Leca Danmark A/S

Randersvej 75, 8940 Randers SV

CVR no. 38 31 79 62

Annual report for 2019

This annual report has been adopted at the company's annual general meeting on 29-04-2020

Chairman of the meeting

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Company information etc.

The company

Leca Danmark A/S
Randersvej 75
8940 Randers SV
Registered office: Randers
CVR no.: 38 31 79 62
Founded: 1. januar 2017
Financial year: 01.01 - 31.12
3rd financial year

Executive Board

CEO Torben Ludvig Dyrberg

Board Of Directors

Claude-Alain Georges Marie Tardy, chairman
Antonio Bruno Frederik Bressan
CEO Torben Ludvig Dyrberg
David Eric Molho

Auditors

PricewaterhouseCoopers
Statsautoriseret revisionspartnerselskab

Parent company

Saint-Gobain Denmark A/S

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Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.19 - 31.12.19 for Leca Danmark A/S.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.19 and of the results of the the company's activities for the financial year 01.01.19 - 31.12.19.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Randers SV, April 29, 2020

Executive Board

Torben Ludvig Dyrberg
CEO

Board Of Directors

Claude-Alain Georges Marie Tardy
Chairman

Antonio Bruno Frederik Bressan

David Molho

Torben Ludvig Dyrberg
CEO

David Eric Molho

Independent auditor's report

To the Shareholders of Leca Danmark A/S

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31.12.19 and of the results of the Company's operations for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of Leca Danmark A/S for the financial year 01.01.19 - 31.12.19, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (financial statements).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's Review

Management is responsible for management's review.

Our opinion on the financial statements does not cover Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

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Based on the work we have performed, in our view, Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's review.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, April 29, 2020

PricewaterhouseCoopers
Statsautoriseret revisionspartnerselskab
CVR no. 33771231

Bo Schou-Jacobsen	Henrik Hornbæk
State Authorized Public Accountant	State Authorized Public Accountant
mne28703	mne32802

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FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2019	2018	2017
Profit/loss			
Gross profit	92,282	76,397	62,099
Operating profit/loss	52,099	34,852	28,923
Total net financials	-943	-446	-175
Profit/loss for the year	39,028	19,848	21,373
Balance			
Total assets	277,171	204,469	159,564
Investments in property, plant and equipment	66,232	51,347	18,385
Equity	108,773	84,745	80,897

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Ratios

	2019	2018	2017
Profitability			
Return on equity	40%	24%	26%
Equity ratio			
Equity interest	39%	41%	51%

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

The ratios have been computed in accordance with the recommendations of the Danish Society of Financial Analysts (Den Danske Finansanalytikerforening).

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Primary activities

The company's activities consits of production and business-to-business sales of Leca products, which are used for insulation, basement walls, foundation, protection against penetration of radon and ground deck etc.

The company's products are sold primarily in Denmark and on the European market.

Development in activities and financial affairs

The income statement for the period 01.01.19 - 31.12.19 shows a profit/loss of DKK 39,028,238 against DKK 19,847,721 for the period 01.01.18 - 31.12.18. The balance sheet shows equity of DKK 108,772,931.

Based on the improvement in the operating profit, the management considers the net profit for the year to be satisfactory.

The earnings expectations for 2019 were realized and were primarily driven by sales to a stable Danish market combined with the effect of continued effeciency and focus on operating cots.

Outlook

The company expects a positive result before tax for the coming year at the same level as in 2019. A continued positive development in the Danish market is expected, which in addition to the continued efforts and focus on operational optimization is expected to lead to improved profit in 2020. Please refer to note 14 regarding the impact of COVID-19.

Knowledge resources

The company wants to have an optimal and competent composition of employees.
The company strives that the employees have an appropriate level of competence and seniority as well as an appropriate age distribution.

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Special risks

Price risks

Rising costs for commodities in 2019 have been partly offset by falling energy costs, which has contributed to form a basis for satisfactory earnings. The company focuses on optimizing the use of resources and improving efficiency.

Interest rate risks

The company's cash are administrated in accordance with the Group aggrement. The financial transactions are handled by the Group and risks are thereby minimized.

