ETEX NORDIC A/S

VENDERSGADE 74 3., 7000 FREDERICIA

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2022

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 14 July 2023

Rolf Heinz Otto Walter Haberlah

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 78 61 18 12

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COMPANY DETAILS

Company	ETEX NORDIC A/S Vendersgade 74 3. 7000 Fredericia CVR No.: 78 61 18 12 Established: 26 June 1985 Municipality: Fredericia Financial Year: 1 January - 31 December
Board of Directors	Johan Leo, chairman Michael Fenlon Rolf Heinz Otto Walter Haberlah
Executive Board	Rolf Heinz Otto Walter Haberlah
Auditor	PricewaterhouseCoopers Esbjerg Brygge 28 6700 Esbjerg
Bank	BNP Parlbas Handelsbanken

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of ETEX NORDIC A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Fredericia, 14 July 2023

Executive Board

Rolf Heinz Otto Walter Haberlah

Board of Directors

Johan Leo Chairman	Michael Fenlon	Rolf Heinz Otto Walter Haberlah

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ETEX NORDIC 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 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Etex Nordic A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statemen of changes in equity and notes, indcluding a summery of significant accounting policies ("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' 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 Financial 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 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.

INDEPENDENT AUDITOR'S REPORT

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Esbjerg, 14 July 2023

PricewaterhouseCoopers
CVR no. 33 77 12 31

Palle H. Jensen
State Authorised Public Accountant
MNE no. mne32115

FINANCIAL HIGHLIGHTS

	2022 DKK '000	2021 DKK '000	2020 DKK '000	2019 DKK '000	2018 DKK '000
Income statement					
Gross profit/loss	36.492	38.439	31.920	36.060	79.184
Operating profit/loss of main activities	-1.446	2.150	-7.051	-17.098	22.405
Financial income and expenses, net	-87	-173	-702	-663	-1.177
Profit/loss for the year	-660	-1.181	-4.981	-18.110	16.550
Balance sheet					
Total assets	137.314	142.135	143.949	144.778	143.457
Equity	67.144	67.177	68.282	73.362	91.586
Investment in property, plant and equipment	-2.607	-1.176	-780	-26.222	0
Average number of full-time employees	**55**	**55**	**52**	**64**	**79**
Key ratios					
Return on invested capital	-2,7	2,3	-4,9	-11,9	5,1
Equity ratio	48,9	47,3	47,4	50,7	63,8
Return on equity	-1,0	-1,7	-7,0	-22,0	19,9

The ratios stated in the list of key figures and ratios have been calculated as follows:

Invested capital:	NWC + intangible and tangible assets (ex goodwill) – provisions – other operating liabilities, non-current
Return on invested capital:	$\frac{\text{Operating Profit/loss adjusted for goodwill amortisation x 100}}{\text{Average invested capital}}$
Equity ratio:	$\frac{\text{Equity, at year-end x 100}}{\text{Total assets, at year-end}}$
Return on equity:	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

MANAGEMENT COMMENTARY

Principal activities
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 Nordic countries.

Our main commercial brands:

Exteriors

We bring aeshetically attractive and high-performing fibre cement exterior solutions to the residential, architechtural and agricultural sectors.

Cedral offers beautiful solutions tailored to each personality and living space, enabling true personalisation. For roofs, facades, Cedral offers unique, attractive and high-performing products. Out fibre cement slates shelter and protect homes, our sidings bring creative visions to life.

Equitone is our global brand for architectural fibre cement facade materials. We work with and for architects to design smart and resilient materials to reduce environmental impact. Our customers are all architects whoseek new ways to build beyond accepted standards - actively influencing positive change.

Euronit/Ivarcem corrugated sheets offer strength and resilience, bringing good value for money to agricultural buildings, houses and industrial applications around the world.

Etex Building Performance
Promat and Masterboard are our brands for passive fire protection, high-temperature applications and intumescent seals. These products are used in applications as diverse as residential, sports and leisure, healthcare, hospitality, offices, education, bridges and tunnels.

Industry
Microtherm is our global specialist in ultrathin and lightweight microporous insulation materials, used in a wide range of industrial applications. As the industry benchmark since 1961. It is designed for extreme temperature conditions and is available in various delivery forms; rigid, flexible and vacuuminsulated panels, machined parts and mouldable and pourable products. Spanning our Industry and Building Performance divisions, Promat is our global brand for passive fire protection high temperature applications and intumescent seals. We supply a range of products worldwide, including ducting, structural protection, compartmentation, insulation and fire-stopping solutions. These products are used in applications as diverse as fire doors, fire dampers, furnaces, industrial piping, structural steel and cruise ships.

