AalborgPortlandHolding

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Annual Report 2019

The present Annual Report is presented and approved
at the Annual General Meeting

Date: 17 / 4 - 2020

(Chairman of the meeting)

Contents

Nordic & Baltic

A leading cement producer in the Nordic region

Aalborg Portland produces grey and white cement at its plant in Aalborg.

The products are sold in Denmark, USA and neighbouring countries.

1,638,000
tonnes of grey cement

792,000
tonnes of white cement

Leading supplier of ready-mixed concrete in the Nordic region

Unicon is market leader within ready-mixed concrete in the Nordic region. Production takes place at 68 plants in Denmark, Norway and Sweden.

Quarrying and sale of aggregates (mainly granite and gravel) from 10 sites in Denmark and Sweden.

2,230,000
m^3 of ready-mixed concrete

4,056,000
tonnes of aggregates

Belgium

One of the largest producers of cement, ready-mixed concrete and aggregates in Belgium

CCB is a leader in the manufacture of cement that can meet specific implementation criteria: conventional construction and masonry work, work of high aesthetic quality, structures in harsh environments and oil well drilling.

CCB has 9 ready-mixed concrete plants in Belgium and 5 in France

2,081,000
tonnes of grey cement

883,000
m^3 of ready-mixed concrete

5,653,000
tonnes of aggregates

Overseas

World-leading producer of white cement

Production at plants in USA, Egypt, Malaysia and China.

The white cement is sold to a number of markets worldwide.

2,117,000
tonnes of white cement

Turkey

Extensive activities in Turkey

Cimentas is among the largest cement groups in Turkey with production at several sites in the country.

Cimentas also has 18 ready-mixed concrete plants.

Recydia AS processes and recycles waste in Turkey and UK.

3,086,000
tonnes of grey cement

1,003,000
m^3 of ready-mixed concrete

420,000
tonnes of waste

Grey cement is the most important construction material for strengthening infrastructure, building homes and bridges, creating harbours and expanding airports.

White cement is for solutions ranging from aesthetics to safety - from terrazzo or bathroom tile grouts to highway safety barriers whose whiteness ensures high visibility night and day in all weathers.

Ready-mixed concrete is delivered to site ready for casting and is the efficient solution when high-reliability, quality concrete is needed in large volumes.

Aggregates - a wide range of building aggregates such as sand, gravel and granite for the construction industry. The products are mainly used for construction, asphalt and concrete purposes.

Waste - supply and usage of alternative fuels in order to diversify and optimise the energy resources of the Group.

Part of the Cementir Group

Aalborg Portland Holding, Denmark, with its head office in Aalborg, is part of the Cementir Group. Aalborg Portland Holding A/S is included in the Group financial statements for Cementir Holding N.V., The Netherlands, and Caltagirone S.p.A., Italy.

Cementir Holding N.V. has its head office in Amsterdam and the secondary office in Rome, is listed on the Italian Stock Exchange in Milan (code CEM) and is part of the listed Caltagirone Group.

www.cementirholding.com

Financial highlights

	EURm					DKKm	
	2015	**2016**	**2017**	**2018**	**2019**	**2018**	**2019**
CONSOLIDATED INCOME STATEMENT							
Revenue	876.3	925.8	1,140.2	1,193.4	1,214.2	8,895	9,066
Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA)	**191.3**	**210.0**	**224.0**	**235.9**	**255.2**	1,758	1,906
EBITDA ratio	*21.8%*	*22.7%*	*19.6%*	*19.8%*	*21.0%*	*19.8%*	*21.0%*
Earnings before interest and tax (EBIT)	**116.6**	**138.2**	**143.5**	**152.8**	**146.9**	1,139	1,097
EBIT ratio	*13.3%*	*14.9%*	*12.6%*	*12.8%*	*12.1%*	*12.8%*	*12.1%*
Earnings before tax (EBT)	**123.2**	**171.8**	**135.0**	**175.2**	**132.4**	1,306	988
Profit for the year	**97.9**	**128.8**	**119.2**	**142.8**	**95.1**	1,064	710
CASH FLOWS							
Cash flows from operating activities (CFFO)	144.5	171.1	168.3	140.9	209.1	1,050	1,561
Cash flows from investing activities (CFFI) *	-52.0	-334.7	-89.6	-172.9	-28.8	-1,288	-215
Free cash flow (FCF)	**92.5**	**-163.6**	**78.7**	**-31.9**	**180.3**	**-238**	**1,346**
* Hereof investments in intangible assest and property, plant and equipment (excl. assets acquired at acquisition of enterprises)	-52.0	-58.6	-79.9	-66.2	**-61.5**	-493	-459
BALANCE SHEET							
Total assets	1,283.6	1,722.6	1,639.3	1,828.8	1,909.9	13,656	14,270
Consolidated shareholders' equity	781.0	769.3	783.8	927.6	1,020.9	6,927	7,627
Net interest-bearing debt (NIBD)	**68.1**	**242.0**	**185.4**	**195.3**	**138.8**	**1,458**	**1,037**
Working capital (WC)	**83.7**	**83.2**	**73.4**	**103.4**	**93.9**	**772**	**702**
FINANCIAL RATIOS							
Including non-controlling interests' share							
Return on equity	13%	17%	15%	17%	10%	17%	10%
Equity ratio	61%	45%	48%	51%	53%	51%	53%
Return on capital employed (ROCE)	10%	10%	11%	10%	8%	10%	8%
NIBD/EBITDA factor	0.4	1.2	0.8	0.8	0.5	0.8	0.5
Number of employees at 31 December	**2,580**	**2,918**	**2,939**	**3,012**	**2,969**	**3,012**	**2,969**
Number of employees in Denmark	722	722	735	720	727	720	727

Compagnie des Ciments Belges S.A. (CCB), Belgium is consolidated from 25 October 2016.
Lehigh White Cement Company, USA (LWCC) is consolidated from 1 April 2018.

The financial ratios have been computed in accordance with the latest version of Guidelines issued by the Danish Finance Society.
IFRS 16, Leases, was adopted 1 January 2019. No figures prior to 1 January 2019, throughout the report, have been restated.

Financial ratios

EBITDA ratio	Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA) / Revenue
EBIT ratio	Earnings before interest and tax (EBIT) / Revenue
ROCE	NOPAT / Average capital employed
NOPAT	Net Operating Profit After Tax Earnings before interest and tax (EBIT) x (1 – effective tax rate)
Capital employed	Intangible assets + tangible assets + working capital
Equity ratio	Shareholders' equity / Total assets
Return on equity	Profit / Average shareholders' equity
Net interest-bearing debt (NIBD)	Interest-bearing liabilities less interest-bearing assets
Working capital	Inventories, trade receivables and trade payables.

Continued development of sustainable business

The Aalborg Portland Holding Group continues to step up its activities for ongoing environmental improvements, reflecting the higher priority accorded to sustainability by society. At the same time, weaker market conditions and keen competition mean that renewal and development are essential to maintain sales and competitiveness.

Challenging conditions in certain markets within the Group resulted in large differences in growth and sales opportunities among the business units around the world. Thus, progress was recorded in the Nordic countries, Belgium, the USA and China, while conditions in Turkey remained difficult.

Overall, earnings realised by the Aalborg Portland Holding Group in 2019 lived up to expectations, except in the case of Turkey.

- In the *Nordic & Baltic* region, the Group experienced a moderate increase in activity. Revenue was EUR 562m, against EUR 554m the previous year, a rise of 2%. Sales of cement increased, while sales of ready-mixed concrete experienced moderate decline. The upward trend in the export of white cement from Aalborg to nearby markets and to the USA continued in 2019. Earnings for the region before depreciation and amortisation (EBITDA) were EUR 136m, against EUR 119m in 2018, an increase of 14%.
- The *Belgian* cement group Compagnie des Ciments Belges S.A. (CCB) contributed with revenue of EUR 262m in 2019, against EUR 248m the previous year, an increase of 6%. EBITDA was EUR 68m, against EUR 55m in 2018, an increase of 25%.
- The *Turkish* cement group Cimentas experienced extremely difficult market conditions due to political uncertainty, the devaluation of the Turkish lira, and tough price competition. Revenue was EUR 128m, against EUR 174m the previous year, a decrease of 26%. EBITDA was EUR -2m, against EUR 23m in 2018.
- In the *USA*, the Group strengthened its position as the global market leader in white cement with the acquisition of an additional stake in Lehigh White Cement Company (LWCC) in April 2018. Revenue in 2019 was EUR 151m, against EUR 119m the previous year, and EBITDA was EUR 24m, compared with EUR 17m in 2018.
- In *Egypt*, revenue increased by 31% in 2019 to EUR 36m, and EBITDA doubled to EUR 6m after a difficult 2018.
- Finally, progress was reported in *China* and *Malaysia*, where revenue from white cement totalled EUR 98m, against EUR 91m the previous year, an increase of 8%. EBITDA was EUR 24m, 20% higher than in 2018 (EUR 20m).

Total Group revenue for 2019 amounted to EUR 1,214m, against EUR 1,193m the previous year, an increase of EUR 21m or 2%.

Group earnings before depreciation and amortisation (EBITDA) were EUR 255m, 8% higher than in 2018 when EBITDA was EUR 236m. The consolidated EBITDA ratio was 21.0%, against 19.8% the previous year. The implementation of IFRS 16 on leasing in 2019 positively impacted EBITDA by EUR 24m. The impact of IFRS 16 on EBIT and EBT earnings was largely neutral.

Earnings before interest and tax (EBIT) were EUR 147m, 4% lower than in 2018 when EBIT was EUR 153m.

Net financial items in 2019 amounted to EUR -15m, against EUR 22m the previous year. However, net financial items in 2018 were positively impacted by EUR 40m due to an accounting adjustment following the acquisition of control over LWCC in the USA.

Hereafter, earnings before tax were EUR 132m, compared with EUR 175m in 2018.

A solid balance sheet and strong cash flow from operations

A healthy economy and strong financial base provide opportunities for long-term value-adding and sustainable investments. In 2019, constant focus on high operating efficiency and management of working capital led to a positive operational cash flow (CFFO) of EUR 209m, against EUR 141m the previous year.

The cash flow was able to fund the year's investments of EUR 62m in predominantly energy-saving and environmental projects. The Group had a free cash flow of EUR 147m.

The net-interest bearing debt was reduced in 2019 by EUR 135m on a comparable basis, but was increased by EUR 79m due to the implementation of IFRS 16. At year-end 2019, the net interest-bearing debt was therefore EUR 139m, against EUR 195m the previous year.

At year-end 2019, shareholders' equity amounted to EUR 1,021m, and the equity ratio was 53%, against 51 the previous year. Return on equity was 10% in 2019, while return on capital employed (RoCE) was 8%, against 10% in 2018.

Sustainable production of sustainable products

The Aalborg Portland Holding Group has a long-standing tradition of social and environmental responsibility in the countries where it operates. Work is ongoing on several projects that support society's sustainability goals. The Group is committed to contributing significantly to achieving society's climate goals and therefore invests substantial sums in continuing environmental improvements.

Society's heightened awareness of sustainability is expressed in a growing interest and demand for products manufactured with sustainability in mind. The Group's long-standing work in this area gives the company's products a prominent position in customer deliberations.

The Group has an effective development management structure aimed at delivering a stream of sustainable processes and products, and has targeted a 30% reduction in CO_2 emissions against 1990 to be achieved by 2030. For the next three years, approx. EUR 100m has been allocated for investment projects intended to strengthen sustainability.

