	6.317
Net profit/loss for the year	21.320	31.091
Amortisation of goodwill	-12.215	-12.686
Change in intercompany profit on inventories	0	0
Value adjustments at 31 December	30.357	40.775
Carrying amount at 31 December	**464.847**	**475.265**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Skamol A/S	Aarhus	DKK 43.095.000	100%
Skamol Americas Inc.	USA	USD 3.310.000	100%
Skamol Europe GmbH	Germany	EUR 50.000	100%
Skamol Polska S.p.Z.o.o	Poland	PLN 12.505.000	100%
Skamol Eastern Europe S.p.Z.o.o	Poland	PLN 800.000	100%
Skamol Rus LLC	Russia	RUB 10.000	100%
Skamol France SAS	France	EUR 50.000	100%
Skamol (Shanghai) Trading Co. Ltd.	China	CNY 641.690	100%
Skamol Asia Pacific PTY Ltd.	Australia	AUD 108	100%
NCM Core A/S	Aarhus	DKK 1.011.000	100%
Skamol United Kingdom Ltd.	UK	GBP 30.000	100%

Notes to the Financial Statements

10 Inventories

	Group 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Raw materials and consumables	11.073	8.786	0	0
Work in progress	717	408	0	0
Finished goods and goods for resale	50.624	32.759	0	0
	62.414	**41.953**	**0**	**0**

11 Prepayments

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

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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Share capital at 1 January	10.219	10.219	10.213	10.149	10.078
Capital increase	0	0	6	64	71
Capital decrease	0	0	0	0	0
Share capital at 31 December	**10.219**	**10.219**	**10.219**	**10.213**	**10.149**

Notes to the Financial Statements

13 Distribution of profit

	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Reserve for net revaluation under the equity method	9.111	18.045
Retained earnings	-11.299	-1.131
	-2.188	**16.914**

14 Provision for deferred tax

	Group 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Provision for deferred tax at 1 January	11.534	6.602	155	743
Amounts recognised in the income statement for the year	2.484	5.520	-192	0
Amounts recognised in equity for the year	1.448	-588	220	-588
Provision for deferred tax at 31 December	**15.466**	**11.534**	**183**	**155**

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 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Between 1 and 5 years	226.988	226.339	121.339	121.339
Long-term part	226.988	226.339	121.339	121.339
Other short-term debt to credit institutions	0	960	0	960
	226.988	**227.299**	**121.339**	**122.299**

Notes to the Financial Statements

15 Long-term debt (continued)

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Lease obligations				
Between 1 and 5 years	128	165	0	0
Long-term part	128	165	0	0
Within 1 year	0	0	0	0
	128	**165**	**0**	**0**
Other payables				
Between 1 and 5 years	7.390	2.913	0	0
Long-term part	7.390	2.913	0	0
Other short-term payables	21.827	19.554	606	122
	29.217	**22.467**	**606**	**122**

16 Cash flow statement - adjustments

	Group	
	2020	2019
	TDKK	TDKK
Financial income	-181	-409
Financial expenses	9.977	10.677
Depreciation, amortisation and impairment losses, including losses and gains on sales	51.349	48.463
Tax on profit/loss for the year	7.592	9.057
Other adjustments	-32	87
	68.705	**67.875**

17 Cash flow statement - change in working capital

Change in inventories	-22.558	-5.333
Change in receivables	21.795	-17.464
Change in other provisions	0	578
Change in trade payables, etc	1.335	2.026
	572	**-20.193**

Notes to the Financial Statements

18 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.

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	2.799	3.375	0	0
Between 1 and 5 years	1.881	2.367	0	0
	4.680	**5.742**	**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 group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

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

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
FSN Capital III Limited Partnership	Controlling shareholder

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

Notes to the Financial Statements

20 Fee to auditors appointed at the general meeting

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
PricewaterhouseCoopers				
Audit fee	319	276	16	8
Tax advisory services	99	462	0	0
	418	**738**	**16**	**8**
Other audit firms				
Audit fee	413	296	0	0
Other assurance engagements	354	856	0	0
	767	**1.152**	**0**	**0**
	1.185	**1.890**	**16**	**8**

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of FSN SKA A/S for 2020 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. There have been made a few reclassification in the comparable figures.

The Consolidated and Parent Company Financial Statements for 2020 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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 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

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised

21 Accounting Policies (continued)

in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

Revenue

Information on business and 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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

Developmentcost on projects include salaries, depreciation and other costs that can be directly and indirectly attributed to the company's development activities.

Development projects that are clearly defined and identifiable, where the degree of technical utilization, sufficient resources and a potential future market or development opportunity in the group can be demonstrated, and where the intention to manufacture, market or use the project are recognized as intangible fixed assets, if sufficient assurance that the capital value of future earnings can cover production, sales and administration costs as well as the development costs themselves.

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

Capitalized development costs are measured at cost less accumulated amortization and impairment losses or recoverable amount, whichever is lower. An amount corresponding to the recognized development costs is reserved in the item "Reserve for development costs" under equity. The reserve includes only development costs that are recognized in financial years beginning on or after 1 January 2016. The reserve is continuously reduced with depreciation and write-downs on the development projects.

Capitalized development costs are depreciated from the time of completion on a straight-line basis over the period in which the development work is expected to generate economic benefits. However, the depreciation period is a maximum of 10 years.

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Other equipment	3-5	years
Own Moler deposits	20	years

The fixed assets' residual values are determined at nil. Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 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 "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 di-

Notes to the Financial Statements

21 Accounting Policies (continued)

rect 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.

Equity

Dividend

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

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
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	$\frac{\text{Adjusted EBITDA* x 100}}{\text{Turnover}}$

*Adjusted EBITDA is excl. one time items.

All in one

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