



FSN SKA A/S

Annual report 2019

Approved at the annual general meeting _____
Sletvej 2C, 8310 Tranbjerg J, Denmark, CVR 32 34 79 67, www.skamol.com

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 2019.

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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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

Aarhus, 2 March 2020

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 2019 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 2019 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 2019, 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.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, 2 March 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mads Meldgaard
State Authorised Public Accountant
mne24826

Lars Greve Jensen
State Authorised Public Accountant
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

Karsten Lundgaard

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Bankers

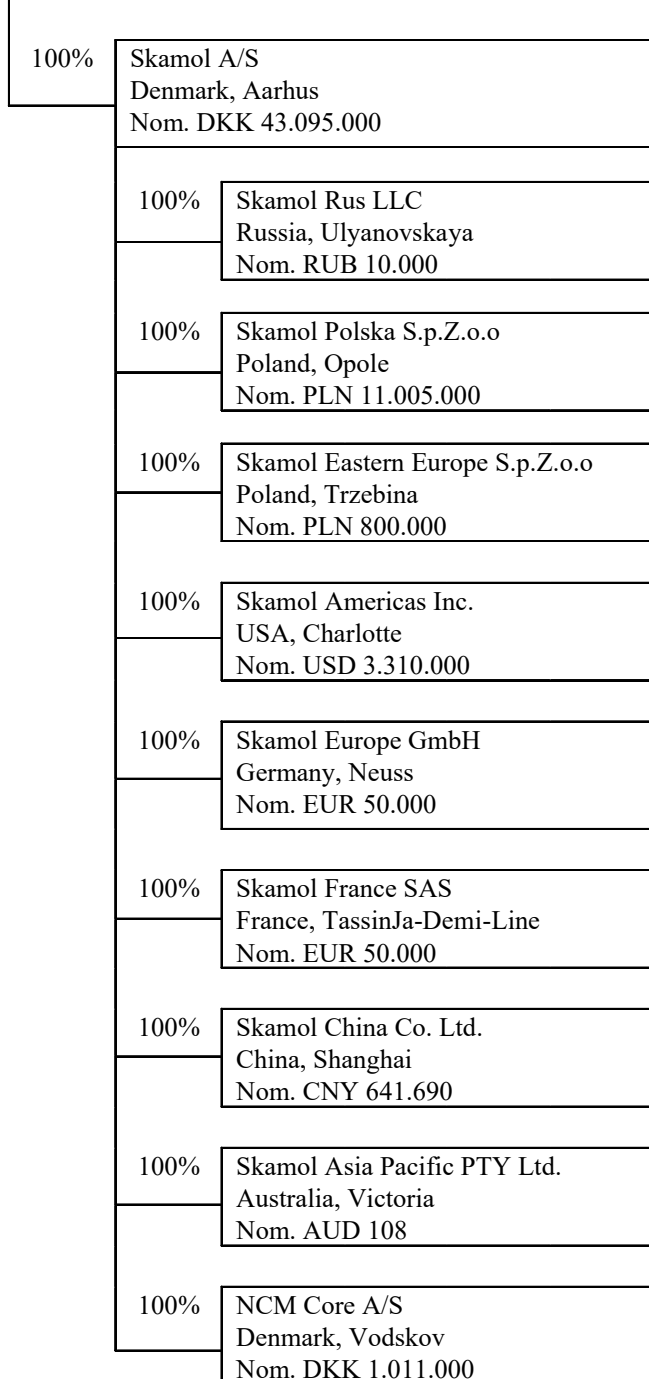
Skandinaviska Enskilda Banken AB (SEB)
Bernstorffsgade 50
1577 København

Group Chart

Parent Company

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

Consolidated subsidiaries



Financial Highlights

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

	Group				
	2019	2018	2017	2016	2015
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Turnover	403	385	340	316	337
Adjusted EBITDA*	87	77	83	79	76
Profit/loss before financial income and expenses	36	27	44	36	34
Net financials	-10	-6	-7	-7	-10
Net profit/loss for the year	17	14	21	16	14
Balance sheet					
Balance sheet total	716	639	622	538	563
Equity	395	371	364	337	313
Cash flows					
Cash flows from:					
- operating activities	48	41	63	66	63
- investing activities	-63	-50	-103	-43	-12
including investment in property, plant and equipment	-43	-42	-97	-29	-11
- financing activities	48	-3	47	-52	-52
Change in cash and cash equivalents for the year	33	-11	7	-29	-1
Number of employees	448	421	377	367	380
Ratios					
Profit margin	8,9%	7,0%	12,9%	11,4%	10,1%
Return on assets	5,0%	4,2%	7,1%	6,7%	6,0%
Solvency ratio	55,3%	58,1%	58,5%	62,6%	55,6%
Return on equity	4,4%	3,8%	6,0%	4,9%	4,6%
Adjusted EBITDA margin	21,5%	20,0%	24,4%	25,0%	22,6%

*Adjusted EBITDA is excl. one time items.