Focal areas going forward include the following:

- Introduction and implementation of FUTURECEM, the Group's globally patented breakthrough technology which enables cement to be manufactured with 30% less CO_2 emission.
- Development of new, advanced and more sustainable products based on white cement.
- New investments in Denmark aimed at increasing the use of alternative fuel in the production of grey cement from 53% today to 80%.
- Parallel focus on decreasing the use of fossil fuel in the production of white cement.
- Investment in an 8 MW capacity wind farm at the Aalborg cement plant, Denmark, enabling 90% of electricity consumption to be sourced from renewable energy.
- New investments in using heat from Danish cement production for supply as district heating to the city of Aalborg, meeting the needs of approx. 50,000 households.
- New investments in Belgium aimed at increasing the use of alternative fuel and thereby decreasing the use of fossil fuel.

Study and assessment are currently also taking place into the possibilities of using a broader spectrum of energy sources as well as collecting and storing CO_2 arising from the production processes.

The Aalborg Portland Holding Group is a part of Cementir Holding N.V., which publishes an annual Sustainability Report that is available at www.cementirholding.com.

The Group's Danish cement plant, Aalborg Portland A/S, produces a detailed annual Environmental Report. Besides policies and results achieved, the report describes the company's environmental, energy, and health & safety management systems and certifications.

Nordic & Baltic

In market and income terms, the Nordic & Baltic region in 2019 expanded its strong, vertically integrated position in cement, ready-mixed concrete and aggregates. Aalborg Portland has Europe's largest cement plant with seven kiln lines, its own unique harbour-side location, raw material resources (chalk) in close proximity, and a distribution network consisting of 10 terminals in Denmark and Northern Europe. The region also commands 68 ready-mixed concrete facilities in the Nordic countries and 10 raw material quarries (aggregates) in Denmark and Sweden.

The Nordic & Baltic region accounts for 46% of Group revenue. In 2019, revenue increased by 2% and EBITDA by 14% compared with 2018. Revenue and earnings were impacted by a continued weakening of the Swedish and Norwegian currencies.

Progress was reported in Denmark and in Sweden, while Norway experienced declining activity in housing and commercial construction. Investments in terminals at the sales subsidiaries in France, Belgium and Poland led to a 14% increase in sales in these countries of white cement produced in Aalborg. In 2020, a further terminal will be established in southern France to strengthen access to this market.

In the ready-mixed concrete segment, investment is in progress to consolidate market position in the Nordic region. An upgraded concrete facility entered use in Drammen, Norway, in mid-2019, and further facilities are planned and scheduled for service implementation this year and next year.

Denmark

In the course of 2019, the Danish government – backed by a broad parliamentary majority – set a target for a 70% reduction in CO_2 emissions against 1990 to be achieved by 2030. Reaching this ambitious goal will demand substantial public and private investment and changes on all fronts, along with constructive and close cooperation between authorities and companies.

In the light of Aalborg Portland's declared stance, long-standing efforts, results achieved and future plans, the Managing Director of Aalborg Portland was in 2019 appointed to lead the Danish Climate Partnership for Energy Heavy Industry. The partnership will identify obstacles and propose solutions to increase sustainability and decrease global climate load.

Danish cement and concrete technology leads the world due to productive cooperation between research and manufacture, as well as collaboration across the value chain. To maintain this position it is imperative that cement continues to be made in Denmark, enabling technology development and active production to take place side by side and in dialogue with customers.

Against this background, it is positive that one of the special levies applied in Denmark - the PSO levy – is being phased out by 2021. Other such Danish levies and the EU CO_2 quota scheme limit the international competitiveness of the Aalborg Portland Holding Group. The climate challenge is global, and in the regulation of energy-intensive industries by society it should be remembered that a very substantial part of the cement made in Denmark is exported to countries outside Europe and that Danish cement production leads the way globally, also in terms of sustainability.

At the Aalborg Portland cement plant, projects are continuously under way which promote sustainability in both product manufacture and use, and which contribute to the circular economy in society. The Aalborg Portland Holding Group's research centre, which coordinates the worldwide R&D projects, is located in Aalborg, close to the cement plant.

The production of cement in Aalborg therefore takes place in a symbiosis with both city and society. As stated, heat from cement production is harnessed to supply district heating to more than 20,000 households, and large-scale use is made of waste products that would otherwise have to be landfilled. These wastes include non-recyclable plastics, by-products from reprocessing used aluminium cans, meat and bone waste, sand dredged from navigation channels, dried sewage sludge, and flue gas desulphurisation gypsum. A total of 440,000 tonnes of waste were recycled as alternative raw materials in 2019.

In addition, more than 200,000 tonnes of alternative fuel from industry and society – an increase of 10% on 2018 – were used in cement production as part of a resource-efficient partnership.

2019 saw the start of a major, broad-spectrum renewal project, based partly on increased digitisation and aimed at streamlining and optimising the company's business procedures. The project covers maintenance, production and logistics. Phased over three years and run in collaboration with CCB in Belgium, the project will deliver material improvements and savings already this year.

In 2019, two older vessels were succeeded by three new and efficient cement tanker ships, each of 5,500 GT. The new ships will transport around one million tonnes of cement annually to the company's terminals in Denmark and Northern Europe. This renewal will produce an annual fuel saving of 50%.

In the carriage of cement to Germany, increasing use is made of rail transport, thereby obviating some 1,000 truck journeys by road.

When Northern Jutland's new general hospital is completed in 2021, cold water from the deep lake in Aalborg Portland's chalk quarry will be utilised for comfort cooling and process cooling.

Excess heat from cement production has been harnessed for a number of years to provide heating for around 20,000 Aalborg households. In 2019, a new contract was signed with the City of Aalborg, which by the end of the year had already increased the supply of district heating. However, a further 25,000 households can potentially be supplied via the district heating network, which will contribute significantly to the city's goal of phasing out fossil fuels in its power stations by 2028. Aalborg Portland is assisting constructively in the studies to exploit this potential, and has pointed out that adjusting the billing price for the supply of heat and reducing the inappropriate tax on excess heat utilised in a socially acceptable manner will make the necessary investment feasible and also enable the price of heat to the consumer to be reduced.

Benelux and France

Compagnie des Ciments Belges S.A. (CCB), situated in south-west Belgium, became part of the Aalborg Portland Holding Group in October 2016. The Gaurain cement factory is the largest in the region and has sufficient reserves of raw materials for 80 years' production. The company holds a significant share of the Belgian market and has substantial exports to both France and the Netherlands. CCB also has extensive production of aggregates, mainly gravel and stone, at two sites with substantial raw material reserves. Furthermore, CCB is one of the largest ready-mixed concrete manufacturers in Belgium with nine plants. CCB also has five plants in northern France with combined sales of almost 1m m^3.

The Benelux and France region accounts for 21% of the Group's revenue. Revenue increased by 6% in 2019, and EBITDA climbed by 25% compared with 2018. These results were achieved through expanded sales outlets and good market conditions. Against this background, the decision was taken to re-start Kiln 2, which had stood idle for more than a decade. 2019 was thus a record year for CCB with cement sales exceeding 2m tonnes and sales of aggregates exceeding 5.6m tonnes.

Another focus area in 2019 was market penetration in France aimed at protecting the substantial export of cement and aggregates to the French market as well as sales and production of ready-mixed concrete at the five plants in northern France.

Efforts were also concentrated on maintaining a strong market position, based on high product quality and constant focus on customer needs and product development.

In partnership with the Group, CCB has formulated a plan for strengthening its sustainability. This plan involves significant investment in an improved kiln that will enable the use of alternative fuel to be doubled from 40% to 80%, thereby reducing CO_2 footprint. The objective is therefore to reduce consumption of fossil fuel substantially by improving kiln efficiency and focusing on the cement mixes to ensure that CCB achieves the CO_2 emission goals for 2030.

As stated, in 2019 an extensive renewal project was begun in collaboration with Aalborg Portland aimed at streamlining and optimising CCB's business procedures. This project will span three years and the first results are expected already this year.

Turkey

Cimentas is among the largest cement groups in western Turkey with production at two plants, strategically located in Izmir and Edirne, and at a further two plants in the east of the country in Kars and Elazig. Combined capacity is 5.4m tonnes. Revenue for the region accounts for 10% of the Group's total revenue.

In 2019, sales of grey cement and clinker amounted to 3.1m tonnes, a decrease of 17% on the previous year. Revenue was negatively impacted by continued political uncertainty and heightened competition caused by the development of new production capacity.

Declining sales, soft development in sales prices and a weakened currency meant that both revenue and earnings, expressed in EUR, were significantly down on the previous year. Revenue fell by 26% against 2018. The Turkish lira (TRY) decreased in value by an average of 10% against 2018.

Besides manufacturing cement, Cimentas has 18 plants for concrete production, and volume sales of ready-mixed concrete amounted to 1.0m m^3 in 2019 compared with 1.7m m^3 in 2018.

The company also has activities in municipal and industrial waste management and renewable energy in the UK and Turkey. These activities must be seen in context with the steadily increasing use of alternative fuel in cement production.

Global leader in white cement

The Aalborg Portland Holding Group is the global leading supplier of white cement with a market share of approx. 20%. With its white cement production facilities in Denmark, the USA, Malaysia, China and Egypt, the Group has a combined production capacity of 3.3m tonnes.

The Group’s leadership position has been achieved through consistently high product quality, combined with ongoing development of products that meet high customer demands and can be used across a broad spectrum. There is a growing demand for products that live up to strong specifications and expectations for sustainability.

Revenue from white cement (excluding supplies from Denmark) accounts for 23% of Group revenue. Revenue increased by 20% in 2019, and EBITDA grew by 35% against 2018.

In *North America*, as stated, the Group strengthened its position by increasing its stake in LWCC from 24.5% to 63.25% with effect from April 2018. With production in Pennsylvania and Texas, imports from the owners, and distribution throughout North America, LWCC is the market leader in white cement with annual sales of 650,000 tonnes.

The Group’s factory in *Eqypt* is the world’s largest production plant for white cement. The company reported increases in both sales and earnings in 2019.

As in 2018, the Group’s cement factory in *China*, which is the largest white cement production plant in Asia, reported growth in both sales and earnings in 2019. This was due to rising domestic demand for quality products. In addition, increased production efficiency contributed to higher earnings.

In *Malaysia*, increased capacity has strengthened the company’s position as the leading supplier of white cement in south-east Asia and Australia.

Reporting in accordance with Danish financial legislation

The Aalborg Portland Holding Group’s statutory report on corporate social responsibility, cf. Section 99(a) of the Danish Financial Statements Act, can be found in “Sustainability Report 2019” published by the Group’s owner, Cementir Holding N.V. The report is available at www.cemenirholding.com.

In accordance with Danish regulations governing the gender composition of management in large companies, cf. Section 139(a) of the Danish Companies Act and Section 99(b) of the Danish Financial Statements Act, the Group’s policy on gender equality is being extended by recruitment and promotions as the decisive consideration is still to find the best qualified people for all organisational positions.

In order to achieve a balanced management composition the Group is committed to increasing the proportion of female leaders, and in 2020 the work to attract female candidates for senior positions will continue. As the number of employees in the Group’s parent company is fewer than 50, goals and policies have not been formulated for the proportion of females at management level.

The Board of Directors of the Group’s parent company has one female and six male members elected by the Annual General Meeting. The goal is to have two female AGM-elected members before the end of 2021.

