Cembrit A/S

Gasværksvej 24, 1., DK-9000 Aalborg

Annual Report for 1 January - 31 December 2020

CVR No 58 71 17 13

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30/06 2021

Michael Christensen
Chairman of the General Meeting

pwc

Contents

pwc

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Cembrit A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Aalborg, 30 June 2021

Executive Board

Morten Rosager Andersen

Board of Directors

Jørn Mørkeberg Nielsen Chairman	Michael Christensen Deputy Chairman	Torben Axelsen
Michael Bjerring Staff Representative		

Independent Auditor’s Report

To the Shareholders of Cembrit A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company’s operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Cembrit A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”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 Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

Management’s responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 internal control.

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

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

Independent Auditor's Report

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

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

Hellerup, 30 June 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob Fromm Christiansen	Kristian Højgaard Carlsen
statsautoriseret revisor	statsautoriseret revisor
mne18628	mne44112

Company Information

The Company	Cembrit A/S Gasværksvej 24, 1. DK-9000 Aalborg CVR No: 58 71 17 13 Financial period: 1 January - 31 December Incorporated: 28 January 1969 Municipality of reg. office: Aalborg
Board of Directors	Jørn Mørkeberg Nielsen, Chairman Michael Christensen Torben Axelsen Michael Bjerring
Executive Board	Morten Rosager Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	711.679	502.996	484.875	496.489	546.954
Gross profit/loss	71.318	46.650	45.728	57.964	107.131
Operating profit/loss	18.826	11.792	11.466	17.640	39.632
Net financials	-15.686	-15	96	-695	-456
Net profit/loss for the year	493	9.038	9.002	13.548	30.512
Balance sheet					
Balance sheet total	446.890	187.066	231.190	234.872	237.418
Equity	79.797	65.524	56.486	61.032	72.975
Investment in property, plant and equipment	0	0	0	606	0
Number of employees	33	33	32	31	47
Ratios					
Gross margin	10,0%	9,3%	9,4%	11,7%	19,6%
Return on assets	4,2%	6,3%	5,0%	7,5%	16,7%
Solvency ratio	17,9%	35,0%	24,4%	26,0%	30,7%
Return on equity	0,7%	14,8%	15,3%	20,2%	83,6%

Management's Review

Business review

The main activity of Cembrit A/S is sales of fibre cement products to the Danish market as well assupply of know-how and technical support services on fibre cement building materials. The Companyis a market leader in sales of fibre cement products in Denmark. The main product lines arecorrugated sheets and slates used primarily as roofing and flat sheets for interior and exteriorcladding of facades, walls and ceilings.

As of 1 January 2020, Cembrit A/S, Cembrit Logistics A/S and DKCF ApS has been merged into Cembrit A/S.

Financial review

The income statement of the Company for 2020 shows a profit of TDKK 493, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 79,797.

The result for 2020 is in line with the expectation stated in the 2019 Annual Report.

Outlook

With COVID-19 the level of uncertainty is high and accurately assessing the impact on our financial performance for 2020 is difficult. If the impact from COVID-19 is less material and the launched initiatives deliver as planned, performance is expected to remain unchanged compared to 2019.

Forward-looking statements

Statements in the Annual Report 2020 concerning the future reflect the company's current expectations about future events and financial results. Statements concerning the future are naturally subject to uncertainty, and actual results may differ from expected results. COVID-19 has increased the level of uncertainty. Differences may be caused by, but are not limited to, economic and financial market developments, developments in product demand, competitive conditions etc. The company disclaims any liability to update or adjust statements in the Annual Report 2020 about future or possible reasons for differences between actual and anticipated results except where required by legislation.

Knowledge resources

The Company is characterized by a dynamic environment, which places great demands on thecompany when it comes to attracting and retaining skilled and innovative employees.

Special risks

Risk will always play an important part in our business, and we maintain focus on the identification, mitigation and management of risks in our day-today work.

Management's Review

Continuing being a leading supplier of fibre cement products is the key risk. Furthermore, is Cembrit's business cyclical by nature. When the level of activity in the industry is high, as is currently the case,the primary focus is on new building rather than renovation. However, the expectation is that the renovation business will partly compensate for any decline in the construction industry in the event of a down-turn in the economy.