Other risks

The activity in the English market, which is handled through the company's branch in the UK, can be affected by "Brexit". However, the effect is still difficult to estimate, so the development is monitored closely so that we are ready to respond quickly to ensure that the risk is minimized. Please also refer to note 14 regarding the impact of COVID-19.

External environment

The company focuses on and allocates resources for the work on improvements and investments in the environmental area. Based on the company's policies, objectives and goals, there are action plans that ensure a continuous minimization of the company's environmental impact. The company is certified according to DS / EN ISO 14000: 2008.

Subsequent events

Please refer to note 14 regarding the impact of COVID-19 (Corona).

Except from this, no important events have occured after the end of the financial year.

Branches abroad

The company has a branch in England in charge of sales of the company's products in the local markets.

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Income statement

Note		2019 DKK	2018 DKK
	Gross profit	**92,282,049**	**76,396,589**
1	Distribution costs	-27,165,359	-29,858,480
1	Administrative expenses	-13,017,702	-11,685,632
	Operating profit/loss	**52,098,988**	**34,852,477**
2	Other operating expenses	-570,783	-8,614,223
	Profit/loss before net financials	**51,528,205**	**26,238,254**
	Financial income	1,049,362	950,565
3	Financial expenses	-1,992,243	-1,396,719
	Profit/loss before tax	**50,585,324**	**25,792,100**
4	Tax on profit or loss for the year	-11,557,086	-5,944,379
	Profit/loss for the year	**39,028,238**	**19,847,721**

5 Distribution of net profit

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Balance sheet

ASSETS

Note		31.12.19 DKK	31.12.18 DKK
	Acquired rights	2,618,525	3,457,199
	Goodwill	10,845,778	13,273,826
6	**Total intangible assets**	**13,464,303**	**16,731,025**
	Land and buildings	30,550,171	31,760,423
	Plant and machinery	44,638,452	38,765,418
	Other fixtures and fittings, tools and equipment	3,824,078	4,819,818
	Property, plant and equipment under construction	92,959,280	38,792,316
7	**Total property, plant and equipment**	**171,971,981**	**114,137,975**
	Total non-current assets	**185,436,284**	**130,869,000**
	Raw materials and consumables	9,137,079	5,756,157
	Manufactured goods and goods for resale	28,418,402	22,605,840
	Total inventories	**37,555,481**	**28,361,997**
	Trade receivables	26,220,278	21,063,726
	Receivables from group enterprises	22,869,936	21,366,681
	Other receivables	4,567,077	2,301,483
	Prepayments	522,221	506,524
	Total receivables	**54,179,512**	**45,238,414**
	Total current assets	**91,734,993**	**73,600,411**
	Total assets	**277,171,277**	**204,469,411**

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Balance sheet

EQUITY AND LIABILITIES

Note		31.12.19 DKK	31.12.18 DKK
8	Share capital	510,000	510,000
	Retained earnings	78,262,931	69,234,693
	Proposed dividend for the financial year	30,000,000	15,000,000
	Total equity	**108,772,931**	**84,744,693**
9	Provisions for deferred tax	11,014,586	8,572,223
	Total provisions	**11,014,586**	**8,572,223**
	Payables to group enterprises	39,998,933	0
	Other payables	1,440,353	0
	Total long-term payables	**41,439,286**	**0**
	Trade payables	22,728,992	26,680,635
	Payables to group enterprises	49,805,137	66,890,126
	Income taxes	655,700	1,647,214
	Other payables	13,774,252	15,934,520
10	Deferred income	28,980,393	0
	Total short-term payables	**115,944,474**	**111,152,495**
	Total payables	**157,383,760**	**111,152,495**
	Total equity and liabilities	**277,171,277**	**204,469,411**

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Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	510,000	69,234,693	15,000,000	84,744,693
Dividend paid	0	0	-15,000,000	-15,000,000
Net profit/loss for the year	0	9,028,238	30,000,000	39,028,238
Balance as at 31.12.19	510,000	78,262,931	30,000,000	108,772,931

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	2019 DKK	2018 DKK
1. Employee aspects		
Wages and salaries	40,174,667	43,019,356
Pensions	3,185,280	3,223,992
Other social security costs	757,381	741,106
Total	44,117,328	46,984,454
Total staff costs comprise:		
Production costs	28,209,972	30,710,562
Distribution costs	4,644,422	6,191,697
Administrative expenses	11,262,934	10,082,195
Total	44,117,328	46,984,454
Average number of employees during the year	80	86

The company has chosen to apply the exemption provisions for disclosure of management salaries according to the rules in section 98b (3) of the Danish Financial Statements Act.

