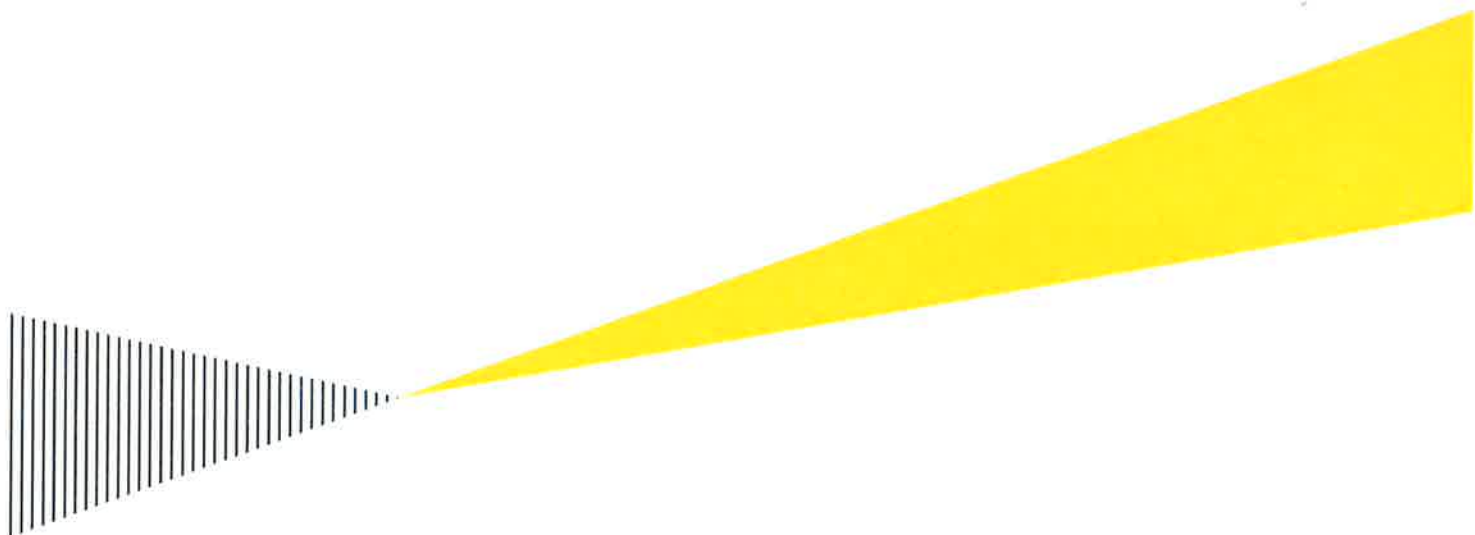


# Ivarsson A/S

Kometvej 36, DK-6230 Rødekro

CVR no. 78 61 18 12



## Annual report 2016

Approved at the annual general meeting of shareholders on 19 April 2017

Chairman:

  
.....



**Building a better  
working world**



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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Ivarsson A/S for the financial year 1 January - 31 December 2016.

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 of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Aabenraa, 19 April 2017  
Executive Board:



Marc Edmond Marie-Louise  
Lootens

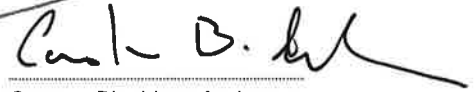
Board of Directors:



Johan Leo  
Chairman



Marc Edmond Marie-Louise  
Lootens



Carsten Blaabjerg Andersen

## Independent auditor's report

To the shareholders of Ivarsson A/S

### Opinion

We have audited the financial statements of Ivarsson A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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 skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ 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.

### Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note 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.

### Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 19 April 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Henrik Andersen  
State Authorised Public Accountant



Jon Midtgaard  
state authorised public accountant



## Management's review

### Company details

Name Ivarsson A/S  
Address, Postal code, City Kometvej 36, DK-6230 Rødekro

CVR no. 78 61 18 12  
Established 26 June 1985  
Registered office Aabenraa  
Financial year 1 January - 31 December

Website [www.ivarsson.dk](http://www.ivarsson.dk)  
E-mail [ivarsson@ivarsson.dk](mailto:ivarsson@ivarsson.dk)

Board of Directors Johan Leo, Chairman  
Marc Edmond Marie-Louise Lootens  
Carsten Blaabjerg Andersen

Executive Board Marc Edmond Marie-Louise Lootens

Auditors Ernst & Young Godkendt Revisionspartnerselskab  
Værkmestergade 25, P.O. Box 330, 8100 Aarhus C,  
Denmark

