Skamol A/S

Annual report 2022

Approved at the annual general meeting 20/3 2023 Alan Pai

Hasselager Centervej 1, 8260 Viby, Denmark, CVR 41 33 37 15, www.skamol.com

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 2022.

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 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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

Aarhus, 27 February 2023

Executive Board

Poul Erik Kamstrup Kristensen
CEO

Simon Plagborg
CCO

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 2022 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 2022 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 2022, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 27 February 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Meldgaard
State Authorised Public Accountant
mne24826

Keld A. M. Nielsen
State Authorised Public Accountant
mne40037

Company Information

The Company	Skamol A/S Hasselager Centervej 1 DK-8260 Viby J 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	Poul Erik Kamstrup Kristensen Simon Plagborg
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 Polska S.p.Z.o.o, Poland
  Nom. PLN 11.005.000
- 100% Skamol Eastern Europe S.p.Z.o.o, Poland
  Nom. PLN 800.000
- 100% Skamol Americas Inc., USA
  Nom USD 3.310.000
- 100% Skamol Europe GmbH, Germany
  Nom. EUR 50.000
- 100% Skamol France SAS, France
  Nom. EUR 50.000
- 100% Skamol (Shanghai) Trading Co. Ltd., China
  Nom. CNY 641.690
- 100% Skamol Asia Pacific PTY Ltd., Australia
  Nom. AUD 110
- 100% Skamol United Kingdom Ltd., UK
  Nom. GBP 30.000
- 100% NCM Core ApS, Denmark
  Nom. DKK 40.000
- 100% Skamol Italia SRL, Italia
  Nom. EUR 10.000
- 100% Skamol Spain Trading S.L., Spain
  Nom. EUR 15.000

Financial Highlights

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

	Group				
	2022	2021	2020	2019	2018
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	627	518	394	403	385
Adjusted EBITDA	133	96	84	87	77
Operating profit/loss	82	47	36	49	40
Profit/loss before financial income and expenses	81	47	36	49	40
Net financials	-14	-10	-6	-7	-7
Profit/loss from discontinuing activities	-30	0	0	0	0
Net profit/loss for the year	22	29	21	31	27
Balance sheet					
Balance sheet total	522	531	560	558	470
Equity	131	105	321	319	282
Cash flows					
Cash flows from:					
- operating activities	86	89	63	33	48
- investing activities	-21	-19	-38	-65	-50
including investment in property, plant and equipment	-17	-11	-26	-43	-42
- financing activities	-46	-87	-4	65	-9
Change in cash and cash equivalents for the year	18	-16	21	33	-11
Number of employees	258	427	422	448	421
Ratios					
Profit margin	12,9%	9,1%	9,1%	12,2%	10,4%
Return on assets	15,5%	8,9%	6,4%	8,8%	8,5%
Solvency ratio	25,1%	19,8%	57,3%	57,2%	60,0%
Return on equity	18,6%	13,6%	6,6%	10,3%	9,9%
Adjusted EBITDA-Margin	21,2%	18,5%	21,3%	21,5%	20,0%

*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 of specialty insulation systems to segments within Industry and Building.

Objectives and strategy

The company's Management and Board of Directors are continuously evaluating Skamol's strategy, which addresses growth areas within Skamol's target markets.

Market development and sales

In 2022 Skamol's turnover was DKK 627 million against DKK 518 million in 2021 and adjusted EBITDA amounted to DKK 133 million in 2022 compared to DKK 96 million in 2021. The growth in turnover and EBITDA was a consequence of a disciplined execution of the strategy despite the global volatility in energy prices.

Skamol has in 2022 experienced general growth in most markets, especially the European region.

The market organisation in Skamol has been further strengthened during 2022 through an increasingly global coverage, where additional sales resources in key markets have been added to facilitate the continued growth.

Manufacturing and product development

During 2022, Skamol has executed a number of investment projects in order to increase and upgrade capacity, and reduce production costs.

