Skamol A/S

Annual report 2019

Approved at the annual general meeting ________

Sletvej 2C, 8310 Tranbjerg J, Denmark, CVR 41 33 37 15, www.skamol.com

Chairman, Bo Rygaard

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Skamol 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.

Tranbjerg, 2 March 2020

Executive Board

Karsten Lundgaard CEO	Poul Erik Kamstrup Kristensen Executive Officer

Board of Directors

Bo Rygaard Chairman	Marcus Christer Egelstig	Nicholas Nehmzow Hjorth
Søren Drewsen	Klaus Hermann Franz	Sonja Haastrup Merrild Staff Representative
Lone Ragnhild Løhde Staff Representative		

Independent Auditor's Report

To the Shareholder of Skamol 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 Skamol 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.

- 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	Skamol A/S Sletvej 2 C DK-8310 Tranbjerg CVR No: 41 33 37 15 Financial period: 1 January - 31 December Municipality of reg. office: Aarhus
Board of Directors	Bo Rygaard, Chairman Marcus Christer Egelstig Nicholas Nehmzow Hjorth Søren Drewsen Klaus Hermann Franz Sonja Haastrup Merrild Lone Ragnhild Løhde
Executive Board	Karsten Lundgaard Poul Erik Kamstrup Kristensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C
Bankers	Skandinaviska Enskilda Banken AB (SEB) Bernstorffsgade 50 1577 København

Group Chart

Parent Company

Skamol A/S
Denmark, Aarhus
Nom. DKK 43.095.000

Consolidated subsidiaries

100%
Skamol RUS LLC
Russia, Ulyanovskaya
Nom RUB. 10.000

100%
Skamol Polska S.p.Z.o.o
Poland, Opole
Nom. PLN 11.005.000

100%
Skamol Eastern Europe S.p.Z.o.o
Poland, Trzebina
Nom. PLN 800.000

100%
Skamol Americas Inc.
USA, Charlotte
Nom USD 3.310.000

100%
Skamol Europe GmbH
Germany, Neuss
Nom. EUR 50.000

100%
Skamol France SAS
France, TassinJa-Demi-Line
Nom. EUR 50.000

100%
Skamol China Co. Ltd.
China, Shanghai
Nom. CNY 641.690

100%
Skamol Asia Pacific PTY Ltd.
Australia, Victoria
Nom. AUD 108

100%
NCM Core A/S
Denmark, Vodskov
Nom. DKK 1.011.000

Financial Highlights

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

	Group				
	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	49	40	57	49	48
Net financials	-7	-7	-6	-1	-2
Net profit/loss for the year	31	27	35	34	34
Balance sheet					
Balance sheet total	558	470	439	342	353
Equity	319	282	262	238	279
Cash flows					
Cash flows from:					
- operating activities	33	48	54	73	62
- investing activities	-65	-50	-99	-42	-12
including investment in property, plant and equipment	-43	-42	-93	-29	-11
- financing activities	65	-9	53	-60	-51
Change in cash and cash equivalents for the year	33	-11	8	-29	-1
Number of employees	448	421	377	367	380
Ratios					
Profit margin	12,2%	10,4%	16,8%	15,5%	14,2%
Return on assets	8,8%	8,5%	13,0%	14,3%	13,6%
Solvency ratio	57,3%	60,0%	59,7%	69,6%	79,0%
Return on equity	10,3%	9,9%	14,0%	13,2%	12,9%
Adjusted EBITDA-Margin	21,5%	20,0%	24,4%	25,0%	22,6%

*Adjusted EBITDA 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 Skamols identity as technical insulation systems.

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

Market development and sales
In 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 has 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 plan. 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 has 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 Skamols growth strategy as well as identifying and mitigating risks.

Management's Review

Financial risks
For the whole Skamol Group inclusive of the parent company FSN SKA A/S 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 35.8 million (DKK 32.2 million).

The total assets were DKK 557 million (DKK 470 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 Skamol. 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
Skamol's Board of Directors has outlined target figures for number of under-represented gender in the top management segment. It is the Board's goal that if possible the mix of the Board shall be balanced so that each gender as a minimum is represented by 1 member appointed by the general assembly. It is the target to reach the defined goal at the end of 2022, so this is aligned with a natural exchange of the Board composition. The 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.