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 Skamol's 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 2019 Skamol's turnover was DKK 403 million against DKK 385 million in 2018 and adjusted EBITDA amounted to DKK 87 million in 2019 compared to DKK 77 million in 2018. The growth in turnover and EBITDA was a consequence of a disciplined execution of the Skamol Way Forward strategy.

The market organisation in Skamol has been further strengthened during 2019 through a professionalization of the sales force through targeted training and standard work as well as increasingly global coverage, where new sales offices have been opened to facilitate the continued growth.

Manufacturing and product development

During 2019, 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 2019 was the construction of a new production line in the Polish plant. The new line is being completed and started up in the beginning of 2020. This is expected to double the output of the Polish plant in a planned ramp up during 2020 and 2021.

Furthermore, Skamol has invested significantly in R&D activities during 2019, where new products have been developed and ready to market in 2020.

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 2019 an upgraded ERP system as well as production monitoring system was implemented, which means that when entering 2020 all entities in Skamol Group are using the same IT platform.

Continuous improvements are of high importance to Skamol, and further areas to optimize the business have been identified and will be worked on in 2020.

During 2019 Skamol has continued the work on further strengthening processes through Skamol Business System, which provides the overall management framework within Skamol Group on a global scale. This involves clarification of policies etc. as an enabler for realizing Skamol's growth strategy as well as identifying and mitigating risks.

Management's Review

Financial risks

For the whole FSN SKA A/S Group the interest-bearing debt amounted to DKK 229 million at the end of 2019. Net interest-bearing debt amounted to DKK 185 million.

Compared to the established drawing right, Skamol has a net cash position of totally DKK 120 million at the end of 2019.

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 2019, 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 2018-figures

In 2019 the turnover increased to DKK 403 million (DKK 385 million). EBITDA before non-recurrent items (adjusted EBITDA) amounted to DKK 87 million (DKK 77 million) corresponding to 21.5 % (20.0 %) of the turnover. Depreciations and amortizations were DKK 48.5 million (DKK 45.7 million).

The total assets were DKK 714 million (DKK 639 million).

At the end of 2019 Skamol employed 458 employees. Of these, 186 employees in Denmark and 272 outside Denmark. Compared to 2018, the total number of employees increased by 15.

Deviations compared to outlook for 2019

As expected, the Group's turnover and EBITDA increased in 2019 compared to 2018, together with a positive cashflow from operations.

Outlook for 2020

Skamol expects increasing turnover and earnings in the coming years, including 2020.

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

In 2020 Skamol expects a continued increase in turnover and EBITDA compared to 2019, 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 A/S Group. In 2019 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
Lone Løhde, employee representative, joined 15.05.2019
Sonja Haastrup Merrild, employee representative, joined 15.05.2019

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 2019, a total of 4 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

FSN SKA'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 composition of the board during 2019 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 2019 a share of 30 % female representatives compared to male representatives at other management level, compared to 39% at the end of 2018. During 2019 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.

Management's Review

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 Division, Skamol delivers specialty insulation systems for renovations and new buildings.
- ▶ Within Industry Division, 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.



Management's Review

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.



Management's Review

KEY ESG GOALS EFFORTS 2019 PERFORMANCE AMBITIONS 2020

1. Loyal customers

- Intensified customer interaction through weekly structural follow-up processes as part of Skamol's performance management
- Improved documentation and handling of customer needs through training of sales staff and execution of performance management
- Product Management: Development of Skamol All In One campaign to clarify our product offering as part of Skamol's transition to taking a branded position in the markets we operate in
- Planning and Logistics: A new ERP system was implemented in 2019 facilitating the development of the Service Centre in the Rødding plant to centralize and standardize labelling and packaging

Intensified customer interaction



Improved documentation and handling of customer needs



Skamol "All In One" campaign



New ERP system



Market position

- One annual training of all sales staff in market, branding, processes, systems, products and performance

2. Loyal and motivated employees

- Skamol Leadership Program partly implemented through theme 'Leadership and Communication'
- Skamol Business Systems (SBS) fully implemented.
- Quality Improvement Program (QIP) partly implemented.