Furthermore, Skamol has continued to invest in R&D activities during 2022, where products for new applications have been developed, and introduced to the market.

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 mitigated 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 an important priority for the company. During 2022 there has been a particular focus on maintaining a high level of IT Security.

Management's Review

Continuous improvements are of high importance to Skamol, and Skamol has worked on initiatives to improve productivity during 2022. This work will continue into 2023.

During 2022 Skamol has worked on strict execution of the framework for the strategic priorities which continues into 2023.

Financial risks

For the whole Skamol Group inclusive of the parent company FSN SKA A/S the interest-bearing debt amounted to DKK 271 million at the end of 2022. Net interest-bearing debt amounted to DKK 241 million.

Compared to the established drawing right, Skamol has a net cash position of totally DKK 80 million at the end of 2022.

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, PLN, AUD, CNY and NOK.

The cost in Skamol's Chinese subsidary is mainly in EUR and secondly CNY, whereas sales are in CNY, which means that the Skamol Group as regards earnings in the Chinese business is sensitive to fluctuations in the exchange rate of the CNY.

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

Policy for data ethics

Skamol does not apply sophisticated technologies such as artificial intelligence or machine learning. Skamol handles ordinary data in the form of customer, supplier and employee data. Data is handled in accordance with GPDR and Skamol's policies related to privacy and information integrity and security. Considering the limited handling of data, Skamol has not made specific policies in relation to data ethics but reassesses the need to do so on an ongoing basis.

Management's Review

Result, Balance and Cash Flow

The figures in brackets are 2021-figures
In 2022 the turnover increased to DKK 627 million (DKK 518 million). EBITDA before one time items (adjusted EBITDA) amounted to DKK 133 million (DKK 96 million) corresponding to 21.2 % (18.5 %) of the turnover. Depreciations and amortizations were DKK 47.0 million (DKK 47.4 million).

The total assets were DKK 522 million (DKK 532 million).

At the end of 2022 Skamol employed 258 employees. Of these, 174 employees in Denmark and 84 outside Denmark. Compared to 2021, the total number of employees decreased by 169 mainly because of the divestment of Skamol RUS LLC.

Shortly after Russia's invasion of Ukraine it was decided to exit Skamol's activities in Russia. As part of this decision Skamol RUS LLC was divested through a management buy-out to local management.. The divestment of Skamol RUS LLC has had a negative effect of Skamol's result for 2022, mainly due to write downs on assets, and is presented separately in the profit and loss statement. The total loss regarding the discontintued actitivites of Skamol RUS LLC is 30.3 million DKK.

Deviations compared to outlook for 2022

As expected, the Group's turnover and EBITDA increased in 2022 compared to 2021, together with a positive cashflow from operations.

Outlook for 2023

Skamol expects increasing turnover and earnings in the coming years, including 2023.

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

In 2023 Skamol expects an increase in turnover and EBITDA compared to 2022, and a positive cash flow from operations.

Subsequent events

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

Management's Review

Management

Since 2013, FSN Capital is the majority owner of Skamol. In 2022 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
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 2022, 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

In Skamol A/S the Board of Directors has outlined target figures for number of under-represented gender in the top management segment. It is the Board's goal that if possible the mix of the Board shall be balanced so that each gender as a minimum is represented by 1 member appointed by the general assembly. It is the target to reach the defined goal at the end of 2022, so this is aligned with a natural exchange of the Board composition. The composition of the board during 2022 did not change the gender composition, thus the target was not reached this year.