Raw material supply

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

Production

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

Management and marketing

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

Customer end-use

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

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. 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.	**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	**Energy efficiency** • Implement energy accounting system for all sites including setting specific targets for reduction of energy

Income Statement 1 January - 31 December

	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
		TDKK	TDKK	TDKK	TDKK
Net turnover	1	**403.360**	**384.744**	**360.781**	**329.684**
Other operating income		0	1.505	0	1.442
Expenses for raw materials and consumables		-125.549	-146.302	-178.834	-161.298
Other external expenses		-66.721	-53.826	-36.953	-42.353
Gross profit/loss		**211.090**	**186.121**	**144.994**	**127.475**
Staff expenses	2	-126.280	-112.595	-93.731	-86.438
EBITDA		**84.810**	**73.526**	**51.263**	**41.037**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-35.777	-32.206	-24.270	-24.065
Other operating expenses		0	-1.191	0	-1.191
Profit/loss before financial income and expenses		**49.033**	**40.129**	**26.993**	**15.781**
Income from investments in subsidiaries		0	0	17.084	21.366
Financial income	4	49	2.808	802	1.391
Financial expenses	5	-7.092	-9.518	-5.506	-7.640
Profit/loss before tax		**41.990**	**33.419**	**39.373**	**30.898**
Tax on profit/loss for the year	6	-10.899	-6.180	-8.282	-3.659
Net profit/loss for the year		**31.091**	**27.239**	**31.091**	**27.239**

Balance Sheet 31 December

Assets

	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
		TDKK	TDKK	TDKK	TDKK
Completed development projects		3.208	4.085	3.429	2.540
Software		13.365	0	13.365	0
Acquired licenses		407	502	211	0
Goodwill		97.149	104.738	86.335	101.617
Development projects in progress		14.890	3.318	11.963	2.001
Intangible assets	7	**129.019**	**112.643**	**115.303**	**106.158**
Land and buildings		87.058	87.100	39.552	40.122
Plant and machinery		78.649	88.150	32.231	37.099
Other fixtures and fittings, tools and equipment		17.665	10.707	6.531	3.627
Prepayments for property, plant and equipment		55.370	36.138	2.722	8.259
Property, plant and equipment	8	**238.742**	**222.095**	**81.036**	**89.107**
Investments in subsidiaries	9	0	0	198.097	166.523
Fixed asset investments		**0**	**0**	**198.097**	**166.523**
Fixed assets		**367.761**	**334.738**	**394.436**	**361.788**
Inventories	10	**41.956**	**38.899**	**29.012**	**26.684**
Trade receivables		91.299	74.347	66.376	61.061
Receivables from group enterprises		0	0	35.825	17.466
Other receivables		9.574	7.365	7.675	6.150
Deferred tax asset	13	1.661	1.639	0	0
Receivables		**102.534**	**83.351**	**109.876**	**84.677**
Cash at bank and in hand		**45.842**	**13.479**	**24.188**	**0**
Currents assets		**190.332**	**135.729**	**163.076**	**111.361**
Assets		**558.093**	**470.467**	**557.512**	**473.149**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2019 TDKK	Group 2018 TDKK	Parent company 2019 TDKK	Parent company 2018 TDKK
Share capital		43.095	43.095	43.095	43.095
Reserve for development costs		0	4.049	22.431	4.049
Retained earnings		276.308	234.492	253.877	234.492
Equity		**319.403**	**281.636**	**319.403**	**281.636**
Provision for deferred tax	13	13.040	7.498	11.728	7.498
Provisions for pensions and similar obligations		578	0	0	0
Provisions		**13.618**	**7.498**	**11.728**	**7.498**
Credit institutions	14	105.000	0	105.000	0
Lease obligations		165	0	0	0
Other payables		2.913	0	2.913	0
Long-term debt		**108.078**	**0**	**107.913**	**0**
Credit institutions		0	808	0	808
Trade payables		57.131	55.362	46.584	41.453
Payables to group enterprises		35.216	89.267	52.277	115.553
Corporation tax		5.079	14.763	0	13.321
Other payables		19.568	21.133	19.607	12.880
Short-term debt		**116.994**	**181.333**	**118.468**	**184.015**
Debt		**225.072**	**181.333**	**226.381**	**184.015**
Liabilities and equity		**558.093**	**470.467**	**557.512**	**473.149**