Development in activities and financial and economic position
The Income statement for 2022 shows a loss/return of DKK 660,227 against a loss of DKK 1,180,801 last year, and the balance sheet at 31 December 2022 shows equity of DKK 67,144,085. Management considers the Company's financial performance In the year not satisfactory.

There have been an extra expense related to provisions for Claims.

Profit/loss for the year compared to the expected development
The Income statement for 2022 shows a loss/return of DKK 660,227. When compared to the expected outcome, the result is disappointing, largely due to the negative economically development.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the Company's financial position.

MANAGEMENT COMMENTARY

Financial risk

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.

lt 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

Environmental situation

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.

Knowledge resources

The Company's aim 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 adaptabllity.

Research and development activities

At Etex, our innovation is built on three pillars: Sustainability, New Applications, and Quality & Cost Excellence.

We strive to become an industry leader in sustainability and recognise the importance of collaboration and partnership.

To enhance our sustainability efforts, we have established a dedicated team and an open innovation platform to connect with external innovators and focus on sustainable solutions. We are actively researching and testing secondary raw materials to reduce our environmental impact.

R&D is key to our growth, and we are committed to delivering results safely and to the best of our ability. Therefore, we plan to increase our investment in decarbonisation and circularity R&D in the coming years.

Future expectations

The construction industry in both professional and private projects are affected by price increase and higher interest rates, and therefore we expect 2023 to be a challenging year. We expect a result for 2023 in the range of -2.000 to 0 t.DKK.

The Company’s foreign branches

In the financial year under review Etex Nordic A/S had sales branches in Norway and Sweden.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 DKK	2021 DKK '000
GROSS PROFIT		**36.491.777**	**38.439**
Staff costs	1	-32.627.526	-31.308
Amortisation/depreciation of intangible assets and property plant and equipment		-5.310.000	-4.981
PROFIT/LOSS BEFORE NET FINANCIALS		**-1.445.749**	**2.150**
Financial income	2	463.218	442
Financial expenses		-549.916	-615
LOSS BEFORE TAX		**-1.532.447**	**1.977**
Tax for the year	3	872.220	-3.158
LOSS FOR THE YEAR	4	**-660.227**	**-1.181**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK	2021 DKK '000
Goodwill		0	0
Intangible assets	5	**0**	**0**
Land and buildings		6.508.977	10.208
Plant and machinery		1.630.779	0
Other fixtures and fittings, tools and equipment		1.959.293	2.755
Leasehold improvements		25.680	43
Property, plant and equipment	6	**10.124.729**	**13.006**
Other receivables		739.216	3.741
Financial non-current assets	7	**739.216**	**3.741**
NON-CURRENT ASSETS		**10.863.945**	**16.747**
Finished goods and goods for resale		14.406.246	13.521
Inventories		**14.406.246**	**13.521**
Trade receivables		31.668.051	33.269
Receivables from group enterprises		69.066.659	68.982
Deferred tax assets	8	1.283.676	834
Other receivables		478.373	517
Income taxes		6.141.760	6.357
Prepayments	9	512.526	1.277
Receivables		**109.151.045**	**111.236**
Cash and cash equivalents		**2.892.711**	**631**
CURRENT ASSETS		**126.450.002**	**125.388**
ASSETS		**137.313.947**	**142.135**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2022 DKK	2021 DKK '000
Share capital	10	4.300.000	4.300
Reserve for hedging transactions		604.282	-23
Retained earnings		62.239.803	62.900
EQUITY		**67.144.085**	**67.177**
Other provisions	11	9.458.753	7.820
PROVISIONS		**9.458.753**	**7.820**
Lease liabilities		4.976.858	8.385
Non-current liabilities	12	**4.976.858**	**8.385**
Bank debt		18.906.178	23.305
Lease liabilities		5.244.100	4.811
Trade payables		3.697.548	5.778
Debt to Group companies		8.506.981	7.629
Income taxes		0	1.096
Other liabilities		19.379.444	16.134
Current liabilities		**55.734.251**	**58.753**
LIABILITIES		**60.711.109**	**67.138**
EQUITY AND LIABILITIES		**137.313.947**	**142.135**