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

Skamol group has at the end of 2022 a share of 33 % female representatives compared to male representatives at other management level, compared to 40% at the end of 2021. During 2022 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

Management's Review

Policies regarding corporate social responsibility

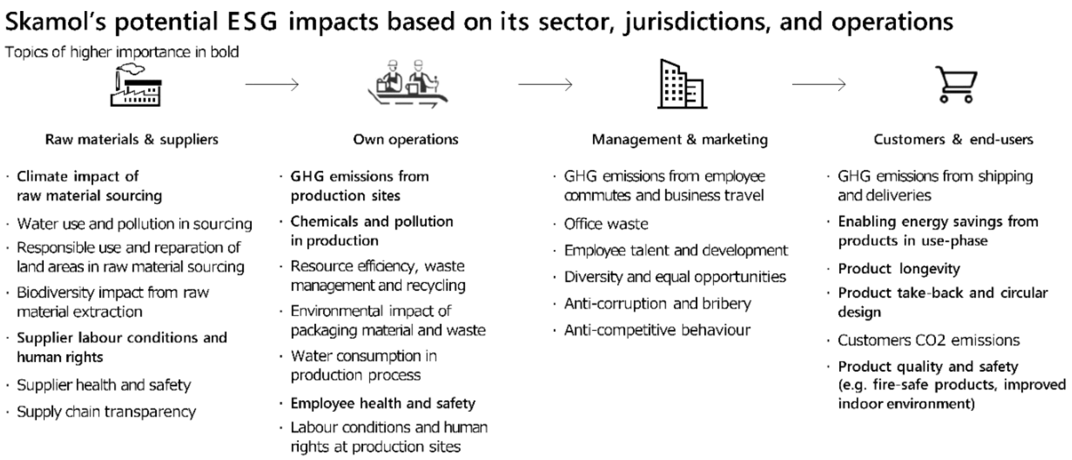
Skamol has defined policies regarding corporate social responsibility, including policies on

- 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.



External factors impacting Skamol based on its sector, jurisdictions, and operations

+ Demand for products that reduce energy consumption, thereby enabling cost savings and climate change mitigation
+ Demand for circular products and responsible end-of-life treatment

- Climate impact of energy usage in production
- Scrutiny of environmental impact of supply chain and production on water and biodiversity
- Immature market for end-of-life use of products

-

Management's Review

Skamol's ESG Strategy 2023

ESG FOCUS AREA	KPIs	LONG TERM TARGET	PERFORMANCE 2022	ANNUAL TARGET 2023
1. Minimize environmental impact	1a. Reduce GHG emissions 1b. Optimize energy efficiency (GHG emissions relative to output) 1c. Circular operations 1d. Local environmental impact from operations	1a. Net zero 1b. 5% year by year energy efficiency 1c. Zero waste to landfill; reuse where possible 1d. Minimal environmental degradation of excavation sites	1a. Science-based targets are not yet committed in 2022. Further investigation is needed to set objectives in scope 3 Emissions* in 2022: Scope 1: 22,703.2 tCO_2e (-7.2% from 2021) Scope 2: 2,832.2 tCO_2e (-6.8% from 2021) Scope 3: 37,753.6 tCO_2e (-5.8% from 2021) 1b. Introduced "reduce energy" as a strategic priority: ▪ Minimize dependency of gas ▪ Reduce GHG (Green House Gas) emissions 1c. Approx. 1,000 pallets returned in 2022. Further strengthened incentive to return pallets 1d. Restore excavation sites, with positive impact on biodiversity *Prepared in accordance with the GHG Protocol, using the online reporting tool CEMAsys ©. Russia is excluded from 2021 and 2022	1a. Set science-based targets for scope 1-3 1b. Determine which initiatives to pursue to reduce environmental impact e.g., alternative energy sources. Optimize energy efficiency (GHG emissions relative to output) by further 5% compared to 2020. Implement a continuous waste reduction culture targeting an annual reduction >2% 1c. Further extend recycling of pallets 1d. Continue to restore excavation sites, with positive impact on biodiversity