Statement of corporate social responsibility

For Cembrit, sustainability and CSR are about making the right choices to make life easier and better for our customers, colleagues, partners and other stakeholders. Behaving in a responsible manner has always been essential to Cembrit, and the CSR statement for Cembrit Group is the basis for our CSR work, together with our Code of Conduct, other policies, guidelines, tone from the top etc. Tone from the top has been and will continue to be a key element of Cembrit's CSR work to ensure ongoing adjustments and adherence to responsible behaviour. The CSR statement for Cembrit Group is based on the Global Compact's 10 principles.

The company's CSR statement is included in the consolidated CSR statement of Cembrit Group A/S.

Account of the gender composition of Management

Equal opportunity for all employees is important to Cembrit, and accordingly we do not differentiatebased on gender, race or religion when people are employed or promoted. The industry in which Cembrit operates has an overrepresentation of men, which makes it difficult to ensure a more balanced distribution between men and women. To further ensure gender diversity in the future, Cembrit will pursue the following initiatives, with a focus on women in management:

- Cembrit will always consider diversity when hiring or appointing people at all levels, including the Executive Management and the Board of Directors. If two or more candidates for a position are equally qualified, the candidate of the underrepresented gender will be preferred.

- When recruiting candidates for board positions, Cembrit will require at least one candidate for the under-represented gender.

The number of women in management positions at Cembrit was 33% in 2020, unchanged from 2019. We aim to maintain the number of women in management positions in 2021.

Cembrits Board of Directors currently comprises five men and no women, and the Executive Board comprises three men.

Cembrit maintains its target of having at least one shareholder-elected woman on the Board of Directors by 2022. This target was not achieved in 2020, as there were no changes in directors during the year.

Income Statement 1 January - 31 December

	Note	2020	2019
		TDKK	TDKK
Revenue	1	**711.679**	**502.996**
Cost of sales	2	-640.361	-456.346
Gross profit/loss		**71.318**	**46.650**
Distribution expenses	2	-43.885	-27.760
Administrative expenses	2	-8.607	-7.098
Operating profit/loss		**18.826**	**11.792**
Profit/loss before financial income and expenses		**18.826**	**11.792**
Financial income	3	-1	1.957
Financial expenses	4	-15.685	-1.972
Profit/loss before tax		**3.140**	**11.777**
Tax on profit/loss for the year	5	-2.647	-2.739
Net profit/loss for the year		**493**	**9.038**

Distribution of profit

Proposed distribution of profit

Retained earnings	493	9.038
	493	**9.038**

Balance Sheet 31 December

Assets

	Note	2020	2019
		TDKK	TDKK
Plant and machinery		124	0
Other fixtures and fittings, tools and equipment		1.189	479
Property, plant and equipment	6	**1.313**	**479**
Investments in subsidiaries	7	3.596	0
Fixed asset investments		**3.596**	**0**
Fixed assets		**4.909**	**479**
Inventories		**42.663**	**0**
Trade receivables		59.417	23.886
Receivables from group enterprises		333.390	154.127
Other receivables		2.444	2.251
Deferred tax asset	10	2.493	6.180
Prepayments	9	1.559	130
Receivables		**399.303**	**186.574**
Cash at bank and in hand		**15**	**13**
Currents assets		**441.981**	**186.587**
Assets		**446.890**	**187.066**

Balance Sheet 31 December

Liabilities and equity

	Note	2020	2019
		TDKK	TDKK
Share capital		21.625	21.000
Retained earnings		58.172	44.524
Equity		**79.797**	**65.524**
Other provisions	11	147	116
Provisions		**147**	**116**
Credit institutions		0	943
Trade payables		77.600	8.445
Payables to group enterprises		259.921	80.359
Corporation tax		149	2.514
Other payables		29.276	29.165
Short-term debt		**366.946**	**121.426**
Debt		**366.946**	**121.426**
Liabilities and equity		**446.890**	**187.066**
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	12		
Related parties	14		
Fee to auditors appointed at the general meeting	15		
Accounting Policies	16		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	21.000	44.524	65.524
Net effect from merger and acquisition under the uniting of interests method	625	13.155	13.780
Adjusted equity at 1 January	21.625	57.679	79.304
Net profit/loss for the year	0	493	493
Equity at 31 December	**21.625**	**58.172**	**79.797**

Notes to the Financial Statements

		2020	2019
		TDKK	TDKK
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	637.053	502.996
	Revenue from group enterprises	74.626	0
		711.679	**502.996**
2	**Staff**		
	Wages and Salaries	16.433	15.690
	Pensions	1.283	1.239
	Other social security expenses	214	302
		17.930	**17.231**
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
	Cost of sales	1.686	1.529
	Distribution expenses	15.868	15.054
	Administrative expenses	376	648
		17.930	**17.231**
	Average number of employees	**33**	**33**