In accordance with the Danish regulations for large companies with activities in areas which included extraction of mineral deposits, cf. Section 99(c) of the Danish Financial Statements Act, the Group reports its payments to authorities in a note to the consolidated financial statements. These payments relate particularly to direct and indirect taxes.

Expectations to 2020

The global economy is showing signs of lower growth in a number of markets but with large variances between the regions. In the US and northern European markets, moderate growth of 0-2% is expected in building and construction activities. After substantial setback in Turkey in 2019, progress is expected this year, but with continuing uncertainty surrounding sales development and continuing high volatility in the exchange rate. In the Asian markets a growth of 1-4% is expected. Energy prices and freight rates are expected to be lower than in recent years, while also however being subject to high volatility and dependence on developments in the world's largest countries.

As stated, the Group continues to step up its environmental efforts, sharpening its focus on sustainability, and has targeted a 30% reduction in CO_2 emissions against 1990 to be achieved by 2030. EUR 100m has therefore been allocated for investment projects in the next three years.

A number of sustainability projects will contribute positively to both the environment and earnings already in 2020. These include:

- Increased use of alternative fuel and thus reduced CO_2 footprint at the Group's factories in Denmark and Belgium.
- Increased supply of district heating to the City of Aalborg from production at the Aalborg Portland cement plant in Denmark.
- Further improvements in energy efficiency through current projects relating to the logistical and production processes in Denmark and Belgium.

In terms of earnings, a positive impact is expected due to moderately increased sales of grey cement resulting from the start of Kiln 2 in Belgium in 2019. A moderate increase is also expected in sales of white cement through a stronger penetration of the West European markets.

Overall, despite continued low growth in a number of important markets, the Aalborg Portland Holding Group expects in 2020 to be able to deliver earnings before depreciation and amortisation (EBITDA) which exceed the level reported in 2019.

These expectations are based on the known global economic growth conditions and do not take account of possible more stringent trade restrictions, possible increased spread of the Corona virus, or possible new or aggravated political tensions.

Profit and loss

The Group's volume sales of *cement* amounted to 9.5m tonnes, 2% below the previous year. This included 2.7m tonnes of white cement, a rise of 9% that embraced moderate growth in Denmark, Egypt and China, and a considerable increase in USA (LWCC consolidated from April 2018). Sales of grey cement amounted to 6.8m tonnes, down by 6% on the previous year. Sales in Denmark and Belgium increased moderately, whereas sales in Turkey decreased by 17%.

Volume sales of *ready-mixed concrete* amounted to 4.1m m^3, 16% below the previous year. Sales in Denmark were on a level with the previous year, while sales decreased in Norway (4%), Sweden (9%), Belgium (5%) and Turkey (41%).

Sales of *aggregates* (granite and gravel) amounted to 9.7m tonnes, against 10.0m tonnes the previous year, a decrease of 2%.

Group revenue in 2019 amounted to EUR 1,214.2m, against EUR 1,193.4m the previous year, a rise of 2%. The rise was primarily related to the operations in Belgium (6%), USA (LWCC consolidated from April 2018) (27%), Egypt (31%), China (16%) and Nordic & Baltic (2%), while there was a fall in revenue in Turkey (26%) and a minor decrease in Malaysia (1%). Compared with 2018, revenue expressed in EUR was down by approx. EUR 7m due to the lower exchange rates of various currencies, primarily TRY, SEK and NOK.

Earnings before depreciation and amortisation (EBITDA) increased by EUR 19.3m or 8% to EUR 255.2m (2018: EUR 235.9m). The following regions reported higher earnings than in 2018: Nordic & Baltic (EUR +16.5m), Belgium (EUR +13.5m), USA (EUR +6.9m), Egypt (EUR +3.1m), Malaysia (EUR +1.2m) and China (EUR +2.8m). However, earnings in Turkey were significantly down (EUR -25.3m) on the previous year. EBITDA was positively influenced in the amount of EUR 24.0m by the implementation of IFRS 16 on leasing with effect from 2019.

Operating ratio (EBITDA ratio) increased by 1.2 percentage points from 19.8% in 2018 to 21.0% in 2019.

Earnings before interest and tax (EBIT) decreased by EUR 5.9m or 4% to EUR 146.9m (2018: EUR 152.8m). The following regions reported higher earnings than in 2018: Nordic & Baltic (EUR +2.4m), Belgium (EUR +9.3m), USA (EUR +0.1m), Egypt (EUR +2.6m), Malaysia (EUR +0.8m) and China (EUR +2.6m). However, earnings in Turkey were significantly down (EUR -24,1m). Depreciation and amortisation were negatively impacted (EUR 22.9m) due to IFRS 16, which largely offsets the positive impact on EBITDA mentioned above.

Net financial items amounted to an expense of EUR 14.9m in 2019, against an income of EUR 21.4m the previous year. However, the income in 2018 included a positive accounting adjustment (EUR 40.1m) of the previous stake in LWCC, USA, when control of this company was gained.

Earnings before tax were hereafter EUR 132.4m compared with EUR 175.2m in 2018. Tax on profit for the year amounted to EUR 37.3m against EUR 32.5m the previous year. Net profit for the year amounted to EUR 95.1m against EUR 142.8m in 2018, the decrease primarily being due to the aforementioned positive accounting adjustment in 2018.

Cash flows

The Group is continuously focused on optimising both cash flows and working capital.

Cash flow from operations (CFFO) amounted to EUR 209.1m for 2019, an increase of EUR 68.2m or 48% from 2018 (EUR 140.9m). IFRS 16 influenced cash flow positively in the amount of EUR 21.5m.

The Group's capital expenditure on property, plant and equipment amounted to EUR 61.5m, which predominantly related to improvements to operating efficiency and a number of energy-saving and environmental projects.

The free cash flow after investments (FCF) amounted to EUR 180.3m.

Debt and financial resources

Net interest-bearing debt (NIBD) amounted to EUR 138.8m.at 31 December 2019, corresponding to 0.5 x EBITDA, against EUR 195.3m and 0.8 x EBITDA the previous year. IFRS 16 increased net interest-bearing debt by EUR 79.2m.

Long-term financing at end-2019 encompassed a loan of EUR 177.4m from the Group's parent company, Cementir Holding, and long-term mortgage loans of EUR 122.7m.

The Group's liquidity reserve consists of non-tied-up cash and undrawn credit facilities signed by Cementir Holding. In addition to this, the Aalborg Portland Holding Group has a separate uncommitted credit facility.

Balance sheet

Non-current assets amounted to EUR 1,298.5m at 31 December 2019. This was 4% higher than at end-2018 (EUR 1,244.0m). The increase is primarily attributable to the aforementioned implementation of IFRS 16, which caused an increase in asset value of EUR 79.2m, and investments that as stated amounted to EUR 61.5m.

Current assets amounted to EUR 611.5m, which was 5% higher than at the same time the previous year (EUR 584.8m). The rise primarily related to an increase in cash funds of EUR 84.5m, while inventories and receivables decreased.

The Group's working capital (capital tied up in debtors and inventories less creditors) amounted to EUR 93.9m at end-2019, against EUR 103.4m the previous year, a decrease of EUR 9.5m.

Shareholders' equity

Total shareholders' equity amounted to EUR 1,020.9m at 31 December 2019, against EUR 927.6m the previous year. The shareholders' equity was negatively influenced by exchange rate adjustments of approx. EUR 6m in foreign entities. These adjustments primarily related to the weakening of the Turkish lira (TRY), and amounted to EUR 22m, whereas the Egyptian pound (EGP) strengthened and provided a positive adjustment of EUR 11m.

The equity ratio was 53% at 31 December 2019 (51% at end-2018). Return on equity decreased in 2019 to 10% from 17% the previous year, primarily related to the positive accounting adjustment stated in 2018.

Return on capital employed

In 2019, as in previous years, intensive efforts were made to increase capital efficiency across the Group.

Return on capital employed (RoCE), which expresses the Group's ability to generate a satisfactory profit, was 8% in 2019, against 10% in 2018. RoCE was negatively influenced by lower earnings in Turkey and positively influenced by higher earnings in Belgium and Overseas.

Like any other company, the Aalborg Portland Holding Group is affected by risks and uncertainties relating to its business activities and continuously focuses on strengthening risk management. The Group employs a holistic risk management process in which the most critical risks are:

- Market conditions
- Framework conditions
- Environmental impacts
- The organisation
- Financial risks

The Group continuously monitors and addresses both risks and opportunities in its market areas with a view to achieving strategic objectives.

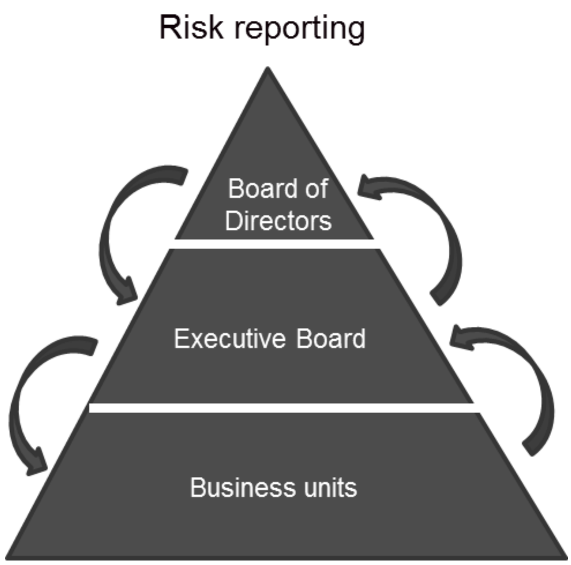
Monitoring and control

The Group's risk management is based on a standardised risk process. The assessment of the individual risk factors is based on the likelihood of the risks occurring and their potential impact on earnings, operations and reputation in this event.

The risk management process is anchored in the leadership of each of the business units. The business units together with the corporate and service functions are responsible for identifying, analysing and dealing with risks and for reporting on progress and initiating control measures. Risk owners are appointed specifically for the most significant risks. The leadership teams in the individual units are responsible for including risk assessments in all major decisions.

The individual risk reports received from the business units are consolidated at Group level. The consolidated risk report is included in the Group management's monitoring and control processes. The Group management is responsible for ensuring that the collective risk to the Group as a whole is of an acceptable level and that risk management procedures are implemented.

The Group management reports periodically or as needed to the Board of Directors, which determines the overall policies and framework for the day-to-day control process.



Market conditions

Competition

Loss of major customers and projects may pose a material risk in relation to the achievement of the Group's objectives. The Group continuously monitors its markets and takes ongoing actions to adapt and respond to the competitive conditions and market changes.

Raw materials and energy prices

The Group utilises large quantities of energy in cement manufacture and is therefore sensitive to price changes, particularly of long duration. In order to mitigate this risk the procurement of energy is partly hedged by establishing contracts for terms up to 24 months.

Access to essential raw materials is ensured through ownership of deposits, extraction licences, long-term contracts and diversity in terms of suppliers. Furthermore, the markets for production-critical raw materials are carefully monitored. A small number of raw materials are subject to particular uncertainty as regards long-term security of supply, and the Group works proactively to find appropriate solutions to this issue.

Framework conditions

Legislation and other regulations

The Group is continuously exposed to regulatory changes by authorities and organisations in a variety of areas. Non-compliance with recommendations and regulations is often subject to substantial fines, and thus constitutes a potential risk to overall Group earnings. The Group works continuously and purposefully to conform with all aspects of legislation and other regulations relating to competition, environment and fraud. The Group trains relevant personnel on an ongoing basis in compliance with current requirements.