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Statement of Changes in Equity

Group

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	43.095	0	238.541	281.636
Exchange adjustments	0	0	6.676	6.676
Net profit/loss for the year	0	0	31.091	31.091
Equity at 31 December	**43.095**	**0**	**276.308**	**319.403**

Parent company

	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January	43.095	4.049	234.492	281.636
Exchange adjustments	0	0	6.676	6.676
Deferred tax of development costs	0	-5.888	5.888	0
Deferred tax of depreciation, amortisation and impairment	0	704	-704	0
Development costs for the year	0	26.764	-26.764	0
Depreciation, amortisation and impairment for the year	0	-3.198	3.198	0
Net profit/loss for the year	0	0	31.091	31.091
Equity at 31 December	**43.095**	**22.431**	**253.877**	**319.403**

Cash Flow Statement 1 January - 31 December

	Note	Group 2019	Group 2018
		TDKK	TDKK
Net profit/loss for the year		31.091	27.239
Adjustments	15	53.806	44.124
Change in working capital	16	-29.322	-12.076
Cash flows from operating activities before financial income and expenses		**55.575**	**59.287**
Financial income		49	2.808
Financial expenses		-7.094	-9.510
Cash flows from ordinary activities		**48.530**	**52.585**
Corporation tax paid		-15.431	-4.862
Cash flows from operating activities		**33.099**	**47.723**
Purchase of intangible assets		-22.107	-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		**-64.945**	**-49.773**
Reduction of lease obligations		0	-927
Repayment of payables to group enterprises		-43.349	-8.066
Raising of loans from credit institutions		107.880	348
Cash flows from financing activities		**64.531**	**-8.645**
Change in cash and cash equivalents		**32.685**	**-10.695**
Cash and cash equivalents at 1 January		12.724	23.419
Exchange adjustment of current asset investments		433	0
Cash and cash equivalents at 31 December		**45.842**	**12.724**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		45.842	13.479
Overdraft facility		0	-755
Cash and cash equivalents at 31 December		**45.842**	**12.724**

Notes to the Financial Statements

		Group		Parent company	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
1	**Turnover**				
	Geographical segments				
	Turnover, EU-countries	195.558	208.012	194.390	180.375
	Turnover, non-EU countries	207.802	176.732	166.391	149.309
	Net turnover	**403.360**	**384.744**	**360.781**	**329.684**

2	**Staff expenses**				
	Wages and salaries	115.918	105.007	87.122	80.335
	Pensions	10.362	7.588	6.609	6.103
		126.280	**112.595**	**93.731**	**86.438**
	Including remuneration to the Executive Board and Board of Directors of:				
	Executive Board	5.719	5.644	5.719	5.644
	Supervisory Board	750	702	750	702
		6.469	**6.346**	**6.469**	**6.346**
	Average number of employees	**448**	**421**	**186**	**154**

3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	13.841	16.863	13.521	11.776
	Depreciation of property, plant and equipment	21.936	15.343	10.749	12.289
		35.777	**32.206**	**24.270**	**24.065**

Notes to the Financial Statements

		Group		Parent company	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
4	**Financial income**				
	Interest received from group enterprises	0	0	752	376
	Other financial income	49	2.808	50	1.015
		49	**2.808**	**802**	**1.391**
5	**Financial expenses**				
	Interest paid to group enterprises	1.736	4.421	1.736	4.421
	Other financial expenses	5.356	5.097	3.770	3.219
		7.092	**9.518**	**5.506**	**7.640**
6	**Tax on profit/loss for the year**				
	Current tax for the year	5.379	8.983	4.052	5.004
	Deferred tax for the year	5.520	-2.815	4.230	-1.345
	Adjustment of tax concerning previous years	0	12	0	0
		10.899	**6.180**	**8.282**	**3.659**