Bankers Handelsbanken

## Management's review

### Financial highlights

| DKKt  | 2016   | 2015   | 2014    | 2013    | 2012    |
|---|--------|--------|---------|---------|---------|
| <b>Key figures</b>                          |        |        |         |         |         |
| Gross margin                                | 57,392 | 53,249 | 58,028  | 58,104  | 50,270  |
| Operating profit/loss                       | 16,127 | 14,761 | 19,491  | 23,969  | 19,077  |
| Net financials                              | -218   | -1,480 | -2,097  | -2,427  | -2,455  |
| Profit/loss for the year                    | 12,595 | 10,546 | 14,318  | 17,500  | 12,369  |
| <b>Total assets</b>                         |        |        |         |         |         |
| Investment in property, plant and equipment | 52     | 234    | 147     | 193     | 242     |
| Equity                                      | 48,046 | 36,409 | -22,959 | -41,579 | -58,208 |
| <b>Financial ratios</b>                     |        |        |         |         |         |
| Return on assets                            | 18.8%  | 18.0%  | 25.8%   | 35.4%   | 30.0%   |
| Solvency ratio                              | 56.1%  | 42.5%  | -29.4%  | -56.8%  | -93.3%  |
| Return on equity                            | 29.8%  | 156.8% | -44.4%  | -35.1%  | -19.3%  |
| <b>Average number of employees</b>          |        |        |         |         |         |
|   | 73     | 69     | 69      | 65      | 62      |

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

## Management's review

### Management commentary

#### Business review

As in previous years, the principal activities comprised marketing and distribution of construction products, primarily in fibre cement within the main groups fire-proof building boards, roofing products, cladding systems, etc.

The products are sold in the Scandinavian countries.

#### Financial review

The income statement for 2016 shows a profit of DKK 12,594,835 against DKK 10,546,395 last year, and the balance sheet at 31 December 2016 shows equity of DKK 48,045,583. Management considers the Company's financial performance in the year satisfactory.

#### Knowledge resources

In addition to the Company's primary activities, a related activity is to develop the highest possible competence within application and function of the Company's fibre cement products. In order to be able to utilise these competences, it is decisive that the Company is able to recruit and maintain employees with relevant backgrounds and a high level of education. It is our objective for the Company to have state-of-the-art knowledge of these product competence areas and to ensure the Company's rapid adaptability.

#### Special risks

##### *Financial risks*

The Company's purchases of raw materials, which are primarily based on fibre cement products, are expected to remain stable. Any price fluctuations can be recognised in the sales prices, and the Company's direct competitors will also experience the same changes.

##### *Currency risks*

It is Company policy to hedge commercial currency risks. No speculative currency transactions are made. The Company's activity is settled in DKK, EUR, NOK and SEK

#### Impact on the external environment

The environmental profile of the Company is very distinct. This applies at first to the Company's product and environmental issues, but also to a high degree of the environmental issues regarding transport, distribution and the use of the Company's products.

All the Company's market resources are also subject to detailed environmental assessments. The Company has heavy environmental requirements for all suppliers in all respects. The Company's activities are therefore not considered to be detrimental to the environment.

#### Foreign branches

In the financial year under review Ivarsson A/S had permanent establishments in Norway and Sweden.

##### *Sales branches:*

- ▶ Ivarsson Norge, NUF, Oslo
- ▶ Ivarsson Sverige, branch of Ivarsson A/S Danmark, Malmö





## Management's review

### Management commentary

#### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

#### Outlook

Management expects that revenue and results of operations for 2017 will be at a higher level than obtained in 2016.



## Financial statements for the period 1 January - 31 December

### Income statement

| Note | DKK   | 2016        | 2015        |
|------|---|-------------|-------------|
|      | Gross margin  | 57,391,865  | 53,249,171  |
| 2    | Staff costs   | -40,055,840 | -37,246,992 |
| 3    | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -1,208,855  | -1,241,304  |
|      | Profit before net financials  | 16,127,170  | 14,760,875  |
| 4    | Financial income  | 42,768      | 54,863      |
| 5    | Financial expenses  | -260,488    | -1,535,046  |
|      | Profit before tax   | 15,909,450  | 13,280,692  |
| 6    | Tax for the year  | -3,314,615  | -2,734,297  |
|      | Profit for the year   | 12,594,835  | 10,546,395  |