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EQUITY

	Share capital	Reserve for hedging transactions	Retained earnings	Total
Equity at 1 January 2022	4.300.000	-21.908	62.900.030	67.178.122
Proposed profit allocation, see note 4			-660.227	-660.227
Change fair value reserves				
Value adjustments in the year		802.809		802.809
Tax on changes in equity		**-176.619**		**-176.619**
Equity at 31 December 2022	**4.300.000**	**604.282**	**62.239.803**	**67.144.085**

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	2022 DKK	2021 DKK '000	Note
Staff costs			1
Average number of employees	55	55	
Wages and salaries	29.624.476	28.587	
Pensions	2.431.983	2.400	
Social security costs	102.722	136	
Other staff costs	468.345	185	
	32.627.526	**31.308**	

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

	2022 DKK	2021 DKK '000	Note
Financial income			2
Interest income, group enterprises	445.352	97	
Other interest income	17.866	345	
	463.218	**442**	
Tax for the year			3
Estimated tax charge for the year	0	1.114	
Tax adjustments, prior years	-245.489	255	
Deferred tax adjustments in the year	-626.731	1.789	
	-872.220	**3.158**	
Proposed distribution of profit			4
Retained earnings	-660.227	-1.181	
	-660.227	**-1.181**	

Intangible assets	Goodwill	5
Cost at 1 January 2022	3.948.739	
Cost at 31 December 2022	**3.948.739**	
Amortisation at 1 January 2022	3.948.739	
Amortisation at 31 December 2022	**3.948.739**	
Carrying amount at 31 December 2022	**0**	

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Note

Property, plant and equipment 6

	Land and buildings	Plant and machinery
Cost at 1 January 2022	19.489.837	2.245.092
Additions	125.807	1.970.122
Disposals	-166.166	0
Cost at 31 December 2022	**19.449.478**	**4.215.214**
Depreciation and impairment losses at 1 January 2022	9.282.000	2.245.092
Depreciation for the year	3.658.501	339.343
Depreciation and impairment losses at 31 December 2022	**12.940.501**	**2.584.435**
Carrying amount at 31 December 2022	**6.508.977**	**1.630.779**
Finance lease assets	6.508.977	

	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2022	4.825.710	120.087
Additions	511.509	0
Disposals	-952.788	0
Cost at 31 December 2022	**4.384.431**	**120.087**
Depreciation and impairment losses at 1 January 2022	2.071.644	77.287
Reversal of depreciation	-867.937	0
Depreciation for the year	1.221.431	17.120
Depreciation and impairment losses at 31 December 2022	**2.425.138**	**94.407**
Carrying amount at 31 December 2022	**1.959.293**	**25.680**
Finance lease assets	1.959.293	

Financial non-current assets 7

	Rent deposit and other receivables
Cost at 1 January 2022	739.216
Cost at 31 December 2022	**739.216**
Carrying amount at 31 December 2022	**739.216**

Deferred tax assets 8

The provision for deferred tax is related to differences between the carrying amount and tax value of securities, receivables, intangible and tangible fixed assets, including recognised finance lease contracts.

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	2022 DKK	2021 DKK '000	Note
Deferred tax relates to:			
Property, plant and equipment	-1.800.416	-2.816	
Securities and investments	-91.742	85	
Provisions	2.080.925	1.720	
Liabilities	1.094.909	1.845	
	1.283.676	**834**	
Deferred tax, beginning of year	833.564	2.557	
Deferred tax of the year, income statement	626.731	-1.790	
Deferred tax of the year, equity	-176.619	67	
Provision for deferred tax 31 December 2022	**1.283.676**	**834**	

Tax loss is not recognised in the balance sheet as the management do not expect that the loss can be utilized within the next three to four years. The total tax loss is 29.121 TDKK.

Prepayments			9
Rent and other prepaid expenses	512.526	1.277	
	512.526	**1.277**	

Prepayments include accrual of expenses relating to subsequent financial years, including rent of DKKt 513 and other prepaid expenses.