Skamol Leadership Program



Skamol Business System



Quality Improvement Program



Caring about people

- All Skamol departments implement monthly training in using Skamol Business System

3. Caring about people

- During 2019 we have implemented:
- Global system for handling of supplier material safety data and workplace instructions.
 - Online accessible solution for handling/sharing of work instructions.
 - Standardized workplace organization methods at all locations.
 - International safety training.

Supplier material safety data and workplace instructions handled in global system



Work instructions online



Standardized workplace organization



International safety training



Health and safety

- Zero lost-time-incidents by continuing safety training and safety walks in all Skamol's locations

4. Integrity

- During 2019 we have implemented:
- Integrity process including screening for specific sanctions.

Code of conduct signed with 100% of employees 100% of suppliers



Integrity process



Compliance and transparency

- Code of conduct signed by all employees
- Code of conduct signed by all suppliers
- Sanctions screening conducted for all customers
- Sanctions screening conducted for all suppliers

5. Energy efficient systems

- During 2019 new products and systems have been developed which support energy reductions:
- Building: New product for inside insulation of houses in connection with renovation gives energy savings of 18%, based on an average house of 133 m².
 - Industry: New product for insulation of aluminum pots within primary aluminum to substitute e.g. 50 % of barrier layer gives additional 1% energy savings equivalent to 130 KWH per ton aluminum produced.

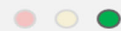
New product for inside insulation of houses 18 % energy savings



New products for insulation of aluminum pots 1% energy savings



Waste heat 14% energy recovery of total plant consumption 2019



- During 2019 several initiatives have been implemented to reduce energy consumption in production:
- e.g. waste heat recovery in one of our plants resulting in an energy saving of 14% of total plant consumption in 2019.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Revenue	1	403.364	384.744	0	0
Other operating income		0	1.505	0	0
Expenses for raw materials and consumables		-125.549	-146.302	0	0
Other external expenses		-66.834	-53.889	-109	-10
Gross profit/loss		210.981	186.058	-109	-10
Staff expenses	2	-126.280	-112.595	0	0
EBITDA		84.701	73.463	-109	-10
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-48.462	-45.693	0	0
Other operating expenses		0	-1.191	0	0
Profit/loss before financial income and expenses		36.239	26.579	-109	-10
Income from investments in subsidiaries		0	0	18.406	13.750
Financial income	4	409	2.426	1.928	4.233
Financial expenses	5	-10.677	-8.748	-5.153	-3.896
Profit/loss before tax		25.971	20.257	15.072	14.077
Tax on profit/loss for the year	6	-9.057	-6.212	1.842	-32
Net profit/loss for the year		16.914	14.045	16.914	14.045

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Completed development projects		3.208	4.085	0	0
Software		13.365	0	0	0
Acquired licenses		1.365	502	0	0
Goodwill		252.053	272.585	0	0
Development projects in progress		14.890	3.318	0	0
Intangible assets	7	284.881	280.490	0	0
Land and buildings		87.058	87.100	0	0
Plant and machinery		78.649	88.150	0	0
Other fixtures and fittings, tools and equipment		17.665	10.707	0	0
Prepayments for property, plant and equipment		55.370	36.138	0	0
Property, plant and equipment	8	238.742	222.095	0	0
Investments in subsidiaries	9	0	0	475.265	449.483
Fixed asset investments		0	0	475.265	449.483
Fixed assets		523.623	502.585	475.265	449.483
Inventories	10	41.953	38.898	0	0
Trade receivables		91.299	74.347	0	0
Receivables from group enterprises		0	0	35.224	89.270
Other receivables		9.574	7.372	0	7
Deferred tax asset	14	1.661	2.321	0	682
Corporation tax		2.216	0	6.841	13.393
Receivables		104.750	84.040	42.065	103.352
Cash at bank and in hand		45.842	13.479	0	0
Currents assets		192.545	136.417	42.065	103.352
Assets		716.168	639.002	517.330	552.835