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	2.870	174.675	3.318
Exchange adjustment	7	0	40	43	32
Additions for the year	220	8.669	16	3.386	10.940
Disposals for the year	0	0	-22	0	0
Transfers for the year	1.376	6.075	0	-4.664	600
Cost at 31 December	13.558	14.744	2.904	173.440	14.890
Impairment losses and amortisation at 1 January	7.870	0	2.447	69.938	0
Exchange adjustment	5	0	17	2	0
Amortisation for the year	1.641	1.134	52	11.015	0
Reversal of amortisation of disposals for the year	0	0	-19	0	0
Transfers for the year	834	245	0	-4.664	0
Impairment losses and amortisation at 31 December	10.350	1.379	2.497	76.291	0
Carrying amount at 31 December	**3.208**	**13.365**	**407**	**97.149**	**14.890**

Development projects include production, products and market development

Notes to the Financial Statements

7 Intangible assets (continued)

Parent company

	Completed development projects	Software	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	11.666	0	2.537	171.555	424
Additions for the year	220	8.669	16	187	14.038
Transfers for the year	1.376	6.075	0	-9.658	-2.499
Cost at 31 December	13.262	14.744	2.553	162.084	11.963
Impairment losses and amortisation at 1 January	7.769	489	2.317	60.610	0
Amortisation for the year	2.064	1.135	25	10.475	0
Transfers for the year	0	-245	0	4.664	0
Impairment losses and amortisation at 31 December	9.833	1.379	2.342	75.749	0
Carrying amount at 31 December	**3.429**	**13.365**	**211**	**86.335**	**11.963**

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	135.562	336.523	51.772	55.554
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	48.504	257.874	34.107	184
Carrying amount at 31 December	**87.058**	**78.649**	**17.665**	**55.370**

Notes to the Financial Statements

8 Property, plant and equipment (continued)

Parent company

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	84.561	268.962	31.724	8.259	393.506
Additions for the year	537	1.211	4.170	1.881	7.799
Transfers for the year	0	1.676	-227	-7.418	-5.969
Cost at 31 December	85.098	271.849	35.667	2.722	395.336
Impairment losses and depreciation at 1 January	44.403	230.712	26.728	0	301.843
Depreciation for the year	1.125	8.331	1.723	0	11.179
Transfers for the year	18	575	685	0	1.278
Impairment losses and depreciation at 31 December	45.546	239.618	29.136	0	314.300
Carrying amount at 31 December	**39.552**	**32.231**	**6.531**	**2.722**	**81.036**

Notes to the Financial Statements

	Parent company	
	2019	2018
	TDKK	TDKK
9 Investments in subsidiaries		
Cost at 1 January	217.974	210.272
Additions for the year	3.200	7.702
Transfers for the year	4.994	0
Cost at 31 December	226.168	217.974
Value adjustments at 1 January	-51.451	-66.595
Exchange adjustment	6.522	-5.119
Net profit/loss for the year	17.140	21.967
Amortisation of goodwill	-225	0
Change in intercompany profit on inventories	-57	-1.704
Value adjustments at 31 December	-28.071	-51.451
Carrying amount at 31 December	**198.097**	**166.523**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
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

10 Inventories

	Group		Parent company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	8.789	9.624	7.050	7.769
Work in progress	408	570	339	570
Finished goods and goods for resale	32.759	28.705	21.623	18.345
	41.956	**38.899**	**29.012**	**26.684**

11 Prepayments

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

12 Distribution of profit

	Parent company	
	2019	2018
	TDKK	TDKK
Retained earnings	31.091	27.239
	31.091	**27.239**

13 Provision for deferred tax

	Group		Parent company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Provision for deferred tax at 1 January	5.859	8.674	7.498	8.843
Amounts recognised in the income statement for the year	5.520	-2.815	4.230	-1.345
Provision for deferred tax at 31 December	**11.379**	**5.859**	**11.728**	**7.498**

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 the deferred tax liability

14 Credit institutions

Loan to credit institutions of DKK 105,000k falls due for payment between 1-5 years

Notes to the Financial Statements

15 Cash flow statement - adjustments

	Group	
	2019	2018
	TDKK	TDKK
Financial income	-49	-2.808
Financial expenses	7.092	9.518
Depreciation, amortisation and impairment losses, including losses and gains on sales	35.777	31.956
Tax on profit/loss for the year	10.899	6.180
Other adjustments	87	-722
	53.806	**44.124**