The board does not receive any salaries.

Incentive programs:

The Saint-Gobain Group has established a share-based remuneration program for the Executive Board and senior executives of Saint-Gobain Denmark A/S. The senior executives are awarded a number of shares annually, which are tied for 4 years, after which they are released without payment. The receipt of the shares is conditional on the shareholder being in a vacant position, with certain exceptions, at the time of release. At the same time, the allocation of 65% of the shares is conditional on the size of the key figure "return on invested capital", while the allocation of 20% of the shares is conditional on the share price at the time of the acquisition. The last 15% is conditional on the company's CPI regarding Social Responsibility. However, the first 100 shares are released regardless of fulfillment of the criteria. Special provisions apply regarding sickness and death and changes in the company's capital structure etc. The share program is recognized as an equity-based scheme. Settlement to the parent company is posted in equity and amouts to t.DKK 164 in 2019.

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2. Other operating expenses

Other operating expenses include losses on disposal of property, plant and equipment of t.DKK 0 (t.DKK 7,008 in 2018) and restructuring costs regarding employees t.DKK 571 (t.DKK 1,606 in 2018).

	2019 DKK	2018 DKK
3. Financial expenses		
Interest, group enterprises	445,339	342,404
Other interest expenses	64,966	26,621
Foreign currency translation adjustments	1,433,854	958,994
Other financial expenses	48,084	68,700
Financial expenses total	1,546,904	1,054,315
Total	1,992,243	1,396,719

4. Tax on profit or loss for the year

Tax on profit or loss for the year	9,114,723	4,866,009
Adjustment of deferred tax for the year	2,442,363	1,078,370
Total	11,557,086	5,944,379

5. Distribution of net profit

Proposed dividend for the financial year	30,000,000	15,000,000
Retained earnings	9,028,238	4,847,721
Total	39,028,238	19,847,721

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6. Intangible assets

Figures in DKK	Acquired rights	Goodwill	Total
Cost as at 01.01.19	4,854,339	16,397,079	21,251,418
Foreign currency translation adjustment of foreign enterprises	0	-309,175	-309,175
Cost as at 31.12.19	4,854,339	16,087,904	20,942,243
Amortisation and impairment losses as at 01.01.19	-1,397,140	-3,123,253	-4,520,393
Foreign currency translation adjustment of foreign enterprises	0	88,338	88,338
Amortisation during the year	-838,674	-2,207,211	-3,045,885
Amortisation and impairment losses as at 31.12.19	-2,235,814	-5,242,126	-7,477,940
Carrying amount as at 31.12.19	2,618,525	10,845,778	13,464,303

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7. Property, plant and equipment

Figures in DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost as at 01.01.19	130,297,704	156,998,741	23,413,680	38,792,316
Additions during the year	1,147,659	8,882,373	178,038	56,024,025
Disposals during the year	-572,593	-1,800,177	-1,215,836	0
Transfers during the year to/from other items	0	1,857,061	0	-1,857,061
Cost as at 31.12.19	130,872,770	165,937,998	22,375,882	92,959,280
Depreciation and impairment losses as at 01.01.19	-98,537,281	-118,233,323	-18,593,863	0
Depreciation during the year	-1,785,318	-4,866,400	-1,173,777	0
Reversal of depreciation of and impairment losses on disposed assets	0	1,800,177	1,215,836	0
Depreciation and impairment losses as at 31.12.19	-100,322,599	-121,299,546	-18,551,804	0
Carrying amount as at 31.12.19	30,550,171	44,638,452	3,824,078	92,959,280

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8. Share capital

The share capital consists of:

	Quantity	Nominal value
Share capital	510,000	510,000

The share capital has been fully paid in at the balance sheet date.