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Share capital		10.219	10.219	10.219	10.219
Reserve for net revaluation under the equity method		0	0	40.775	16.053
Retained earnings		384.535	360.944	343.760	344.891
Equity	12	394.754	371.163	394.754	371.163
Provision for deferred tax	14	13.195	8.923	155	1.425
Provisions for pensions and similar obligations		578	0	0	0
Provisions		13.773	8.923	155	1.425
Credit institutions		226.339	178.864	121.339	178.864
Lease obligations		165	0	0	0
Other payables		2.913	0	0	0
Long-term debt	15	229.417	178.864	121.339	178.864
Credit institutions	15	960	1.793	960	985
Trade payables		57.256	55.359	0	0
Corporation tax		454	1.370	0	0
Other payables	15	19.554	21.530	122	398
Short-term debt		78.224	80.052	1.082	1.383
Debt		307.641	258.916	122.421	180.247
Liabilities and equity		716.168	639.002	517.330	552.835
Distribution of profit	13				
Contingent assets, liabilities and other financial obligations	18				
Related parties	19				
Fee to auditors appointed at the general meeting	20				
Accounting Policies	21				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10.219	0	360.944	371.163
Exchange adjustments relating to foreign entities	0	0	6.677	6.677
Net profit/loss for the year	0	0	16.914	16.914
Equity at 31 December	10.219	0	384.535	394.754

Parent Company

Equity at 1 January	10.219	16.053	344.891	371.163
Exchange adjustments relating to foreign entities	0	6.677	0	6.677
Net profit/loss for the year	0	18.045	-1.131	16.914
Equity at 31 December	10.219	40.775	343.760	394.754

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2019 TDKK	2018 TDKK
Net profit/loss for the year		16.914	14.045
Adjustments	16	67.875	57.823
Change in working capital	17	-20.193	-11.797
Cash flows from operating activities before financial income and expenses		64.596	60.071
Financial income		-1.519	2.426
Financial expenses		-7.449	-8.744
Cash flows from ordinary activities		55.628	53.753
Corporation tax paid		-7.624	-12.260
Cash flows from operating activities		48.004	41.493
Purchase of intangible assets		-20.333	-9.909
Purchase of property, plant and equipment		-42.838	-42.183
Sale of property, plant and equipment		0	2.319
Cash flows from investing activities		-63.171	-49.773
Repayment of loans from credit institutions		0	-2.156
Reduction of lease obligations		0	-927
Raising of loans from credit institutions		47.880	0
Cash capital increase		0	305
Cash flows from financing activities		47.880	-2.778
Change in cash and cash equivalents		32.713	-11.058
Cash and cash equivalents at 1 January		11.739	22.797
Exchange adjustment of current asset investments		430	0
Cash and cash equivalents at 31 December		44.882	11.739
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		45.842	13.479
Overdraft facility		-960	-1.740
Cash and cash equivalents at 31 December		44.882	11.739

Notes to the Financial Statements

	Group		Parent Company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
1 Revenue				
Geographical segments				
Turnover EU-countries	195.562	208.012	0	0
Turnover non-EU countries	207.802	176.732	0	0
Net turnover	403.364	384.744	0	0
2 Staff expenses				
Wages and salaries	115.918	105.007	0	0
Pensions	10.362	7.588	0	0
	126.280	112.595	0	0
Average number of employees	448	421	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				
Amortisation of intangible assets	26.526	30.350	0	0
Depreciation of property, plant and equipment	21.936	15.343	0	0
	48.462	45.693	0	0

Notes to the Financial Statements

	Group		Parent Company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
4 Financial income				
Income from fixed asset investments	0	160	0	0
Interest received from group enterprises	0	0	1.568	4.233
Other financial income	409	1.369	360	0
Exchange adjustments	0	897	0	0
	409	2.426	1.928	4.233
5 Financial expenses				
Other financial expenses	10.677	7.990	5.153	3.896
Exchange adjustments, expenses	0	758	0	0
	10.677	8.748	5.153	3.896
6 Tax on profit/loss for the year				
Current tax for the year	4.378	8.722	-1.001	-261
Deferred tax for the year	5.520	-2.815	0	0
Adjustment of tax concerning previous years	0	12	0	0
Adjustment of deferred tax concerning previous years	-841	293	-841	293
	9.057	6.212	-1.842	32