Political risks

The Group operates globally, including in emerging and growth markets with special political risks. This may have material consequences both for production conditions and sales. The Group actively pursues dialogue at all levels with politicians, authorities and interest groups to create a good basis for continued working and to enable the Group's operations to be adjusted when appropriate.

Taxes and levies

The Group’s production is substantially subject to direct and indirect taxation, particularly in Denmark. Taxes and levies represent a material area of risk for the Group as they impact directly on competitiveness and therefore on sales potential. It is especially difficult to compete on price with cement producers from neighbouring countries that do not have high tax and levy levels as in Denmark.

CO_2 quotas

The future allocation of CO_2 quotas to the Group’s production units can have substantial financial impact. Ongoing focus is therefore placed by the Group on compliance with all requirements relating to the quota allocation. The Group also closely monitors EU and national political issues concerning CO_2 quotas, particularly with regard to the Group's expected development in the EU area.

Environmental impacts

The Group's business units and leadership are very conscious of the company’s environmental role and they recognise, manage and counter relevant risks in this regard. Raw materials and energy are consumed in the manufacture of Group products, but the environmental and climate properties of these products are extremely beneficial, and the Group has a declared aim of contributing constructively and significantly to achieving society's climate goals. Through its product development and production, the Group therefore constantly endeavours to ensure more environment-friendly and sustainable cement manufacture.

The organisation

Employees and management

The Group's continued success is dependent on being able to retain experienced employees and managers and to recruit new, talented employees and managers to the business units and support functions. Accordingly, the Group places importance on providing attractive workplaces with good opportunities for personal development.

IT systems

IT systems are used in all areas of the Group’s operations, including production, sales and finance. Operational disruptions and loss of data and communications would impact the Group negatively. Consequently, IT security and business continuity are accorded high priority, especially in connection with implementation of new systems.

Financial risks

Financial risks, including currency risks, which are of material significance for the Group, are described in the notes to the financial statements.

Consolidated income statement

EUR '000

Notes		2019	2018
1	Revenue	1,214,230	1,193,388
2+3+4	Cost of sales	738,991	733,237
	Gross profit	**475,239**	**460,151**
4+17	Sales and distribution costs	244,698	236,183
4+5	Administrative expenses	97,398	92,106
6	Other operating income	18,422	22,609
6	Other operating costs	4,645	1,686
	Earnings before interest and tax (EBIT)	**146,920**	**152,785**
14	Share of profit after tax, joint ventures	310	1,050
7	Financial income	10,315	52,591
7	Financial expenses	25,165	31,176
	Earnings before tax (EBT)	**132,380**	**175,250**
8	Tax on profit for the year	37,295	32,462
	Profit for the year	**95,085**	**142,788**
	Attributable to:		
	Non-controlling interests	4,509	6,457
	Shareholders in Aalborg Portland Holding A/S	90,576	136,331

Consolidated statement of comprehensive income

EUR '000

Notes		2019	2018
	Profit for the year	**95,085**	**142,788**
	Other comprehensive income		
	Items that cannot be reclassified to the income statement:		
18+19	Actuarial gains/losses on defined benefit pension schemes	-7,105	388
8	Tax	1,851	196
		-5,254	**584**
	Items that can be reclassified to the income statement:		
	Exchange rate adjustments on translation of foreign entities	-5,646	-63,934
	Changes in fair value of financial instruments	2,057	-4,125
8	Tax	-31	-212
		-3,620	**-68,271**
	Other comprehensive income after tax	**-8,874**	**-67,687**
	Total comprehensive income	**86,211**	**75,101**
	Attributable to:		
	Non-controlling interests	455	-2,095
	Shareholders in Aalborg Portland Holding A/S	85,756	77,196
		86,211	**75,101**

Consolidated Cash flow statement

EUR '000

Notes		2019	2018
	Profit for the period	**95,085**	**142,788**
	Reversal of amortisation and depreciation	102,993	76,253
	Reversal of revaluation / impairment losses	-2,215	-48,496
	Share of net profits of equity-accounted investees	-310	-1,050
	Net financial income / expense	14,852	21,079
	Gains/losses on disposals	-984	-7,365
	Income taxes	37,296	32,462
	Change in employee benefits	-2,879	-972
	Change in provisions (current and non-current)	-644	1,677
	Operating cash flows before changes in working capital	**243,194**	**216,376**
	Increase / decrease inventories	12,347	-34,597
	Increase / decrease trade receivables	8,588	-8,885
	Increase / decrease trade payables	-14,971	37,301
	Change in non-current/current other assets/liabilities	3,241	-10,256
	Change in current and deferred taxes	-2,346	3,450
	Operating cash flows	**250,053**	**203,389**
	Dividends received	0	1,227
	Interests received	3,156	4,092
	Interests paid	-6,955	-8,571
	Other financial income collected/financial expenses paid	-5,036	-16,998
	Income taxes paid	-32,105	-42,227
	Cash flow from operating activities	**209,113**	**140,912**
	Investments in intangible assets	-4,192	-3,598
	Investments in property, plant and equipment and investment property	-57,350	-62,498
10	Acquisitions in businesses	0	-85,981
	Proceeds from sale of intangible assets	5	159
	Proceeds from sale of property, plant and equipment	2,725	8,396
	Proceeds from sale of equity investments and other non-current securities	0	2,875
	Change in current financial assets	30,000	-32,203
	Cash from investing activities	**-28,812**	**-172,850**
21	Change in non-current financial liabilities	-89,081	11,582
21	Change in current financial assets/liabilities	-11,540	-11,969
	Dividend distributed	-4,961	-5,057
	Transactions with non-controlling interests (capital increase)	11,986	13,008
13	Other variances of equity	-2,858	-6,426
	Cash flow from financing activities	**-96,454**	**1,138**
	Net change in cash and cash equivalent	83,847	-30,800
	Cash and cash equivalent exchange rate effect	631	-1,462
	Cash and cash equivalent opening balance	177,540	209,802
	Cash and cash equivalent closing	**262,018**	**177,540**

Consolidated balance sheet

EUR '000

Notes	ASSETS	2019	2018
	Goodwill	132,288	136,765
	Other intangible assets	208,169	218,268
	Intangible assets in development	456	485
9	**Intangible assets**	**340,913**	**355,518**
	Land and buildings	351,124	356,665
	Plant and machinery	384,203	384,953
	Property, plant and equipment in development	41,659	46,939
	Right-of-use assets	78,850	0
11	**Property, plant and equipment**	**855,836**	**788,557**
12	**Investment properties**	**61,377**	**61,027**
13+14	Investments in joint ventures	3,879	3,613
13	Other non-current assets	7,286	7,521
13+15	Deferred tax assets	29,175	27,782
	Other non-current assets	**40,340**	**38,916**
	Total non-current assets	**1,298,466**	**1,244,018**
16	**Inventories**	**170,845**	**185,862**
17	Trade receivables	148,381	158,773
	Amounts owed by Group enterprises	6	103
	Amounts owed by related enterprises	242	30,176
	Derivative financial instruments (positive fair value)	0	71
	Income tax receivable	2,506	4,768
17	Other receivables	21,985	19,156
17	Prepayments	5,481	8,325
	Receivables	**178,601**	**221,372**
	Cash and cash equivalents	**262,018**	**177,540**
	Total current assets	**611,464**	**584,774**
	TOTAL ASSETS	**1,909,930**	**1,828,792**

Consolidated balance sheet

EUR '000

Notes	EQUITY AND LIABILITIES	2019	2018
	Shareholder's equity		
	Share capital	40,333	40,333
	Foreign currency translation reserve	-327,463	-320,764
	Hedge reserve	-2,068	-4,094
	Retained earnings	1,138,950	1,052,096
	Aalborg Portland Holding A/S' share of shareholders' equity	**849,752**	**767,571**
	Non-controlling interests' share of shareholders' equity	**171,124**	**160,068**
	Total shareholders' equity	**1,020,876**	**927,639**
	Liabilities		
18	Pensions and similar liabilities	33,541	30,474
15	Deferred tax liabilities	137,959	137,342
19	Provisions	26,971	27,254
20+21+24	Credit institutions, etc.	170,448	122,870
	Derivative financial instruments (negative fair value)	11,508	10,482
20+21	Amounts owed to Group enterprises	177,370	253,684
22	Deferred income	3,674	4,619
	Non-current liabilities	**561,471**	**586,725**
20+21+24	Credit institutions, etc.	41,439	15,735
	Trade payables	209,872	211,430
	Amounts owed to Group enterprises	17,244	34,500
	Derivative financial instruments (negative fair value)	111	142
	Income tax payable	10,482	6,412
19	Provisions	5,324	5,376
23	Other payables	42,122	39,798
22	Deferred income	989	1,035
	Current liabilities	**327,583**	**314,428**
	Total liabilities	**889,054**	**901,153**
	TOTAL EQUITY AND LIABILITIES	**1,909,930**	**1,828,792**

Consolidated statement of shareholders' equity

EUR '000	Share capital	Foreign currency translation reserve	Hedge reserve	Retained earnings	Aalborg Portland Holding A/S' total share	Non-controlling interests' total share	Total equity
Shareholders' equity at 1 January	**40,333**	**-320,764**	**-4,094**	**1,052,096**	**767,571**	**160,068**	**927,639**
Comprehensive income in 2019							
Profit for the year			0	90,576	90,576	4,509	95,085
Other comprehensive income							
Exchange rate adjustments in translation of foreign entities		-6,699			-6,699	1,053	-5,646
Changes in fair value of financial instruments			2,057		2,057		2,057
Actuarial gains/losses on defined benefit pension schemes				-6,350	-6,350	-755	-7,105
Tax on other comprehensive income			-31	1,694	1,663	157	1,820
Total comprehensive income	**0**	**-6,699**	**2,026**	**85,920**	**81,247**	**4,964**	**86,211**
Transactions with owners							
Dividend distributed					0	-4,961	-4,961
Transactions with non-controlling interests (capital increase)				934	934	11,053	11,987
Total comprehensive income	**0**	**0**	**0**	**934**	**934**	**6,092**	**7,026**
Shareholders' equity at 31 December 2019	**40,333**	**-327,463**	**-2,068**	**1,138,950**	**849,752**	**171,124**	**1,020,876**

	Share capital	Foreign currency translation reserve	Hedge reserve	Retained earnings	Aalborg Portland Holding A/S' total share	Non-controlling interests' total share	Total equity
Shareholders' equity at 1 January	**40,333**	**-260,041**	**0**	**914,983**	**695,275**	**88,488**	**783,763**
Comprehensive income in 2018							
Profit for the year				136,331	136,331	6,457	142,788
Other comprehensive income							
Exchange rate adjustments in translation of foreign entities		-60,723			-60,723	-3,211	-63,934
Changes in fair value of financial instruments			-4,125		-4,125		-4,125
Actuarial gains/losses on defined benefit pension schemes				682	682	-294	388
Tax on other comprehensive income			31	-113	-82	66	-16
Total comprehensive income	**0**	**-60,723**	**-4,094**	**136,900**	**72,083**	**3,018**	**75,101**
Transactions with owners							
Dividend distributed					0	-5,057	-5,057
Non-controlling interests on acquisition of subsidiary					0	69,715	69,715
Transactions with non-controlling interests (capital increase)				1,868	1,868	11,140	13,008
Acquisition of equity investments from non-controlling interests				-1,655	-1,655	-7,236	-8,891
Total comprehensive income	**0**	**0**	**0**	**213**	**213**	**68,562**	**68,775**
Shareholders' equity at 31 December 2018	**40,333**	**-320,764**	**-4,094**	**1,052,096**	**767,571**	**160,068**	**927,639**

The share capital in 2019 and 2018 consists of:
1 share at DKK 150m
1 share at DKK 60m
2 shares at DKK 30m each
1 share at DKK 15m
5 shares at DKK 3m each

Dividends distributed to shareholders in 2019 were EUR 0.0m (2018: EUR 0.0m).
All shares are fully issued and paid up. One share of DKK 1,000 holds one vote.