2. Sustainable products	2a. EPDs for our products 2b. Design for cicularity	2a. EPDs for 100% of our product groups by end of 2024 2b. Cradle to cradle design of our products	2a. EPD for 33% of product groups introduced 2b. Prepared recycling of cut offs from selected customer projects in 2023	2a. EPDs for 100% of our product groups 2b. Introduce recycling of cut offs from selected customer projects
3. Motivated, safe, and healthy employees	3a. eNPS 3b. Lost time incidents (LTI) 3c. Diversity	3a. Year by year improvement of eNPS 3b. Zero LTI 3c. Balanced make-up between male and female representatives in top leadership/ management	3a. eNPS* 2022: 6 (11 at end of year) 2021: -3 2020: -7 2019: NA 2018: -8 3b. In cooperation with external consultant a new EHS improvements roadmap is made. Training all Skamol employees in safety awareness. Lost Time Injury** per million worked hours: 2022: 20.0 2021: 9.0 2020: 5.2 2019: 7.9 2018: 10.0 3c. 14% female managers compared to, 86% male managers (14% female managers in 2021) *Russia is excluded from 2018, 2020, 2021, and 2022 eNPS **Injury sustained by an employee that leads to loss of productive work in the form of absenteeism or delays. Russia is excluded from 2018, 2020, 2021, and 2022 LTI	3a. Increase eNPS to 14. Increase response rate to get a better insight combined with follow-up meetings with local managers. Better communication of ESG work on website. 3b. Reduction in LTI. Roadmap for Health & Safety is generated with focus on: 1. Management / Organization 2. Processes / Preventive 3. Systems / Tools 4. Awareness / Personal 3c. Further extend balance between genders
4. Ethical supply chains and business conduct, including human rights and anti-corruption	4a. Supply chain management 4b. Train employees 4c. Electronic whistleblower	4a. Best in class supply chain management 4b. Annual training for all employees 4c. Electronic whistleblower access for internals and externals	4a. All major* suppliers has signed Code of Conduct 4b. All employees are assigned to monthly e-leaning courses about cyber security and GDPR. Code of Conduct e-learning available for all Skamol employees beginning of 2023 4c. Electronic whistleblower available on Skamol's official website *Major suppliers are defined as having a spend > 1mDKK **Number of employees who has signed the CoC, as a percentage of the total number of employees	4a. Further strengthen supply chain management by conducting a refresh risk assessment and review current procedures 4b. Secure all relevant employees have completed Code of Conduct and GDPR training