## Financial statements for the period 1 January - 31 December

### Balance sheet

| Note | DKK  | 2016              | 2015              |
|------|--|-------------------|-------------------|
|      | ASSETS   |                   |                   |
|      | Fixed assets                                     |                   |                   |
| 7    | Intangible assets                                |                   |                   |
|      | Acquired intangible assets                       | 2,413,938         | 3,325,334         |
|      | Goodwill   | 0                 | 0                 |
|      |  | <u>2,413,938</u>  | <u>3,325,334</u>  |
| 8    | Property, plant and equipment                    |                   |                   |
|      | Plant and machinery                              | 523,170           | 651,293           |
|      | Other fixtures and fittings, tools and equipment | 230,532           | 347,611           |
|      | Leasehold improvements                           | 0                 | 0                 |
|      |  | <u>753,702</u>    | <u>998,904</u>    |
|      | Investments                                      |                   |                   |
|      | Other receivables                                | 59,677            | 59,635            |
|      |  | <u>59,677</u>     | <u>59,635</u>     |
|      | Total fixed assets                               | <u>3,227,317</u>  | <u>4,383,873</u>  |
|      | Non-fixed assets                                 |                   |                   |
|      | Inventories                                      |                   |                   |
|      | Finished goods and goods for resale              | 14,364,314        | 14,981,047        |
|      |  | <u>14,364,314</u> | <u>14,981,047</u> |
|      | Receivables                                      |                   |                   |
|      | Trade receivables                                | 30,655,923        | 36,505,865        |
|      | Receivables from group entities                  | 24,715,786        | 5,330,513         |
| 11   | Deferred tax assets                              | 2,661,716         | 3,045,452         |
|      | Other receivables                                | 34,000            | 31,683            |
| 9    | Prepayments                                      | 1,432,892         | 1,116,547         |
|      |  | <u>59,500,317</u> | <u>46,030,060</u> |
|      | Cash   | 8,512,485         | 20,278,662        |
|      | Total non-fixed assets                           | <u>82,377,116</u> | <u>81,289,769</u> |
|      | TOTAL ASSETS                                     | <u>85,604,433</u> | <u>85,673,642</u> |



## Financial statements for the period 1 January - 31 December

### Balance sheet

| Note | DKK  | 2016              | 2015              |
|------|--|-------------------|-------------------|
|      | <b>EQUITY AND LIABILITIES</b>                  |                   |                   |
|      | Equity   |                   |                   |
| 10   | Share capital                                  | 4,300,000         | 4,300,000         |
|      | Retained earnings                              | 43,745,583        | 32,108,862        |
|      | <b>Total equity</b>                            | <b>48,045,583</b> | <b>36,408,862</b> |
|      | Provisions                                     |                   |                   |
|      | Other provisions                               | 1,525,000         | 1,525,000         |
| 12   | <b>Total provisions</b>                        | <b>1,525,000</b>  | <b>1,525,000</b>  |
|      | Liabilities                                    |                   |                   |
|      | Current liabilities                            |                   |                   |
|      | Trade payables                                 | 4,159,337         | 4,889,084         |
|      | Payables to group entities                     | 13,437,237        | 27,513,784        |
|      | Income taxes payable                           | 207,415           | 455,290           |
|      | Other payables                                 | 18,229,861        | 14,881,622        |
|      |  | <b>36,033,850</b> | <b>47,739,780</b> |
|      | <b>Total liabilities other than provisions</b> | <b>36,033,850</b> | <b>47,739,780</b> |
|      | <b>TOTAL EQUITY AND LIABILITIES</b>            | <b>85,604,433</b> | <b>85,673,642</b> |

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties



## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

| DKK   | Share capital | Retained earnings | Total       |
|---|---------------|-------------------|-------------|
| Equity at 1 January 2015                        | 4,300,000     | -27,258,967       | -22,958,967 |
| Contribution                                    | 0             | 52,000,000        | 52,000,000  |
| 16 Transfer, see "Appropriation of profit"      | 0             | 10,546,395        | 10,546,395  |
| Adjustment of hedging instruments at fair value | 0             | -4,206,362        | -4,206,362  |
| Tax on items recognised directly in equity      | 0             | 1,027,796         | 1,027,796   |
| Equity at 1 January 2016                        | 4,300,000     | 32,108,862        | 36,408,862  |
| 16 Transfer, see "Appropriation of profit"      | 0             | 12,594,835        | 12,594,835  |
| Adjustment of hedging instruments at fair value | 0             | -1,225,168        | -1,225,168  |
| Tax on items recognised directly in equity      | 0             | 267,054           | 267,054     |
| Equity at 31 December 2016                      | 4,300,000     | 43,745,583        | 48,045,583  |

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Ivarsson A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

##### Changes in accounting policies

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies the following changes in the recognition and measurement:

1. In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

Apart from the above changes in accounting policy and new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

##### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, Etex S.A.

##### Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. where the combined entities are controlled by the parent company, implying that the combination is considered complete at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

##### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

##### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

#### 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 "Contingent liabilities".

### Income statement

#### Revenue

Income from the sale of goods for resale and finished goods, comprising sale of construction products, primarily in fibre cement within the main groups fire-proof building boards, roofing products, cladding systems, etc. is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

#### Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

#### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

## Financial statements for the period 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

## Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

|                            |         |
|----------------------------|---------|
| Acquired intangible assets | 5 years |
| Goodwill                   | 5 years |

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

|  |           |
|--|-----------|
| Plant and machinery                              | 15 years  |
| Other fixtures and fittings, tools and equipment | 3-5 years |
| Leasehold improvements                           | 3 years   |

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

## Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

## Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Receivables

Receivables are measured at amortised cost.

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.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Equity

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Provisions

Provisions comprise expected expenses relating to warranty commitments. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required 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.

Guarantee commitments comprise expected cost of repairs within the guarantee period and are recognised based on previous experience with work performed under guarantees.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

#### Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

|                  |  |
|------------------|--|
| Return on assets | $\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$        |
| Solvency ratio   | $\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$ |
| Return on equity | $\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$           |

| DKK                                   | 2016              | 2015              |
|---------------------------------------|-------------------|-------------------|
| 2 Staff costs                         |                   |                   |
| Wages/salaries                        | 36,188,490        | 33,860,130        |
| Pensions                              | 2,621,140         | 2,520,365         |
| Other social security costs           | 218,719           | 236,897           |
| Other staff costs                     | 1,027,491         | 629,600           |
|                                       | <u>40,055,840</u> | <u>37,246,992</u> |
| Average number of full-time employees | <u>73</u>         | <u>69</u>         |

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

## Financial statements for the period 1 January - 31 December

## Notes to the financial statements

| DKK  | 2016             | 2015             |
|--|------------------|------------------|
| 3 Amortisation/depreciation of intangible assets and property, plant and equipment |                  |                  |
| Amortisation of intangible assets  | 911,396          | 911,396          |
| Depreciation of property, plant and equipment                                      | 297,459          | 329,908          |
|  | <u>1,208,855</u> | <u>1,241,304</u> |
| 4 Financial income   |                  |                  |
| Interest income, group entities  | 41,825           | 52,829           |
| Other interest income  | 926              | 2,034            |
| Other financial income   | 17               | 0                |
|  | <u>42,768</u>    | <u>54,863</u>    |
| 5 Financial expenses   |                  |                  |
| Interest expenses, group entities  | 149,950          | 1,486,326        |
| Other interest expenses  | 26,237           | 48,720           |
| Other financial expenses   | 84,301           | 0                |
|  | <u>260,488</u>   | <u>1,535,046</u> |
| 6 Tax for the year   |                  |                  |
| Estimated tax charge for the year  | 3,284,258        | 2,927,722        |
| Deferred tax adjustments in the year   | -650,822         | -193,425         |
| Tax adjustments, prior years   | 681,179          | 0                |
|  | <u>3,314,615</u> | <u>2,734,297</u> |

In addition, tax on equity is DKK -267,054 (2015: DKK -1,027,796)

| DKK   | Acquired<br>intangible assets | Goodwill         | Total            |
|---|-------------------------------|------------------|------------------|
| 7 Intangible assets   |                               |                  |                  |
| Cost at 1 January 2016  | 4,860,166                     | 3,948,739        | 8,808,905        |
| Disposals in the year   | -10,029                       | 0                | -10,029          |
| Cost at 31 December 2016  | <u>4,850,137</u>              | <u>3,948,739</u> | <u>8,798,876</u> |
| Impairment losses and amortisation at 1 January 2016              | 1,534,832                     | 3,948,739        | 5,483,571        |
| Amortisation/depreciation in the year                             | 911,396                       | 0                | 911,396          |
| Reversal of amortisation/depreciation and impairment of disposals | -10,029                       | 0                | -10,029          |
| Impairment losses and amortisation at 31 December 2016            | <u>2,436,199</u>              | <u>3,948,739</u> | <u>6,384,938</u> |
| Carrying amount at 31 December 2016                               | <u>2,413,938</u>              | <u>0</u>         | <u>2,413,938</u> |
| Amortised over  | <u>5 years</u>                | <u>5 years</u>   |                  |