EUR '000

1 Revenue

	2019	2018
Split by product		
Sale of cement	681,058	632,908
Sale of ready-mixed concrete	398,397	420,234
Other sales*	134,775	140,246
	1,214,230	**1,193,388**
Split by geography		
Europe	826,198	800,265
China/Malaysia	62,888	55,639
USA	154,711	127,543
Turkey/Egypt	123,883	167,529
Other	46,550	42,412
	1,214,230	**1,193,388**

All revenue derives from contracts.
* Other sales include concrete pipes, gravel, heat, waste processing, etc.

2 Cost of sales

Cost of sales amounts to EUR 741.9m (2018: EUR 733.2m). Hereof direct staff costs amount to EUR 98.8m (2018: EUR 95.1m) and use of raw materials amounts to EUR 153.5m (2018: EUR 198.3m).

3 Research and development costs

Research and development costs paid	2,779	2,696
	2,779	**2,696**

4 Staff costs

Wages and salaries and other remuneration	139,456	132,804
Pension costs, defined benefit scheme	790	1,674
Pension costs, defined contribution scheme	9,863	15,572
Social security costs	16,553	7,667
	166,662	**157,717**
Number of employees at 31 December	2,969	3,011
Average number of full-time employees	2,984	3,005

Hereof 122 employees at 31 December 2019 and 125 average full-time employees are included in the pro rata consolidated company.

Remuneration of the Board of Directors, the Management and other senior executives		
Salaries and remunerations	6,144	6,470
Pension contributions	156	248
	6,300	**6,718**
Hereof Board of Directors and Management	611	599

Remuneration of the Board of Directors represents EUR 87k in 2019 (2018: EUR 75k).

5 Fees to the auditors appointed by the Annual General Meeting

Total fees to KPMG are specified as follows:		
Statutory audit	1,016	929
Other assurance engagements	8	5
Tax and VAT advisory services	98	149
Other services	18	159
	1,140	**1,242**
Fees to other auditors	152	152

EUR '000

		2019	2018
6	**Other operating income and other operating costs**	2019	2018
	Other operating income		
	Rent income	1,215	1,459
	Profit on sale of property, plant and equipment	1,275	5,243
	Value adjustment, investment property	6,372	11,536
	Sale of scrap, spare parts and consumables	465	497
	Other income	9,095	3,874
		18,422	**22,609**
	Other operating costs		
	Loss on sale of property, plant and equipment	291	297
	Impairment	2,952	0
	Other costs	1,402	1,389
		4,645	**1,686**
7	**Financial income and expenses**		
	Financial income		
	Interest, cash funds, etc.	3,629	3,909
	Financial income on derivatives	142	1,123
	Ineffective part of hedge	0	586
	Fair value adjustment	0	40,070
	Other financial income	0	2,420
	Exchange rate adjustments	6,544	4,483
		10,315	**52,591**
	Interest on financial assets measured at amortised cost	3,629	3,909
	Financial expenses		
	Interest, credit institutions, etc.	3,277	4,067
	Interest, Group enterprises	3,867	4,368
	Losses on derivatives	5,179	3,813
	Ineffective part of hedge	298	0
	Exchange rate adjustments	10,960	16,958
	Other financial costs	1,584	1,970
		25,165	**31,176**
	Interest on financial obligations measured at amortised cost	7,144	8,435
8	**Income tax**		
	Income tax		
	Current tax on the profit for the year/joint taxation contribution	38,952	35,434
	Deferred tax adjustment	130	-878
	Other adjustments, including previous years	-1,787	-2,094
		37,295	**32,462**
	Taxes paid	**32,105**	**42,069**

According to legislation, the Parent Company is the administrative company of the compulsory Danish joint taxation.

EUR '000

8	**Income tax (continued)**	2019	2018
	Reconciliation of tax rate		
	Tax according to Danish tax rate 22.0%	29,123	38,555
	Difference in the tax rates applied by non-Danish subsidiaries relative to 22.0%	3,544	4,184
	Non-taxable income and non-deductible expenses	3,609	192
	Non-taxable profit shares in joint ventures	-67	-324
	Non-taxable fair value adjustment on acquisition	0	-9,804
	Recognised tax assets (not previously recognised)	0	3
	Expired tax loss regarding this and previous years	2,017	1,832
	Effect of investment properties and acquisition of land	-765	-1,308
	Other, including adjustments previous years	-51	-517
	Change of tax rates	-115	-351
		37,295	**32,462**
	Applicable tax rate for the year	**28%**	**19%**
	Income tax recognised directly as other comprehensive income	**-1,820**	**16**
	Total income tax	**35,475**	**32,478**

Payments to authorities

In accordance with Danish regulations governing payments to authorities in large companies, cf. Section 99(c) of the Danish Financial Statements Act, the Aalborg Portland Holding Group has made the following payments to authorities in 2019:

EURk	Quarry *	Taxes **	Royalty	Licenses	Total
Aalborg Portland A/S, Denmark	1,055	10,590			11,645
Unicon A/S, Denmark	91	1,969			2,060
Unicon AS, Norway		1,522			1,522
Kudsk & Dahl A/S, Denmark	287	133			420
AB Sydsten, Sweden	188	720			908
Cimentas AS, Turkey	537	740	565		1,842
Compagnie des Ciments Belges S.A., Belgium		15,799	2,387		18,186
Compagnie des Ciments France S.A., France		522			522
Aalborg Portland Malaysia Sdn. Bhd., Malaysia		463	180		643
Sinai White Cement Company Co. S.A.E		2,081	267		2,348
Aalborg Portland (Anqing) Co. Ltd., China	231	2,640			2,871
	2,389	37,179	3,399	0	42,967

* Includes payments in relation to use of minerals in the production and other related fees.
** Taxes include direct and indirect taxes on the Company's income, manufacturing or profit apart from direct and indirect taxes on consumption.

All above payments are to central government in each coyntry.

Taxes include payments during 2019, however, it included over/under payments from previous years.

The table above does not cover the full tax payment of the Aalborg Portland Holding Group, as this is purely provided in accordance with Section 99(c) of the Danish Financial Statements Act covering the cement production companies which are in scope in the specific reporting.

EUR '000

9 Intangible assets

	Goodwill	Other intangible assets	Intangible assets in development	Total
Cost at 1 January 2019	136,765	275,144	485	412,394
Exchange rate adjustments	-4,477	1,838	8	-2,631
Additions	0	1,988	2,204	4,192
Disposals	0	-169	0	-169
Other adjustments/reclassifications	0	2,449	-2,241	208
Cost at 31 December 2019	**132,288**	**281,250**	**456**	**413,994**
Amortisation and impairment at 1 January 2019	0	56,876	0	56,876
Exchange rate adjustments	0	-275	0	-275
Reversed amortisation on disposals	0	-164	0	-164
Amortisation for the year	0	16,644	0	16,644
Amortisation and impairment at 31 December 2019	**0**	**73,081**	**0**	**73,081**
Carrying amount at 31 December 2019	**132,288**	**208,169**	**456**	**340,913**

	Goodwill	Other intangible assets	Intangible assets in development	Total
Cost at 1 January 2018	129,814	168,217	256	298,287
Exchange rate adjustments	-18,019	5,038	11	-12,970
Additions from acquisition of interests in LWCC	24,970	100,278	0	125,248
Additions	0	3,141	451	3,592
Disposals	0	-1,763	0	-1,763
Other adjustments/reclassifications	0	233	-233	0
Cost at 31 December 2018	**136,765**	**275,144**	**485**	**412,394**
Amortisation and impairment at 1 January 2018	0	45,867	0	45,867
Exchange rate adjustments	0	-2,306	0	-2,306
Reversed amortisation on disposals	0	-1,604	0	-1,604
Amortisation for the year	0	14,919	0	14,919
Amortisation and impairment at 31 December 2018	**0**	**56,876**	**0**	**56,876**
Carrying amount at 31 December 2018	**136,765**	**218,268**	**485**	**355,518**

	2019	2018
Amortisation during the year is included in the following items:		
Cost of sales	5,243	5,238
Sales and distribution costs	1,896	1,904
Administrative expenses	9,505	7,777
	16,644	**14,919**

Intangible assets

Other intangible assets include software licenses (SAP R/3), quarry rights, CO_2 quotas, development projects and licenses for removal of waste, trademarks and customer lists. All items under other intangible assets have definite useful lives.

Goodwill is not amortised.

Internally generated intangible assets, mainly regarding SAP implementation, amount to EUR 0.9m (2018: EUR 1.3m).

Other intangible assets include a waste management agreement signed in 2011 (for a term of 25 years) with the municipal company of Istanbul (Turkey), with an original consideration of TRY 12.1m (equal to EUR 5.2m at the acquisition date).

EUR '000

9 Intangible assets (continued)
Goodwill

At 31 December 2019, Nordic & Baltic, Turkey and Overseas account for EUR 40.1m (2018: EUR 39.9m), EUR 59.4m (2018: EUR 64.9m) and EUR 32.8m (2018: EUR 32.0m), respectively, of the consolidated goodwill.

The Aalborg Portland Holding Group performed impairment test on the carrying amount of goodwill at 31 December 2019 based on value in use as in previous years.

Impairment tests are performed in the 4th quarter each year, based on the budgets and business plans approved by the Board of Directors. The impairment test for cash-generating units compares the recoverable amount, equivalent to the present value of expected future free cash flow, with the carrying amount of the individual cash-generating units.

Expected future free cash flow is based on budgets and business plans for the period 2020-2022 and projections for subsequent years. Key parameters include production capacity (based on current capacity), trend in revenue, EBIT margin and growth expectations for the years after 2022.

Budgets and business plans for the period 2020-2022 are based on specific future business measures, assessing risks in the key parameters and incorporating these in expected future free cash flows. Projections after 2022 are based on general expectations. The value for the period after 2022 takes into account the general growth expectations for the cement and ready-mix industry.

Growth rates are not expected to exceed the average long-term growth rate for the Group's individual geographical segments.

The discount rates applied in calculating the recoverable amounts are after tax, and reflect the risk-free interest plus specific risks in the individual geographic segments. The discount rate of Egypt and Turkey is 15-16% due to the high risk-free interest caused by the political situation in the countries.

The key assumptions from the impairment tests of goodwill are as follows:

2019	Discount rates after tax	Terminal growth rates	Average increase of revenue 2020 to terminal period	Average EBITDA ratio 2020 to terminal period
Nordic & Baltic	5-7%	1%	1-2%	6-14%
China and Malaysia	8-9%	3%	3-6%	16-28%
USA	6%	1%	3%	18%
Egypt, Turkey and UK	7-16%	2-4%	0-26%	9-15%

2018	Discount rates after tax	Terminal growth rates	Average increase of revenue 2019 to terminal period	Average EBITDA ratio 2019 to terminal period
Nordic & Baltic	7%	1%	1-2%	9-13%
China and Malaysia	10-11%	3%	5-6%	20-25%
USA	7%	1%	2%	20%
Egypt, Turkey and UK	7-16%	2-4%	12-25%	13-25%

The impairment tests are in addition to this based on the prospects for the future mentioned in the Mangement's review, which includes comments on the development in 2019.