Skamol has selected the following UN SDGs to which we have an opportunity to contribute:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Opportunity to make production process more efficient and increase resource-efficiency by adopting cleaner and more environmentally friendly industrial processes (9.11).

15 LIFE ON LAND — Restore terrestrial land (15.1)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Efficient use of natural resources (12.2) and reduce waste generation through prevention, reduction, recycling and reuse (12.5)

Income Statement 1 January - 31 December

	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
		TDKK	TDKK	TDKK	TDKK
Net turnover	1	**626.596**	**518.176**	**572.861**	**450.796**
Expenses for raw materials and consumables		-291.341	-230.514	-317.192	-259.225
Other external expenses		-71.430	-61.680	-52.901	-42.536
Gross profit/loss		**263.825**	**225.982**	**202.768**	**149.035**
Staff expenses	2	-134.857	-131.265	-108.457	-99.296
EBITDA		**128.968**	**94.717**	**94.311**	**49.739**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-46.966	-47.426	-29.682	-28.467
Other operating expenses		-742	0	-742	0
Profit/loss before financial income and expenses		**81.260**	**47.291**	**63.887**	**21.272**
Income from investments in subsidiaries		0	0	-14.052	22.192
Financial income	4	0	0	176	151
Financial expenses	5	-14.335	-9.596	-14.319	-10.209
Profit/loss before tax		**66.925**	**37.695**	**35.692**	**33.406**
Tax on profit/loss for the year	6	-14.727	-8.859	-13.815	-4.570
Profit/loss from continuing activities		**52.198**	**28.836**	**21.877**	**28.836**
Profit/loss from discontinuing activities	7	-30.321	0	0	0
Net profit/loss for the year		**21.877**	**28.836**	**21.877**	**28.836**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Completed development projects		22.305	21.505	20.712	19.596
Software		8.054	11.943	8.054	11.941
Acquired licenses		130	288	130	157
Goodwill		63.335	74.694	54.792	65.173
Development projects in progress		5.112	5.912	5.112	5.912
Intangible assets	8	**98.936**	**114.342**	**88.800**	**102.779**
Land and buildings		76.277	86.584	38.099	38.693
Plant and machinery		82.544	99.346	22.432	22.365
Other fixtures and fittings, tools and equipment		9.473	13.191	6.893	7.713
Prepayments for property, plant and equipment		14.411	9.891	10.737	5.363
Property, plant and equipment	9	**182.705**	**209.012**	**78.161**	**74.134**
Investments in subsidiaries	10	0	0	180.346	230.715
Fixed asset investments		**0**	**0**	**180.346**	**230.715**
Fixed assets		**281.641**	**323.354**	**347.307**	**407.628**
Inventories	11	**60.008**	**60.207**	**40.292**	**38.191**
Trade receivables		110.150	85.587	80.254	56.997
Receivables from group enterprises		0	0	37.402	38.996
Other receivables		10.298	12.863	6.673	9.680
Deferred tax asset	14	3.777	1.194	0	0
Corporation tax		0	410	0	0
Prepayments	12	0	0	2.830	0
Receivables		**124.225**	**100.054**	**127.159**	**105.673**
Cash at bank and in hand		**56.615**	**47.857**	**13.727**	**1.927**
Currents assets		**240.848**	**208.118**	**181.178**	**145.791**
Assets		**522.489**	**531.472**	**528.485**	**553.419**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Share capital		43.095	43.095	43.095	43.095
Reserve for development costs		0	19.896	20.143	19.896
Reserve for exchange rate conversion		-12.220	-16.951	0	0
Retained earnings		100.341	58.568	67.978	41.617
Equity		**131.216**	**104.608**	**131.216**	**104.608**
Provision for deferred tax	14	12.425	15.122	12.425	13.618
Provisions for pensions and similar obligations		499	533	0	0
Provisions		**12.924**	**15.655**	**12.425**	**13.618**
Credit institutions		176.000	220.000	176.000	220.000
Other payables		7.386	7.526	7.386	7.526
Long-term debt	15	**183.386**	**227.526**	**183.386**	**227.526**
Credit institutions	15	70.485	71.000	70.485	71.000
Trade payables		93.229	80.889	72.085	64.957
Payables to group enterprises		656	2.134	34.094	49.597
Corporation tax		4.337	2.728	2.535	1.273
Other payables	15	26.256	26.932	22.259	20.840
Short-term debt		**194.963**	**183.683**	**201.458**	**207.667**
Debt		**378.349**	**411.209**	**384.844**	**435.193**
Liabilities and equity		**522.489**	**531.472**	**528.485**	**553.419**

Distribution of profit	13
Contingent assets, liabilities and other financial obligations	18
Related parties	19
Fee to auditors appointed at the general meeting	20
Accounting Policies	21

Statement of Changes in Equity

Group

	Share capital	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	43.095	0	-16.951	78.464	104.608
Exchange adjustments relating to foreign entities	0	0	4.731	0	4.731
Net profit/loss for the year	0	0	0	21.877	21.877
Equity at 31 December	**43.095**	**0**	**-12.220**	**100.341**	**131.216**

Parent company

	Share capital	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Total
Equity at 1 January	43.095	19.896	0	41.617	104.608
Exchange adjustments relating to foreign entities	0	0	0	4.731	4.731
Development costs for the year	0	247	0	-247	0
Net profit/loss for the year	0	0	0	21.877	21.877
Equity at 31 December	**43.095**	**20.143**	**0**	**67.978**	**131.216**