## Financial statements for the period 1 January - 31 December

## Notes to the financial statements

## 8 Property, plant and equipment

| DKK   | Plant and machinery | Other fixtures and fittings, tools and equipment | Leasehold improvements | Total     |
|---|---------------------|--|------------------------|-----------|
| Cost at 1 January 2016  | 2,169,068           | 2,486,261  | 34,487                 | 4,689,816 |
| Additions in the year   | 0                   | 52,257   | 0                      | 52,257    |
| Disposals in the year   | 0                   | -503,095   | 0                      | -503,095  |
| Cost at 31 December 2016  | 2,169,068           | 2,035,423  | 34,487                 | 4,238,978 |
| Impairment losses and depreciation at 1 January 2016              | 1,517,775           | 2,138,650  | 34,487                 | 3,690,912 |
| Amortisation/depreciation in the year                             | 128,123             | 169,336  | 0                      | 297,459   |
| Reversal of amortisation/depreciation and impairment of disposals | 0                   | -503,095   | 0                      | -503,095  |
| Impairment losses and depreciation at 31 December 2016            | 1,645,898           | 1,804,891  | 34,487                 | 3,485,276 |
| Carrying amount at 31 December 2016                               | 523,170             | 230,532  | 0                      | 753,702   |
| Amortised over  | 15 years            | 3-5 years  | 3 years                |           |

## 9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent of DKK 658 thousand, and other prepaid expenses.

| DKK   | 2016      | 2015      |
|---|-----------|-----------|
| 10 Share capital                              |           |           |
| Analysis of the share capital:                |           |           |
| 86 shares of DKK 50,000.00 nominal value each | 4,300,000 | 4,300,000 |
|   | 4,300,000 | 4,300,000 |

The Company's share capital has remained DKK 4,300,000 over the past 5 years.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 11 Deferred tax

Deferred tax relates to:

| DKK                                 | 2016              | 2015              |
|-------------------------------------|-------------------|-------------------|
| Intangible assets                   | 45,776            | 124,961           |
| Property, plant and equipment       | 42,839            | 67,288            |
| Tax loss                            | -2,350,605        | -3,193,738        |
| Other taxable temporary differences | -399,726          | -43,963           |
|                                     | <u>-2,661,716</u> | <u>-3,045,452</u> |

#### 12 Provisions

Other provisions comprise provisions for warranty commitments. Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods. The obligation is expected to be settled over the warranty period, which is one year.

#### 13 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

The Company is subject to claims related to magnesium-oxide boards sold in the Nordics in 2010-2013. Due to uncertainties related to root cause, extent, amount and insurance coverage it is uncertain if an obligation exists. Hence, no amount is recognised in the financial statements.

##### Other financial obligations

Other rent and lease liabilities:

| DKK                        | 2016              | 2015              |
|----------------------------|-------------------|-------------------|
| Rent and lease liabilities | <u>15,664,551</u> | <u>16,974,221</u> |

#### 14 Collateral

The Company has provided a bank guarantee of DKK 1,000 thousand to the Norwegian authorities in connection with the Company's branch in Norway.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 15 Related parties

Ivarsson A/S' related parties comprise the following:

##### Parties exercising control

| Related party              | Domicile            | Basis for control      |
|----------------------------|---------------------|------------------------|
| Parent: Etermat SAS        | Vernouillet, France | Participating interest |
| Ultimate parent: Etex S.A. | Brussels, Belgium   | Participating interest |

##### Information about consolidated financial statements

| Parent    | Domicile          | Requisitioning of the parent company's consolidated financial statements |
|-----------|-------------------|--|
| Etex S.A. | Brussels, Belgium | <a href="http://www.etexgroup.com">www.etexgroup.com</a>                 |

##### Related party transactions

Ivarsson A/S was engaged in the below related party transactions:

| DKK                         | 2016        | 2015        |
|-----------------------------|-------------|-------------|
| Purchase of goods           | 179,929,845 | 187,561,500 |
| Purchase of services        | 6,284,274   | 7,581,409   |
| Interest income             | 41,825      | 52,829      |
| Interest expenses           | 149,950     | 1,486,326   |
| Receivables from affiliated | 24,715,786  | 5,330,513   |
| Payables to affiliated      | 13,437,237  | 27,513,784  |

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

| Name        | Domicile            |
|-------------|---------------------|
| Etermat SAS | Vernouillet, France |

| DKK                                 | 2016              | 2015              |
|-------------------------------------|-------------------|-------------------|
| 16 Appropriation of profit/loss     |                   |                   |
| Recommended appropriation of profit |                   |                   |
| Retained earnings                   | 12,594,835        | 10,546,395        |
|                                     | <u>12,594,835</u> | <u>10,546,395</u> |