EUR '000

9 Intangible assets (continued)

Discount rates before tax are slightly higher than discount rates after tax.

Based on the impairment tests performed at 31 December 2019, Management has concluded that there is no impairment of goodwill. The impairment tests still show headroom and except for Turkey no reasonably possible changes in key assumptions will lead to impairment.

For Turkey the sensitivity computed for revenue shows an mimimum average increase of 16% until terminal period compared to expected average increase of 23%, and expected average EBITDA ratio can also be reduced with approx. 30%.

10 Acquisiton of enterprises

Acquisition of Spartan Hive S.p.A.

On 1 February 2020, the parent company, Aalborg Portland Holding A/S, took over 100% of the shares of the trading company Spartan Hive S.p.A.. The purchase price was agreed at EUR 30m in cash. According to the Group's accounting policies the transaction will be booked according to the booked value. The amount of the purhase price which exceeds the net assets will be recognised as an transaction with owners through equity. This will be incorporated in the 2020 annual report.

Acquisition of Lehigh White Cement Company

On 29 March 2018, Cementir Holding finalised the purchase of a further 38.75% share in Lehigh White Cement Company (“LWCC”) from Lehigh Cement Company LLC, controlled by HeidelbergCement AG.
As a result of this transaction, the Group has control of LWCC with a stake of 63.25%, while the remaining 36.75% is held by CEMEX Inc.

The acquisition enables direct management of assets in the United States in the white cement segment, the Group’s core business; strengthening its global leadership consistent with its growth strategy.
The transaction is classified as a business combination achieved in stages and has been treated in accordance with IFRS 3.

At the reporting date, the calculation of the fair value of the assets acquired and the liabilities assumed had been completed; the consideration paid for the acquisition of control of LWCC amounted to EUR 87.7m (USD 108.1m), paid in full at closing, financed by cash and available credit lines. Being a business combination achieved in stages, previously held equity interest of 24.5% is re-measured at fair value at the acquisition date and a gain of EUR 40.1m has been recognised in the income statement (note 7). The acquisition cost for the obtained control of LWCC amounted to EUR 141.5m, while the fair value of net assets at the same date was EUR 116.5m (USD 143.7m). The deferred net tax liability has only been considered related to Group share because the taxation of LWCC is a transparent entity for tax purposes.

The interest related to the non-controlling interests has been recognised to the share of the fair value of net assets excluding goodwill amounting to EUR 69.7m.

Costs related to the acquisition are insignificant.

Consequently, the allocation of the amount paid to acquire the control required the recognition of a goodwill worth EUR 25.0m, corresponding to Group’s share (note 9).

EUR '000

10 Acquisiton of enterprises (continued)

The following table shows the fair values of the net assets acquired at the acquisition date:

	Provisional amounts at 29.03.2018	Adjustments	Fair value at 29.03.2018
Intangible assets with a finite useful life	1	100,278	100,278
Property, plant and equipment	28,005	26,461	54,466
Inventories	30,446	0	30,446
Trade receivables*	16,116	0	16,116
Other current assets	693	0	693
Other non-current provisions	-657	0	-657
Trade payables	-11,003	0	-11,003
Current tax liabilities	-41	0	-41
Other current liabilities	-597	0	-597
Net assets acquired	**62,964**	**126,738**	**189,702**
The Group's share of net assets acquired (63.25%)	**39,825**	**80,162**	**119,987**
Deferred tax assets	0	13,334	13,334
Deferred tax liabilities	0	-16,834	-16,834
The Group's share of net assets acquired (63.25%) with tax effect	**39,825**	**76,662**	**116,487**
Consideration paid to acquire control net of available cash			**85,981**
Restatement at fair value of the share previously held			**55,476**
Goodwill recognised (note 9)			**24,970**

* Write-down of nominal value of trade receivables is EUR 0.2m.

On the basis of the above, the fair value recognition of the assets acquired and liabilities assumed in the acquisition entailed the following accounting effects:

- **Intangible assets with a finite useful life:** include the recognition of the fair value of American customer list at approx. EUR 81m, and based on the customer turnover rate, a remaining useful life has been considered at 20 years; and the recognisation of fair value of mineral lease agreements with the exclusive right to quarry for approx. EUR 19m, and based on contracts terms, a remaining useful life has been considered at 30 years.

- **Property, plant and equipment:** includes a fair value adjustment of a total of EUR 26m mainly attributable to the greatest value recognised to the two plants owned by the company and to surrounding lands.

Deferred tax liabilities related to net assets in the PPA were recognised at approx. EUR 16.8m. In addition, deferred tax assets related to goodwill attributed to the Group were recognised at approx. EUR 13.3m, amortised in 15 years. Related to goodwill which can be deducted for tax purposes.

From the acquisition date, the company LWCC generated revenue of approx. EUR 104.3m and a profit of approx. EUR 9m. Management believes that, had the acquisition taken place on 1 January 2018, consolidated revenue and profit would have been higher by around EUR 30m and EUR 3m, respectively.

EUR '000

11 Property, plant and equipment

	Land and buildings	Plant and machinery	Property, plant and equipment in development	Right-of-use assets	Total
Cost at 1 January 2019	561,995	1,104,398	47,070	0	1,713,463
Exchange rate adjustments	-781	-9,504	434	-120	-9,971
Change in accounting policy, leases	0	0	0	78,619	78,619
Additions	4,242	20,533	32,020	24,281	81,076
Disposals	-1,071	-15,030	-817	-6,005	-22,923
Reclassifications	3,819	27,984	-36,929	0	-5,126
Cost at 31 December 2019	**568,204**	**1,128,381**	**41,778**	**96,775**	**1,835,138**
Depreciation and impairment at 1 January 2019	205,330	719,445	131	0	924,906
Exchange rate adjustments	-544	-9,941	-12	-27	-10,524
Reversed depreciation on disposals	-638	-14,627	0	-4,617	-19,882
Depreciation for the year	13,455	49,954	0	22,935	86,344
Impairment	161	2,952	0	0	3,113
Other adjustments/reclassifications	-684	-3,605	0	-366	-4,655
Depreciation and impairment at 31 December 2019	**217,080**	**744,178**	**119**	**17,925**	**979,302**
Carrying amount at 31 December 2019	**351,124**	**384,203**	**41,659**	**78,850**	**855,836**

	2019
Depreciation, land and buildings	2,036
Depreciation, plant and machinery	20,899
Interest on lease liabilities	1,458
Short-term leases	22
Lease of low value assets	3,601
Total amounts recognised in the income statement regarding leases	**28,016**

Variable lease payments may depend on an index, a rate or other elements. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index/rate at the lease commencement

The Group is not exposed to any significant future cash outflows that are not reflected in the measurement of lease liabilities. Residual value guarantees that are expected to be paid are included in the initial measurement of the lease liability. Reference is made to note 20.

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11 Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Property, plant and equipment in development	Right-of-use assets	Total
Cost at 1 January 2018	557,173	1,091,605	47,587	0	1,696,365
Exchange rate adjustments	-16,638	-60,324	-265	0	-77,227
Additions from acquisition of interests in LWCC	23,103	27,710	3,653	0	54,466
Additions	3,586	19,532	39,470	0	62,588
Disposals	-3,711	-18,225	-793	0	-22,729
Reclassifications	-1,518	44,100	-42,582	0	0
Cost at 31 December 2018	**561,995**	**1,104,398**	**47,070**	**0**	**1,713,463**
Depreciation and impairment at 1 January 2018	202,704	734,414	175	0	937,293
Exchange rate adjustments	-7,634	-47,501	-44	0	-55,179
Reversed depreciation on disposals	-1,381	-17,160	0	0	-18,541
Depreciation for the year	11,710	49,623	0	0	61,333
Other adjustments/reclassifications	-69	69	0	0	0
Depreciation and impairment at 31 December 2018	**205,330**	**719,445**	**131**	**0**	**924,906**
Carrying amount at 31 December 2018	**356,665**	**384,953**	**46,939**	**0**	**788,557**
Hereof assets held under a finance lease	**0**	**2,265**	**0**	**0**	**2,265**

	2019	2018
Depreciation during the year is included in the following items:		
Cost of sales	60,923	55,935
Sales and distribution costs	21,286	2,677
Administrative expenses	4,135	2,721
	86,344	**61,333**

The Aalborg Portland Holding Group has signed contracts regarding purchase of property, plant and equipment at a value of EUR 2.7m (2018: EUR 1.4m).
No changes are made in significant accounting estimates regarding property, plant and equipment.

Impairment is included in other operating costs. Regarding the impairment test performed at 31 December 2019, reference is made to note 9.

At 31 December 2019, the recoverable amount of the CGU (Hereko) was estimated on the basis of its value in use due to delays in capital expenditure which postponed full operation of the facilities and did not enable the achievement of the earnings targets.

Key assumptions were based on assessments by Management concerning future projections for the sector of reference and a historic analysis of internal and external factors of information. Future cash flows were considered until 2035, when the waste management agreement will expire.

Key assumptions used to estimate the recoverable amount of the CGU were:
- WACC of 15.0%
- Growth rate of 5.5%
- EBITDA margin between 13% and 15%, in line with company forecasts starting from 2020 and onwards.

Impairment testing at 31 December 2019 found a recorverable amount for the CGU of EUR 5.9m, compared to a carrying amount of EUR 8.8m. Accordingly, an impairment loss of the tangible assets of EUR 3.0m was recognised in other operating costs.

Impairment testing at 31 December 2018 supported the carrying amount of the CGU and therefore no further impairment has been made in 2018.

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12 Investment properties

Fair value at 1 January	61,027	65,969
Exchange rate adjustments	-6,022	-17,176
Unrealised fair value adjustment (other operating income)	6,372	12,234
Fair value at 31 December	**61,377**	**61,027**

Investment properties mainly comprise a number of commercial lands in Turkey that is not in the Group's use and owned for capital appreciation. No rental income is generated from lands.

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for investment property has been categorised as a Level 2 fair value based on valuation techniques including unobservable inputs.

The fair value of investment property is market value approach in which representative samples are selected in the neighbourhoods of the specified property, which provide recent sales transactions.
Then the average price of the samples is compared with the relevant investment property. Finally, a measuring of the fair value of the investment property is performed, based on location and other factors.

13 Other non-current assets

	Investments in joint ventures	Other non-current assets	Deferred tax assets	Total
Cost at 1 January 2019	248	7,521	27,782	35,551
Exchange rate adjustments	0	-343	-474	-817
Additions	0	4,215	5,309	9,524
Disposals	0	-4,166	0	-4,166
Decrease	0	0	-3,317	-3,317
Change offset in provision for deferred tax	0	0	-125	-125
Other	-105	59	0	-46
Cost at 31 December 2019	**143**	**7,286**	**29,175**	**36,604**
Adjustments at 1 January 2019	3,365	0	0	3,365
Exchange rate adjustments	15	0	0	15
Profit shares	356	0	0	356
Adjustments at 31 December 2019	**3,736**	**0**	**0**	**3,736**
Carrying amount at 31 December 2019	**3,879**	**7,286**	**29,175**	**40,340**

Other non-current assets mainly relate to VAT receivable and deposits.