16 Cash flow statement - change in working capital

	Group	
	2019	2018
	TDKK	TDKK
Change in inventories	-5.335	-3.780
Change in receivables	-26.507	-28.600
Change in other provisions	578	-613
Change in trade payables, etc	1.942	20.917
	-29.322	**-12.076**

Notes to the Financial Statements

17 Contingent assets, liabilities and other financial obligations

	Group		Parent company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	3.375	4.101	1.915	2.490
After 1 year	2.367	4.018	1.537	2.912
	5.742	**8.119**	**3.452**	**5.402**

Guarantee obligations

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

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 is disclosed in the Annual Report of FSN-SKA A/S, which is the management company of the joint taxation purposes. 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

18 Related parties

	Basis
Controlling interest	
FSN-SKA A/S	Parent Company
FSN Capital III Limited Partnership	Controlling shareholder of FSN-SKA A/S

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-SKA A/S	Tranbjerg

The Group Annual Report of FSN-SKA A/S may be obtained at the following address:

Sletvej 2C
8310 Tranbjerg J
Denmark

Notes to the Financial Statements

19 Fee to auditors appointed at the general meeting

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	TDKK	TDKK	TDKK	TDKK
PricewaterhouseCoopers				
Audit fee	268	195	165	195
Tax advisory services	462	233	462	233
	730	**428**	**627**	**428**
Other audit firms				
Audit fee	296	110	0	0
Other assurance engagements	856	523	0	0
	1.152	**633**	**0**	**0**
	1.882	**1.061**	**627**	**428**

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Skamol 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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Skamol 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

20 Accounting Policies (continued)

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 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:

Notes to the Financial Statements

20 Accounting Policies (continued)

- 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.

Translation policies

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

Net turnover

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

Income Statement

Net turnover

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.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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 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.

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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 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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Inventories

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

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

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

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

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

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

Equity

Dividend

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

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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”.

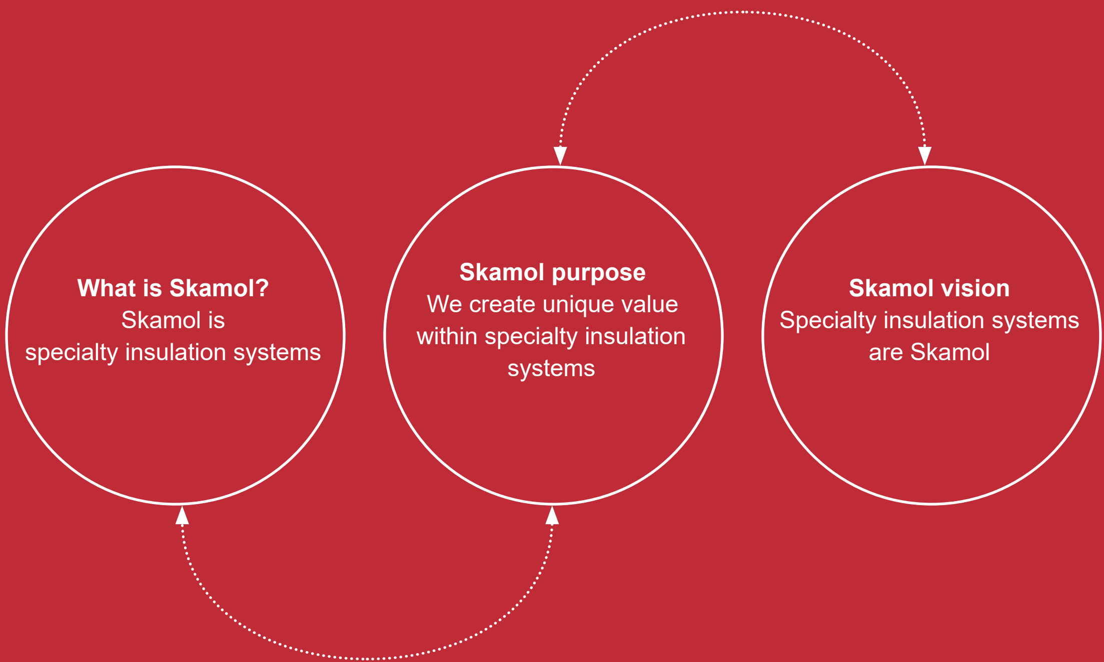
The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

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

*Adjusted EBITDA is excl. one time items.



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