Share capital			10
Allocation of share capital:			
(All shares rank equally.)			
Share Capital, 86 unit in the denomination of 50.000 DKK	4.300.000	4.300	
	4.300.000	**4.300**	

Other provisions 11

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

Long-term liabilities 12

	31/12 2022 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2021 total liabilities
Lease liabilities	10.220.957	5.244.099	0	8.384.947
	10.220.957	**5.244.099**	**0**	**8.384.947**

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	Note
Contingencies etc.	**13**

Contingent liabilities
The Company is subject to claims related to magnesium-oxide boards sold in the Nordixs in 2010-2013.

There is made a provision of DKK 8.807.397. It is the mangements opinion that the rest will be covered by the insurance company.

Related parties	**14**

The Company's related parties include:

Controlling interest
Parent: Etermat SAS, France
Ultimate parent: Etex S.A., Belgium

Transactions with related parties
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. No intra-group transactions have been found that have not been on market terms.

Derivative financial instruments	**15**

Forecast transactions

The company uses forward exchange contracts to hedge expected currency risks in relation to sale and buy goods.

The fair value at 31. december 2022 amount to a receivable of DKK 417 thousands. Hereof, DKK 604 thousand is related to hedge of future cashflows and recognised in equity.

Consolidated Financial Statements	**16**

The company is included in the consolidated financial statements for Etex S.A.

ACCOUNTING POLICIES

The Annual Report of ETEX NORDIC A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

Reportlng currency
The financial statements are presented in Danish kroner (DKK). Intra-group business combinations
The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. In which entities controlled by the parent company are Involved, provided that the comblnation is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directiy In equity.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate from previously months closing rate. Foreign exchange differences arlsing 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 denomlnated 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 vaiues of derivative financial Instruments are presented as separate items in the balance sheet.
Fair vakle 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.

Fair value adjustments of derivative financial instruments deslgnated and qualifying as hedging of future assets ar liabilities are recognised as separate items in the balance sheet and in the hedglng reserve under equity.lf the forecast transaction results in the recognition of assets ar liabilities, amounts prevlously recognised in equity are transferred to the cost of the asset ar liability, respectively. If the forecast transaction results In income ar expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not quallfy for hedge accounting are recognised In the Income statement an an ongoing basis.

INCOME STATEMENT

Net revenue
The Company has chosen IAS 11/1AS 18 as interpretation for revenue recognition.
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 and plaster boards, 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 an behalf of third parties. All discounts and rebates granted are recognised in revenue.

ACCOUNTING POLICIES

Other operating income
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, operating loss and conflict compensations, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

BALANCE SHEET

Tangible fixed assets
Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings	7 years	0 %
Production plant and machinery	15 years	0 %
Other plant, fixtures and equipment	3-5 years	0 %
Leasehold improvements	3 years	0 %

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

ACCOUNTING POLICIES

Lease contracts
Lease contracts relating to tangible fixed assets
for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.

The capitalised residual lease liability is recognised in the Balance Sheet as a liability and the interest portion of the lease payment is recognised in the Income Statement over the contract period.

Unless Etex Nordic is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are deprecated an a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subjects to impairment.

At the commencement date of the lease, Etex Nordic recognize lease liabilities measured at the resent value of lease payments to be made over the lease term. The lease payments Include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an Index or a rate, and amounts expected to be pald under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Etex Nordic and payments of penaltles for terminating a lease, if the lease term reflects Etex Nordic exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the perlod on which the event or condition that that trigger the payments occur.

In calculating the present value of lease payments, Etex Nordic uses the Incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease Is not readlily determlnable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made, In addition, the carrying amount of lease liabilities Is remeasured if there is a modification, a change In the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.
Etex Nordic applies the short-term lease recognition exemption to its short-term leases (Le. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). lt also applies the lease of low-value assets recognition exemption to leases equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(C) Significant judgement in determining the lease term of contracts with renewal options. Etex Nordic determines the lease term as the non-cancellable term at the lease, together with any periods covered by an options to extend the lease if it Is reasonably certain to be exercised, or any perlods covered by an options to terminate the lease, if it is reasobly certain not to be exercised. Etex Nordic applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it conciders all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, Etex Nordic reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Lease liabilities are measured at the net present value of the remalning lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Financial non-current assets
Other receivables are measured at amortised cost which usually corresponds to the nominal amount. The amount is written down to meet expected losses.

ACCOUNTING POLICIES

Impairment of fixed assets
The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Other provisions for liabilities
Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructurings etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated on the contract.

ACCOUNTING POLICIES

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff 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 under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group - Etex S.A.