	Investments in joint ventures	Other non-current assets	Deferred tax assets	Total
Cost at 1 January 2018	13,499	8,718	13,175	35,392
Exchange rate adjustments	-22	-1,700	-237	-1,959
Additions	0	538	4,001	4,539
Additions from acquisition of interests in LWCC	0	0	13,334	13,334
Disposals	-13,302	-35	0	-13,337
Decrease	0	0	-2,762	-2,762
Change offset in provision for deferred tax	0	0	271	271
Other	73	0	0	73
Cost at 31 December 2018	**248**	**7,521**	**27,782**	**35,551**
Adjustments at 1 January 2018	8,971	0	0	8,971
Exchange rate adjustments	-126	0	0	-126
Profit shares	1,299	0	0	1,299
Dividends for the year	-107	0	0	-107
Reversal	-6,672	0	0	-6,672
Adjustments at 31 December 2018	**3,365**	**0**	**0**	**3,365**
Carrying amount at 31 December 2018	**3,613**	**7,521**	**27,782**	**38,916**

Other non-current assets mainly relate to VAT receivable and deposits.

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13 Other non-current assets (continued)

Investments in subsidiaries with significant non-controlling interests

	Aalborg Portland Malaysia Group		Sydsten Group	
	2019	2018	2019	2018
Revenue	**44,377**	**44,777**	**64,966**	**67,249**
Profit for the period				
- attributable to owners of the parent	2,238	1,276	2,081	2,501
- attributable to non-controlling interests	959	547	2,608	2,639
	3,197	**1,823**	**4,689**	**5,140**
Other comprehensive income (expense)	1,491	1,088	-1,191	-1,020
Total comprehensive income (expense)	**4,688**	**2,911**	**3,498**	**4,120**
Assets				
Non-current assets	28,357	28,278	25,020	20,313
Current assets	37,066	31,139	28,923	30,387
	65,423	**59,417**	**53,943**	**50,700**
Liabilities				
Non-current liabilities	1,911	1,347	14,757	11,526
Current liabilities	8,497	7,731	14,200	14,563
	10,408	**9,078**	**28,957**	**26,089**
Net assets				
- attributable to owners of the parents	38,510	35,237	11,756	11,729
- attributable to non-controlling interests	16,505	15,102	13,230	12,882
	55,015	**50,339**	**24,986**	**24,611**
Cash flow from operation	8,624	4,376	9,038	7,296
Dividends paid to non-controlling interests	0	742	1,657	1,660

	Sinai White Portland Cement Co S.A.E.		Lehigh White Cement Company	
	2019	2018	2019	2018
Revenue	**35,789**	**27,375**	**137,718**	**104,303**
Profit for the period				
- attributable to owners of the parent	455	1,114	6,681	7,086
- attributable to non-controlling interests	185	535	3,882	4,118
	640	**1,649**	**10,563**	**11,204**
Other comprehensive income (expense)	10,990	3,130	1,592	23
Total comprehensive income (expense)	**11,630**	**4,779**	**12,155**	**11,227**
Assets				
Non-current assets	39,584	35,520	189,173	177,194
Current assets	64,328	58,407	78,631	69,275
	103,912	**93,927**	**267,804**	**246,469**
Liabilities				
Non-current liabilities	9,284	8,201	27,368	18,224
Current liabilities	8,582	11,283	22,856	16,101
	17,866	**19,484**	**50,224**	**34,325**
Net assets				
- attributable to owners of the parents	61,188	52,937	137,619	133,493
- attributable to non-controlling interests	24,858	21,506	79,961	78,651
	86,046	**74,443**	**217,580**	**212,144**
Cash flow from operation	8,961	1,533	20,622	10,458
Dividends paid to non-controlling interests	0	1,598	3,250	974

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13 Other non-current assets (continued)

In 2019, the Group invested EUR 0.0m (2018: EUR 3.8m cash purchase consideration regarding acquisition of additional 4.69% of shares in Sinai White Portland Cement Co. S.A.E and EUR 5.1m cash purchase consideration regarding acquisition of additional 2.07% of interests in LWCC).

14 Investments in joint ventures

	2019	2018
Summary of financial information from joint ventures:		
Revenue	38,620	72,683
Profit for the year	432	4,042
Total assets	18,409	18,347
Total liabilities	10,109	10,850
Share of profit for the year after tax	310	1,050

The joint ventures have no major contingent liabilities and the Group's maximum liabilities to the joint ventures do not exceed the equity value of the joint venture.

For a list of joint ventures, reference is made to page 77.

Significant joint ventures

The group no longer owns any significant joint ventures.

Financial information on significant joint venture	Lehigh White Cement Company	
The figures are 100% numbers of the joint venture.	2019	2018
Revenue	0	30,672
Profit for the period	0	736
Reconcilation of summarised financial information		
Booked value of non-significant joint ventures	0	3,613
Group book value of joint ventures at 31 December	**0**	**3,613**

Financial information on the Group's individual non-significant joint ventures

Profit for the period	0	314
Comprehensive income	0	-76
Total comprehensive income	**0**	**238**
Book value of investments in non-significant joint ventures at 31 December	**0**	**3,613**

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15 Deferred tax assets and deferred tax liabilities

	2019	2018
Change in deferred tax in the year		
Deferred tax at 1 January	109,560	107,911
Exchange rate adjustments	917	-988
Changes of tax rate, via income statement	-115	-358
Adjustments, previous years via income statement	1,610	1,896
Additions from acquisition of interests in LWCC	0	3,500
Movements via income statement	-1,367	-2,174
The year's movements in comprehensive income	-1,821	-227
Deferred tax liabilities at 31 December, net	**108,784**	**109,560**
Deferred tax is presented in the balance sheet as follows:		
Deferred tax liabilities	137,959	137,342
Deferred tax assets	29,175	27,782
Deferred tax liabilities at 31 December, net	**108,784**	**109,560**

	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Intangible assets	14,584	14,363	33,306	34,728
Property, plant and equipment	2,250	2,130	93,977	93,001
Investment properties	0	18	5,864	5,801
Other non-current assets	-719	-1,373	1,829	1,807
Current assets	0	51	7,302	6,503
Provisions	2,500	3,129	-3,785	-3,034
Non-current and current liabilities	583	1,082	-68	-81
Tax loss carry-forwards	9,977	8,382	-466	-1,383
Deferred tax at 31 December	**29,175**	**27,782**	**137,959**	**137,342**

Tax loss carry-forwards mainly relate to Cimentas Group, CCB Group and US Group. As a result of expected future earnings there is a reasonable probability that the losses will be realised in a foreseeable future.

The Group is involved in a transfer pricing case between the Danish and the Italian tax authorities to reach an agreement on royalty payments through Mutually Agreed Procedures ("MAP"). Outcome of case can impact the tax payments for the period 2008-2019. Management remains convinced that the royalty payments are justifiable, and based thereon, Management has not recognised any potential tax adjustments related to the case at 31 December 2019. For Danish entities total exposure amounts to EUR 12.5m. At Italian group level net exposure is lower.

16 Inventories

	2019	2018
Raw materials and consumables	85,299	100,587
Work in progress	40,292	39,788
Finished goods	44,848	44,497
Prepayments of goods	406	990
Inventories at 31 December	**170,845**	**185,862**

As was the case last year, there are no significant inventories of cement and aggregates carried at net realisable value.

Write-down of inventories of spare parts amounts to EUR 4.5m (2018: EUR 4.3m). Reversal of write-downs recognised in the income statement is EUR 0.0m (2018: EUR 2.0m).

17 Trade receivables, other receivables and prepayments

	2019	2018
Development in provisions for impairment on trade receivables:		
Provision for impairment losses at 1 January	3,365	5,952
Exchange rate adjustments	-285	-507
Provision for impairment in the year	843	1,164
Additions from acquisition of interests in LWCC	0	207
Realised in the year	-908	-271
Reversed	-13	-3,180
Provision for impairment at 31 December	**3,002**	**3,365**

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17 Trade receivables, other receivables and prepayments (continued)

All trade receivables are due within one year.
The carrying amount essentially corresponds to fair value.
Collateral has been received regarding trade receivables, in total EUR 20.2m (2018: EUR 25.8m).
Other receivables include energy taxes and VAT, etc.
Prepayments comprise prepaid rent and insurance, etc.
Impairment and write-offs included in PL amount to EUR 1.8m.

18 Provisions for pensions and similar commitments

The pension liabilities incumbent on the Danish Group enterprises are funded through insurance plans. The pension liabilities of certain foreign subsidiaries are also funded through insurance plans. Foreign subsidiaries, primarily in Turkey, Sweden, Norway, Malaysia, Belgium and France, whose pension liabilities are not - or only partially - funded through insurance plans state the unfunded liabilities on an actuarial basis at the present value at the balance sheet date. These pension liabilities are partly covered by assets in pension funds. The Group's defined benefit plans were EUR 33.5m underfunded at 31 December 2019 (2018: EUR 30.5m) for which a provision has been made as pension liabilities.

The actuarial result for the year at EUR 6.1m (2018: EUR -0.4m) is recognised in the statement of comprehensive income.

	2019	2018
Present value of defined benefit schemes	63,909	58,871
Market value of the assets comprised by the schemes	30,368	28,397
Net liability recognised in the balance sheet	**33,541**	**30,474**
Present value of defined benefit schemes at 1 January	58,871	59,356
Exchange rate adjustment	-431	-1,693
Actuarial gains/losses recognised in other comprehensive income	6,598	357
Costs	777	1,660
Net interest	1,100	920
Payments	-3,006	-1,729
Present value of defined benefit schemes at 31 December	**63,909**	**58,871**
Market value of the assets comprised by the schemes at 1 January	28,397	26,526
Exchange rate adjustment	32	-254
Payments	947	1,036
Net interest	506	344
Actuarial gains/losses recognised in other comprehensive income	486	745
Market value of the assets comprised by the schemes at 31 December	**30,368**	**28,397**
Stated as liabilities (provision for pension)	**33,541**	**30,474**
Amounts taken to the income statement		
Pension costs are included in:		
Cost of sales	6,115	11,083
Sales and distribution costs	2,540	3,024
Administrative expenses	1,998	3,141
	10,653	**17,248**

The actuarial change of the year is mainly due to changes in experience adjustments and other financial assumptions.
The main part of the provision for pension and similar commitments fall due after 5 years.
The assets of the pension scheme are attributable to Belgium and Norway. In Norway the assets are mainly invested in listed securities.

All assets comprised by the schemes are managed by pension providers in collective pool schemes.
In 2020, the Group expects payment of EUR 3.3m to the defined benefit schemes.

The most significant actuarial assumptions at the balance sheet date are as follows:		
Discounting rate applied	0-4%	1-6%
Expected return on tied-up assets	2%	3%

Compared to the consolidated financial statements a probable change of the actuarial assumptions is not deemed to cause significant effect on the liabilities, and therefore a sensitivity analysis has not been prepared.