	31.12.19 DKK	31.12.18 DKK
9. Deferred tax		
Deferred tax as at 01.01.19	8,572,223	7,493,853
Deferred tax recognised in the income statement	2,442,363	1,078,370
Deferred tax as at 31.12.19	11,014,586	8,572,223

10. Deferred income

Grants	28,980,393	0
Total	28,980,393	0

Deferred income comprises of grants received on account for the construction of assets. The total grant to be received will be recognized as income over the useful life of the related asset when the related assets is ready for use.

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11. Contingent liabilities

Lease commitments

The company has concluded lease agreements for cars and operating equipment. The remaining payment consists of a total of DKK 4,202 thousand, which falls due within 5 years. Of this, DKK 782 thousand falls due within 12 months.

Guarantee commitments

The company has provided a guarantee of DKK 3.500 thousand to Region Midtjylland and a guarantee of DKK 975 thousand to Intego.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is unlimited and jointly liable together with the jointly taxed companies for income taxes and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

12. Charges and security

The company has provided a guarantee to the Region Midtjylland regarding an obligation for remediation and restoration for gravel and clay graves for DKK 3,500 thousand. In the balance sheet, DKK 0 has been allocated for restoration.

13. Related parties

Controlling influence:	Basis of influence
Saint-Gobain Denmark A/S	Parent company
Compagnie de Saint-Gobain, Frankrig	Ultimate parent company

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

The company is included in the consolidated financial statements of the parent Compagnie de Saint-Gobain, Frankrig.

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14. Subsequent events

Impact from COVID-19 (Corona)
At the end of march we are still making deliveries with no significant changes compared to pre-COVID-19 expectations. Since the start of the health crisis, we have taken the necessary measures to ensure the health of our employees, customers, suppliers and other stakeholders. We have not yet seen any significant impact on the sales & demand that for the time being continues at the budgeted level. However, the situation surrounding the COVID-19 pandemic in Europe and the effect of the measures put in place to contain the spread of the virus, will most likely have a negative impact on the general demand in the market. It is extremely difficult to give a clear indication of the potential magnitude of this impact due to the general uncertainty surrounding the situation. However, given the recent nature of the epidemic and the measures announced by the government to help businesses, the company is not able to assess the potential quantified impact. At the date the Board of Directors approved the entity's 2019 financial statements, the entity's management is not aware of any material uncertainties that call into question the entity's ability to continue as a going concern.

Any potential adverse impact from COVID-19 on the result is not expected to generate a significant risk for the cash position. As part of the Saint-Gobain Group, the availability and access to cash is not expected to generate any significant challenges. The Group has a very solid financial position and has the necessary cash and financing in place to cope with the consequences of the pandemic.

No other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

15. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

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15. Accounting policies - continued -

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

GOVERNMENT GRANTS

Government grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised on a proportionate basis in the income statement over the period in which the expenses eligible for government grants are expensed. Government grants are recognised under other operating income.

Grants received for the production or construction of assets are recognised as deferred income under payables. For depreciable and amortisable assets, the grant is recognised as the asset is depreciated or amortised.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

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15. Accounting policies - continued -

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue and production costs as well as other operating income.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

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15. Accounting policies - continued -

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	3-5	0
Goodwill	7	0
Buildings	15-20	0
Plant and machinery	3-15	0
Other plant, fixtures and fittings, tools and equipment	3-7	0

Goodwill is amortised over 7 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Land is not depreciated.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

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15. Accounting policies - continued -

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

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15. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Clay deposits and sand pit, which are included in land and buildings, are measured at cost less the calculated value of excavated clay and sand. The calculated value of clay and sand is expensed under production costs.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

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15. Accounting policies - continued -

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs.

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

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

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15. Accounting policies - continued -

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years. Prepayments consist of prepaid expenses relating to administration.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

Current and deferred tax

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

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

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15. Accounting policies - continued -

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Deferred income

Deferred income under liabilities comprise of grants received for the construction of assets.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.

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