Cash Flow Statement 1 January - 31 December

	Note	Group 2022	Group 2021
		TDKK	TDKK
Net profit/loss for the year		21.877	28.836
Adjustments	16	112.276	68.627
Change in working capital	17	-18.280	8.557
Cash flows from operating activities before financial income and expenses		**115.873**	**106.020**
Financial expenses		-13.818	-9.593
Cash flows from ordinary activities		**102.055**	**96.427**
Corporation tax paid		-16.555	-7.297
Cash flows from operating activities		**85.500**	**89.130**
Purchase of intangible assets		-4.729	-7.465
Purchase of property, plant and equipment		-16.550	-11.190
Cash flows from investing activities		**-21.279**	**-18.655**
Repayment of loans from credit institutions		-44.515	0
Reduction of lease obligations		0	-128
Repayment of payables to group enterprises		-1.478	-24.682
Raising of loans from credit institutions		0	185.937
Dividend paid		0	-248.000
Cash flows from financing activities		**-45.993**	**-86.873**
Change in cash and cash equivalents		**18.228**	**-16.398**
Cash and cash equivalents at 1 January		0	64.255
Cash and cash equivalents at 1 January adjusted for discontinuing activities		38.387	0
Cash and cash equivalents at 31 December		**56.615**	**47.857**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		56.615	47.857
Cash and cash equivalents at 31 December		**56.615**	**47.857**

Notes to the Financial Statements

		Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
1	**Turnover**				
	Geographical segments				
	Turnover, EU-countries	342.802	265.249	322.886	251.423
	Turnover, non-EU countries	283.794	252.927	249.975	199.373
	Net turnover	**626.596**	**518.176**	**572.861**	**450.796**
2	**Staff expenses**				
	Wages and salaries	126.733	121.448	101.050	92.402
	Pensions	8.124	9.817	7.407	6.894
		134.857	**131.265**	**108.457**	**99.296**
	Including remuneration to the Executive Board and Board of Directors of:				
	Executive Board	6.947	6.125	6.947	6.125
	Supervisory Board	762	750	762	750
		7.709	**6.875**	**7.709**	**6.875**
	Average number of employees	**258**	**427**	**174**	**164**

Notes to the Financial Statements

		Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	19.425	18.936	18.920	17.752
	Depreciation of property, plant and equipment	27.541	28.490	10.762	10.715
		46.966	**47.426**	**29.682**	**28.467**
4	**Financial income**				
	Interest received from group enterprises	0	0	51	151
	Other financial income	0	0	125	0
		0	**0**	**176**	**151**
5	**Financial expenses**				
	Interest paid to group enterprises	416	494	467	690
	Other financial expenses	12.934	9.075	12.692	8.689
	Exchange adjustments, expenses	985	27	1.160	830
		14.335	**9.596**	**14.319**	**10.209**
6	**Tax on profit/loss for the year**				
	Current tax for the year	19.446	8.697	14.447	5.212
	Deferred tax for the year	-5.280	162	-1.193	-642
	Adjustment of tax concerning previous years	561	0	561	0
		14.727	**8.859**	**13.815**	**4.570**

Notes to the Financial Statements

7 Discontinuing activities

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Revenue	3.077	0	0	0
Loss from sale	-30.636	0	0	0
Expenses for raw materials and consumables	-554	0	0	0
Other external expenses	-371	0	0	0
Gross profit/loss	**-28.484**	**0**	**0**	**0**
Staff expenses	-1.882	0	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-370	0	0	0
Profit/loss before financial income and expenses	**-30.736**	**0**	**0**	**0**
Financial expenses	517	0	0	0
Profit/loss before tax	**-30.219**	**0**	**0**	**0**
Tax on profit/loss for the year	-102	0	0	0
	-30.321	**0**	**0**	**0**

Notes to the Financial Statements

8 Intangible assets

Group

	Completed development projects	Software	Acquired licenses	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	36.712	19.940	2.864	173.509	5.912
Exchange adjustment	-53	0	0	-20	0
Additions for the year	3.288	146	0	0	1.295
Disposals for the year	-79	-664	-304	0	0
Transfers for the year	2.057	240	0	0	-2.095
Cost at 31 December	41.925	19.662	2.560	173.489	5.112
Impairment losses and amortisation at 1 January	15.207	7.997	2.576	98.815	0
Exchange adjustment	-18	0	0	-18	0
Amortisation for the year	4.431	3.611	28	11.357	0
Reversal of amortisation of disposals for the year	0	0	-174	0	0
Impairment losses and amortisation at 31 December	19.620	11.608	2.430	110.154	0
Carrying amount at 31 December	**22.305**	**8.054**	**130**	**63.335**	**5.112**