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

		2020	2019
3	**Financial income**		
	Exchange adjustments	-1	1.957
		-1	**1.957**

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK

4 Financial expenses

	2020 TDKK	2019 TDKK
Interest paid to group enterprises	6.068	0
Other financial expenses	2.878	0
Exchange adjustments, expenses	6.739	1.972
	15.685	**1.972**

5 Tax on profit/loss for the year

	2020 TDKK	2019 TDKK
Current tax for the year	149	2.514
Deferred tax for the year	1.390	225
Adjustment of tax concerning previous years	-2.514	0
Adjustment of deferred tax concerning previous years	3.622	0
	2.647	**2.739**

6 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	0	3.019
Net effect from merger and acquisition	176	1.502
Cost at 31 December	176	4.521
Impairment losses and depreciation at 1 January	0	2.540
Net effect from merger and acquisition	28	546
Depreciation for the year	24	246
Impairment losses and depreciation at 31 December	52	3.332
Carrying amount at 31 December	**124**	**1.189**

Notes to the Financial Statements

		2020	2019
		TDKK	TDKK
7	**Investments in subsidiaries**		
	Cost at 1 January	3.596	0
	Carrying amount at 31 December	**3.596**	**0**

		2020	2019
8	**Distribution of profit**		
	Retained earnings	493	9.038
		493	**9.038**

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, insurance policies and other prepayments, DKK 1.559 thousand.

		2020	2019
10	**Deferred tax asset**		
	Property, plant and equipment	148	-188
	Inventories	32	0
	Total current and non current liabilities	0	-733
	Tax loss carry-forward	-2.673	-5.259
	Transferred to deferred tax asset	2.493	6.180
		0	**0**
	Deferred tax asset		
	Calculated tax asset	2.493	6.180
	Carrying amount	**2.493**	**6.180**

Notes to the Financial Statements

		2020	2019
		TDKK	TDKK
11	**Other provisions**		
	Balance at beginning of year	116	2.766
	Provision in year	31	0
	Employed in year	0	-2.650
		147	**116**

Other provisions comprise expected non-recourse guarantee commiments etc. Based on previous experience in respect of the level of repairs and returns, other provisions of t.DKK 147 have been recognized for expected warranty claims. These provisions are subject to uncertainty.

12 Contingent assets, liabilities and other financial obligations

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 Cembrit Group 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.

13 Rent and lease liabilities

	2020	2019
Operating lease liabilities		
Total future lease payments:		
Within 1 year	7.130	1.733
Between 1 and 5 years	25.253	3.736
After 5 years	21.427	0
	53.810	**5.469**

Notes to the Financial Statements

14 Related parties

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 financial statements of the mother company.

Name	Place of registered office
Cembrit Group A/S	Gasværksvej 24, 1.

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

Gasværksvej 24, 1.
9000 Aalborg

15 Fee to auditors appointed at the general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act.The fee is specified in the consolidated financial statements for Cembrit Group A/S.

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Cembrit A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Cembrit Group A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

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 and impairment losses.

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

16 Accounting Policies (continued)

Business combinations

Uniting of interests

Intragroup business combinations are accounted for under the uniting-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The uniting-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Rent and lease liabilities".

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 arose are recognised in financial income and expenses in the income statement.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Notes to the Financial Statements

16 Accounting Policies (continued)

Income Statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

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 Company.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year(percentage-of-completion method).

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

Production cost

Production costs comprise costs incurred to achieve revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Finally, provisions for losses on contract work are recognised.

Distribution expenses

Distribution expenses comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and depreciation.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Financial income and expenses

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

Notes to the Financial Statements

16 Accounting Policies (continued)

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 other group entities. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance Sheet

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.

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:

Plant and machinery	15	years
Other fixtures and fittings, tools and equipment	3-15	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Gains or losses are calculated as the difference between the selling price less selling costs and thecarrying amount at the date of disposal. Gains and losses from the disposal of property, plant andequipment are recognised in the income statement as other operating income or other operatingexpenses.

Impairment of fixed assets

The carrying amounts of 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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 equals landed cost.

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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

lmpairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Notes to the Financial Statements

16 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

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

Notes to the Financial Statements

16 Accounting Policies (continued)

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$