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	11.955	0	10.711	412.113	3.318
Exchange adjustment	7	0	40	43	32
Additions for the year	220	8.669	66	3.386	10.940
Disposals for the year	0	0	-22	0	0
Transfers for the year	1.376	6.075	1.010	-4.664	600
Cost at 31 December	13.558	14.744	11.805	410.878	14.890
Impairment losses and amortisation at 1 January	7.870	0	8.612	141.204	0
Exchange adjustment	5	0	17	2	0
Amortisation for the year	1.641	1.134	1.469	22.283	0
Reversal of amortisation of disposals for the year	0	0	-19	0	0
Transfers for the year	834	245	361	-4.664	0
Impairment losses and amortisation at 31 December	10.350	1.379	10.440	158.825	0
Carrying amount at 31 December	3.208	13.365	1.365	252.053	14.890

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	132.925	330.662	41.516	36.032
Exchange adjustment	1.651	2.157	689	800
Additions for the year	986	1.608	6.376	33.681
Disposals for the year	0	-143	-694	0
Transfers for the year	0	2.239	3.885	-14.959
Cost at 31 December	<u>135.562</u>	<u>336.523</u>	<u>51.772</u>	<u>55.554</u>
Impairment losses and depreciation at 1 January	45.825	242.512	30.809	0
Exchange adjustment	212	1.041	288	2
Depreciation for the year	2.407	14.891	4.202	437
Reversal of impairment and depreciation of sold assets	0	-87	-675	0
Transfers for the year	60	-483	-517	-255
Impairment losses and depreciation at 31 December	<u>48.504</u>	<u>257.874</u>	<u>34.107</u>	<u>184</u>
Carrying amount at 31 December	<u>87.058</u>	<u>78.649</u>	<u>17.665</u>	<u>55.370</u>

Notes to the Financial Statements

	Parent Company	
	2019	2018
	TDKK	TDKK
9 Investments in subsidiaries		
Cost at 1 January	433.430	433.430
Additions for the year	1.060	0
Transfers for the year	0	0
Cost at 31 December	<u>434.490</u>	<u>433.430</u>
Value adjustments at 1 January	16.053	9.773
Exchange adjustment	6.317	-7.470
Net profit/loss for the year	31.091	27.239
Amortisation of goodwill	-12.686	-13.489
Change in intercompany profit on inventories	0	0
Value adjustments at 31 December	<u>40.775</u>	<u>16.053</u>
Carrying amount at 31 December	<u>475.265</u>	<u>449.483</u>

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 11.005.000	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 China Co. Ltd.	China	CNY 641.690	100%
Skamol Asia Pacific PTY Ltd.	Australia	AUD 108	100%
NCM Core A/S	Vodskov	DKK 1.011.000	100%

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
10 Inventories				
Raw materials and consumables	8.786	9.623	0	0
Work in progress	408	570	0	0
Finished goods and goods for resale	32.759	28.705	0	0
	41.953	38.898	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:

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	10.219	10.213	10.149	10.078	10.073
Capital increase	0	6	64	71	5
Capital decrease	0	0	0	0	0
Share capital at 31 December	10.219	10.219	10.213	10.149	10.078

Notes to the Financial Statements

	Parent Company	
	2019	2018
	TDKK	TDKK
13 Distribution of profit		
Reserve for net revaluation under the equity method	18.045	25.540
Retained earnings	-1.131	-11.495
	16.914	14.045

	Group		Parent Company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
14 Provision for deferred tax				
Provision for deferred tax at 1 January	6.602	8.255	743	-419
Amounts recognised in the income statement for the year	5.520	-2.815	0	0
Amounts recognised in equity for the year	-588	1.162	-588	1.162
Provision for deferred tax at 31 December	11.534	6.602	155	743

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

Between 1 and 5 years	226.339	178.864	121.339	178.864
Long-term part	226.339	178.864	121.339	178.864
Other short-term debt to credit institutions	0	1.793	960	985
	226.339	180.657	122.299	179.849

Notes to the Financial Statements

15 Long-term debt (continued)

	Group		Parent Company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Lease obligations				
Between 1 and 5 years	165	0	0	0
Long-term part	165	0	0	0
Within 1 year	0	0	0	0
	165	0	0	0
Other payables				
Between 1 and 5 years	2.913	0	0	0
Long-term part	2.913	0	0	0
Other short-term payables	18.468	21.523	121	397
	21.381	21.523	121	397
			Group	
			2019 TDKK	2018 TDKK