Development projects include production, products and market development

Notes to the Financial Statements

8 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	33.771	19.940	2.553	162.084	5.912
Additions for the year	3.490	146	0	0	1.295
Disposals for the year	-79	-664	0	0	0
Transfers for the year	1.855	240	0	0	-2.095
Cost at 31 December	39.037	19.662	2.553	162.084	5.112
Impairment losses and amortisation at 1 January	14.175	7.999	2.396	96.911	0
Amortisation for the year	4.150	3.609	27	10.381	0
Impairment losses and amortisation at 31 December	18.325	11.608	2.423	107.292	0
Carrying amount at 31 December	**20.712**	**8.054**	**130**	**54.792**	**5.112**

Notes to the Financial Statements

9 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	140.125	392.459	55.822	9.891
Exchange adjustment	-771	-1.901	-206	-57
Additions for the year	440	3.004	2.052	11.055
Disposals for the year	-10.780	-10.878	-2.318	-1.129
Transfers for the year	293	4.523	332	-5.349
Cost at 31 December	129.307	387.207	55.682	14.411
Impairment losses and depreciation at 1 January	53.541	293.113	42.631	0
Exchange adjustment	-72	-570	-128	0
Depreciation for the year	2.151	19.946	5.444	0
Reversal of impairment and depreciation of sold assets	-2.590	-7.826	-1.738	0
Impairment losses and depreciation at 31 December	53.030	304.663	46.209	0
Carrying amount at 31 December	**76.277**	**82.544**	**9.473**	**14.411**

Notes to the Financial Statements

9 **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	86.631	276.030	41.317	5.362	409.340
Additions for the year	440	2.998	2.047	9.414	14.899
Transfers for the year	104	3.654	281	-4.039	0
Cost at 31 December	87.175	282.682	43.645	10.737	424.239
Impairment losses and depreciation at 1 January	47.938	253.664	33.604	0	335.206
Depreciation for the year	1.138	6.586	3.148	0	10.872
Impairment losses and depreciation at 31 December	49.076	260.250	36.752	0	346.078
Carrying amount at 31 December	**38.099**	**22.432**	**6.893**	**10.737**	**78.161**

Notes to the Financial Statements

10 Investments in subsidiaries

	Parent company 2022	Parent company 2021
	TDKK	TDKK
Cost at 1 January	251.259	250.999
Additions for the year	0	260
Disposals for the year	-23.889	0
Cost at 31 December	227.370	251.259
Value adjustments at 1 January	-20.544	-45.310
Exchange adjustment	-2.727	2.574
Net profit/loss for the year	16.814	22.633
Dividend to the Parent Company	-40.126	0
Amortisation of goodwill	-441	-441
Value adjustments at 31 December	-47.024	-20.544
Carrying amount at 31 December	**180.346**	**230.715**

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 12.505.000	100%
Skamol Eastern Europe S.p.Z.o.o	Poland	PLN 800.000	100%
Skamol France SAS	France	EUR 50.000	100%
Skamol (Shanghai) Trading Co. Ltd.	China	CNY 641.690	100%
Skamol Asia Pacific PTY Ltd.	Australia	AUD 110	100%
NCM Core ApS	Aarhus	DKK 40.000	100%
Skamol United Kingdom Ltd.	UK	GBP 30.000	100%
Skamol Italia SRL	Italy	EUR 10.000	100%
Skamol Spain Trading S.L.	Spain	EUR 25.000	100%

Notes to the Financial Statements

		Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
11	**Inventories**				
	Raw materials and consumables	15.116	30.600	13.553	8.584
	Work in progress	1.024	393	695	393
	Finished goods and goods for resale	43.868	29.214	26.044	29.214
		60.008	**60.207**	**40.292**	**38.191**