16 Cash flow statement - adjustments

Financial income	-409	-2.426
Financial expenses	10.677	8.748
Depreciation, amortisation and impairment losses, including losses and gains on sales	48.463	45.443
Tax on profit/loss for the year	9.057	6.212
Other adjustments	87	-154
	67.875	57.823

17 Cash flow statement - change in working capital

Change in inventories	-5.333	-3.779
Change in receivables	-17.464	-28.600
Change in other provisions	578	-613
Change in trade payables, etc	2.026	21.195
	-20.193	-11.797

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	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Rental and lease obligations	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	3.375	4.101	0	0
Between 1 and 5 years	<u>2.367</u>	<u>4.018</u>	<u>0</u>	<u>0</u>
	<u>5.742</u>	<u>8.119</u>	<u>0</u>	<u>0</u>

Guarantee obligations

A guarantee in the amount of DKK 750k with respects to the restoration of Moler areas and a guarantee 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. The total amount of corporation tax payable by the Group amounts to TDKK 0. 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	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
PricewaterhouseCoopers				
Audit fee	276	205	8	10
Tax advisory services	462	233	0	0
	738	438	8	10
Other audit firms				
Audit fee	296	110	0	0
Other assurance engagements	856	523	0	0
	1.152	633	0	0
	1.890	1.071	8	10

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of FSN SKA A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year. There have been made a few reclassification in the comparable figures.

The Consolidated and Parent Company Financial Statements for 2019 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

Notes to the Financial Statements

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 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.

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

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 13,800 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

Notes to the Financial Statements

21 Accounting Policies (continued)

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 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.

Equity

Dividend

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

Notes to the Financial Statements

21 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

21 Accounting Policies (continued)

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	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

Notes to the Financial Statements

21 Accounting Policies (continued)

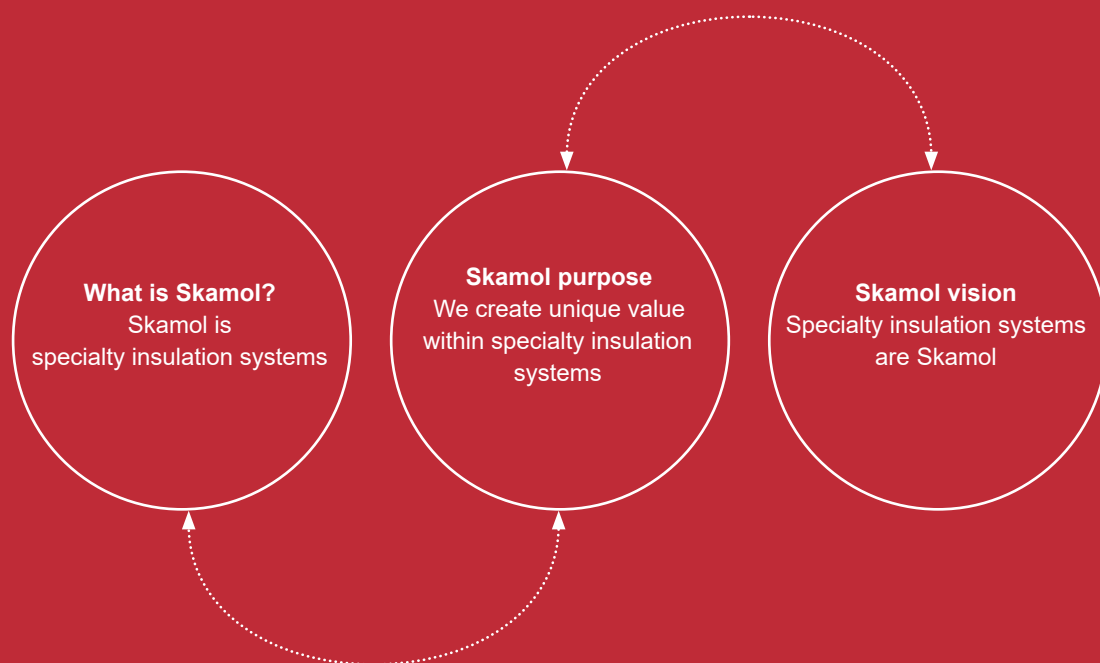
Return on equity

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

Adjusted EBITDA margin

$$\frac{\text{Adjusted EBITDA}^* \times 100}{\text{Turnover}}$$

*Adjusted EBITDA is excl. one time items.



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