12 Prepayments

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

		Parent company	
		2022	2021
		TDKK	TDKK
13	**Distribution of profit**		
	Extraordinary dividend paid	0	248.000
	Retained earnings	21.877	-219.164
		21.877	**28.836**

		Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
14	**Provision for deferred tax**				
	Provision for deferred tax at 1 January	13.928	13.766	13.618	14.260
	Amounts recognised in the income statement for the year	-5.280	162	-1.193	-642
	Provision for deferred tax at 31 December	**8.648**	**13.928**	**12.425**	**13.618**

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

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Credit institutions				
Between 1 and 5 years	176.000	220.000	176.000	220.000
Long-term part	176.000	220.000	176.000	220.000
Within 1 year	44.000	71.000	44.000	71.000
Other short-term debt to credit institutions	26.485	0	26.485	0
Short-term part	70.485	71.000	70.485	71.000
	246.485	**291.000**	**246.485**	**291.000**
Other payables				
Between 1 and 5 years	7.386	7.526	7.386	7.526
Long-term part	7.386	7.526	7.386	7.526
Other short-term payables	26.256	26.932	22.259	20.840
	33.642	**34.458**	**29.645**	**28.366**

16 Cash flow statement - adjustments

	Group	
	2022	2021
	TDKK	TDKK
Financial expenses	13.818	9.596
Depreciation, amortisation and impairment losses, including losses and gains on sales	47.708	47.566
Adjustment regarding discontinuing activities	30.321	0
Tax on profit/loss for the year	14.829	8.859
Other adjustments	5.600	2.606
	112.276	**68.627**

Notes to the Financial Statements

17 Cash flow statement - change in working capital

	Group	
	2022	2021
	TDKK	TDKK
Change in inventories	-7.852	2.207
Change in receivables	-25.687	-19.081
Change in other provisions	0	-22
Change in trade payables, etc	15.259	25.453
	-18.280	**8.557**

18 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	6.901	7.900	2.709	2.928
After 1 year	4.028	5.669	2.532	4.944
	10.929	**13.569**	**5.241**	**7.872**

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 and Skamol Polska sp. z.o.o.

19 Related parties

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

Notes to the Financial Statements

19 Related parties (continued)

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

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

Name	Place of registered office
FSN-SKA A/S	Viby J

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

Hasselager Centervej 1
8260 Viby J
Denmark

20 Fee to auditors appointed at the general meeting

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
PricewaterhouseCoopers				
Audit fee	414	532	440	508
Other assurance engagements	34	69	34	69
Tax advisory services	15	160	361	64
Other services	361	66	15	66
	824	**827**	**850**	**707**
Other audit firms				
Audit fee	423	479	0	0
Other assurance engagements	658	351	0	0
Tax advisory services	39	0	0	0
	1.120	**830**	**0**	**0**
	1.944	**1.657**	**850**	**707**

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Skamol A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 are presented in TDKK.

In connection with the group's sale of the shares in Skamol Russia, the company has for the financial year 2022 presented items related to this as discontinued activity. The Group has chosen not to correct the comparison figure in the income statement and balance sheet, as it is the management's assessment that information for use in assessing the effect appears in the notes, including note 7. Management therefore draw attention to the fact that the figures for 2021 and 2022 are not directly comparable.

Recognition and measurement

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

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, 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 losses on transactions between the consolidated enterprises.

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

Business combinations

Business acquisitions carried through on or after 1 July 2018

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

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

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

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

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

in the income statement.

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

Business acquisitions carried through before 1 July 2018

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

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

Leases

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

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Translation policies

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Revenue

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

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish 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.

21 Accounting Policies (continued)

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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

The fixed assets' residual values are determined at nil. Depreciation period and residual value are re-assessed annually. Assets costing less than DKK 30,000 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable

21 Accounting Policies (continued)

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.

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.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

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

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

21 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	

*Adjusted EBITDA is excl. one time items.

All in one

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