In the statement of consolidated shareholders' equity the following accumulated actuarial gains/losses are recognised	-14,600	-9,346

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19 Provisions

	2019	2018
Provisions at 1 January	32,630	32,070
Exchange rate adjustment	-361	-1,397
Additions in the year	1,793	4,272
Additions from acquisition of interests in LWCC	0	685
Actuarial gains/losses recognised in other comprehensive income	993	0
Used in the year	-2,602	-2,757
Reversal	-158	-243
Provisions at 31 December	**32,295**	**32,630**
Recognised in the balance sheet as follows:		
Stated as non-current liabilities	26,971	27,254
Stated as current liabilities	5,324	5,376
	32,295	**32,630**
Maturities for other provisions are expected to be:		
Falling due within one year	5,324	5,376
Falling due between one and five years	6,108	4,748
Falling due after more than five years	20,863	22,506
	32,295	**32,630**

Provisions mainly include re-establishment of chalk, gravel and clay pits at EUR 18.6m (2018: EUR 18.7m), demolition liabilities for buildings and terminal on rented land at EUR 4.6m (2018: EUR 4.5m), warranties and claims at EUR 0.7m (2018: EUR 0.4m) as well as other provisions at EUR 8.4m (2018: EUR 9.0m).
Additions in the year include liabilities regarding warranties and claims, re-establishment of chalk, gravel and clay pits, demolition liabilities, litigations and other provisions.
Use in the year mainly relates to re-establishment and reorganistion liabilities.

Provisions for liabilities due after more than five years include liabilities regarding re-establishment of chalk, gravel and clay pits and demolition liabilities for buildings and terminals with no decision made regarding closure.

Costs for re-establishment of chalk, gravel and clay pits are mainly paid when finishing an excavation or when moving out from leases. No considerable payments are expected in 2020.

20 Credit institutions and other borrowings

	Year of maturity	Fixed/ variable	Carrying amount 2019	Carrying amount 2018
Mortgage loan	2033	Variable	122,708	135,462
Bank borrowings and credits	2020	Variable	10,023	1,037
Lease liability	2020-2098	Variable	79,151	1,978
Lease liability	2019	Fixed	0	128
Financial payable Group enterprises	2021-2022	Fixed	177,370	253,684
			389,252	**392,289**

Fair value of mortgage loan amounts to EUR 123.5m (2018: EUR 136.3m). Other fair values do not significantly deviate from the carrying amount.
The Group's debt to credit institutions and lease obligations have been recognised and fall due as follows:

	Non-current borrowings (>1 year)	Current borrowings (0-1 year)	Total	Maturity > 5 years
31 December 2019:				
Mortgage loan	110,113	12,595	122,708	60,054
Bank borrowings and credits	0	10,023	10,023	0
Lease liability	60,334	18,817	79,151	9,236
Financial payable Group enterprises	177,370	0	177,370	0
	347,817	**41,435**	**389,252**	**69,290**
Specification of contractual cash flows incl. interest:				
Mortgage loan	112,801	13,374	126,175	60,448
Bank borrowings and credits	0	10,043	10,043	0
Lease liability	62,962	20,484	83,446	9,586
Financial payable Group enterprises	180,656	3,060	183,716	0
	356,419	**46,961**	**403,380**	**70,034**

EUR '000

20 Credit institutions and other borrowings (continued)

	Non-current borrowings (>1 year)	Current borrowings (0-1 year)	Total	Maturity > 5 years
31 December 2018:				
Mortgage loan	122,827	12,635	135,462	72,612
Bank borrowings and credits	0	1,037	1,037	0
Lease liability	43	2,063	2,106	0
Financial payable Group enterprises	253,684	0	253,684	0
	376,554	**15,735**	**392,289**	**72,612**
Specification of contractual cash flows incl. interest:				
Mortgage loan	127,838	13,475	141,312	74,263
Bank borrowings and credits	0	1,058	1,058	0
Lease liability	43	2,063	2,106	0
Financial payable Group enterprises	263,710	4,676	268,385	0
	391,590	**21,271**	**412,861**	**74,263**

The maturity analysis is based on all undiscounted cash flows including estimated payment of interest.
Payment of interest is estimated and based on the present market conditions.
Maturity of derivatives is disclosed in note 27.
According to the leases there are no contingent rentals.

The carrying amount of leases is presented in note 11.

21 Change in liabilities from financing

	Non-current credit institutions	Current credit institutions	Lease liability	Derivative financial instruments	Total
Liabilities from financing at 1 January 2019	376,511	13,673	2,105	10,624	402,913
Proceeds from loans and borrowings	0	10,970	0	0	10,970
Repayment of borrowings	-88,917	0	0	0	-88,917
Payment of leases	0	0	-22,674	0	-22,674
Total changes from financing cash flows	**-88,917**	**10,970**	**-22,674**	**0**	**-100,621**
Exchange rate effect	-111	-2,021	-80	-37	-2,249
Fair value adjustments	0	0	0	1,033	1,033
Non-cash movements	0	0	99,800	0	99,800
Liabilities from financing at 31 December 2019	**287,483**	**22,622**	**79,151**	**11,620**	**400,876**

	Non-current credit institutions	Current credit instiutions	Lease liability	Derivative financial instruments	Total
Liabilities from financing at 1 January 2018	367,529	25,154	2,611	0	395,294
Proceeds from loans and borrowings	145,534	0	129	0	145,663
Repayment of borrowings	-40,472	-104,959	0	0	-145,431
Reclassification	-93,500	93,500	0	0	0
Payment of leases	0	0	-619	0	-619
Total changes from financing cash flows	**11,562**	**-11,459**	**-490**	**0**	**-387**
Exchange rate effect	-2,580	-22	-16	-20	-2,638
Fair value adjustments	0	0	0	10,644	10,644
Liabilities from financing at 31 December 2018	**376,511**	**13,673**	**2,105**	**10,624**	**402,913**

22 Deferred income

Deferred income relates to income from business agreement, etc., which is expected to be recognised as follows:

Expected recognition of deferred income:	2019	2018
Within one year	989	1,035
Between one and five years	3,674	3,772
After more than five years	0	847
	4,663	**5,654**

EUR '000

23 Other payables

Other current payables include holiday pay liabilities, taxes and public indirect taxes, interest payable and dividends payable to non-controlling interests.

24 Charges and securities

	2019		2018	
	Carrying amount of mortgaged assets	Debt regarding mortgaged assets	Carrying amount of mortgaged assets	Debt regarding mortgaged assets
Property, plant and equipment	111,675	122,708	111,364	135,462
	111,675	**122,708**	**111,364**	**135,462**

25 Contingent liabilities, contractual obligations and contingent assets

Contingent liabilities
The Group is involved in a few disputes, lawsuits, etc. of various scopes, including a few tax disputes in some countries. No significant liabilities are considered to be incumbent on the Group in that respect, and the outcome of the disputes is not expected to have significant impact on the Group's financial position beyond what has been recognised in the balance sheet.

Contractual obligations
At 31 December 2019, the Group has no significant contractual obligations. In 2018 the contractual obligations were EUR 116.9m and were mainly related to operational leases in accordance with IAS 17.

Regarding contractual obligations related to acquisition of non-current assets reference is made to note 11.

	2019	2018
Guarantees		
Performance guarantees	2,357	3,209
Other guarantees, etc.	8,636	7,096
	10,993	**10,305**

Other guarantees relate to guarantees given to suppliers of goods and services, mainly in Turkey.

Operating leases

Aggregate future lease payments under non-cancellable operating leases:	
Falling due within one year	21,506
Falling due between one and five years	62,726
Falling due after more than five years	16,145
	100,377
Operating lease expenses recognised in the income statement	**25,327**

Lease expenses recognised in the income statement in accordance with IFRS 16, reference is made to note 11.
Operating leases in 2018 were primarily related to operating equipment, ships and IT equipment. These leases contain no special purchase rights, etc.

EUR '000

26 Related party transactions

Related parties with significant influence in the Aalborg Portland Holding Group:
- Cementir España S.L., Calle General Yagüe, Num. 13, 28020 Madrid, Spain
- Cementir Holding N.V., Zuidplein 36, 1077 XV Amsterdam, Netherlands
- Caltagirone S.p.A., Via Barberini, 28, 00187 Rome, Italy

Related parties with significant influence in the Aalborg Portland Holding Group comprise the enterprises' Board of Directors and Management together with family related to these persons. Furthermore, related parties comprise enterprises in which the above-mentioned persons have significant interests.

Furthermore, related parties include joint ventures, cf. page 77.

	2019	2018
Transactions with Cementir Holding N.V.:		
- Intra-group management and administration agreements and royalties	25,064	25,721
- Financial items, net	-2,504	-3,971
- Financial receivable	0	30,000
- Financial payables	105,070	151,384
- Trade payables	8,950	18,157
Transactions with joint ventures:		
- Revenue	0	3,041
Transactions with other related parties (companies in the parent Italian Group)		
- Revenue	3,442	3,348
- Cost of sales	44,039	48,953
- Financial items, net	-1,362	-397
- Financial payables	72,300	102,441
- Trade receivables	205	176
- Trade payables	8,279	16,305

Remuneration of the Board of Directors and the Management is presented in note 4.
No losses on loans to or receivables from related parties were recognised, nor provisions made for such in 2019 or 2018.

27 Financial risks and financial instruments

Risk management policy

As a result of its international operations, investments and financing, the Group is exposed to a number of financial risks, including market risks, liquidity and credit risks.

Market risks	Liquidity risks	Credit risks
Risks that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices.	Risks that the Group will encounter difficulties in meeting obligations associated with financial liabilities.	Risks that a counterparty of a financial instrument is unable to fulfil its obligations and thereby inflict a loss to the Group.

The Group's Finance & Treasury is in charge of the overall risk management in accordance with the principles adopted by the Board of Directors.

The Group policy is not to engage in any active speculation in financial risks. The Group's financial management is thereby solely directed towards the management and reduction of financial risks arising directly from the Group's commercial operations, investments and financing.

Market risks

Currency risks	Interest rate risks	Raw material price risks
Arise due to purchase and sale transactions as well as financial assets and liabilities in currencies other than the functional currency of the individual Group business.	Refer to the influence of changes in market interest rates on future cash flow relating to the Group’s interest-bearing assets and liabilities and the fair value of these.	Refer to the influence of changes in raw material prices, which are not related to currency risks or interest rate risks.

Currency risks

Hedging is assessed and taken out in close co-operation with the Italian parent company.

For the hedging of currency risks, the Group analyses realised and expected cash flows broken down by currencies. The Group does not hedge the currency risk between EUR/DKK due to the Danish fixed-exchange-rate policy aimed at the EUR.

Risks relating to purchases and sales

The ready-mixed concrete activities of the Group are less exposed to changes in exchange rates, as the main part of both income and costs are settled in local currency. The Overseas cement activities of the Group enjoy a high degree of exports, and the settlement thereof is made in various sales currencies, and therefore, these units are affected by changes in exchange rates. The Turkish cement operations are mainly based on transactions in local currency. Revenue from the Group's Nordic & Baltic activities and the purchases by this segment are denominated in several currencies. Accordingly, these activities are also exposed to changes in exchange rates.

The Group's currency risks are primarily hedged by the settlement of income and costs in the same currency and by use of derivative financial instruments. Investments in Group enterprises are not hedged.

The Group's most predominant currency exposure regarding the operating results arises from sales and purchases in CNY, GBP, SEK, PLN and NOK. A 10% drop in these exchange rates compared to EUR/DKK would, viewed separately, reduce EBITDA by EUR 7.9m (CNY amounts to EUR 1.6m, GBP amounts to EUR 1.4m, SEK amounts to EUR 1.1m, PLN amounts to EUR 1.3m and NOK amounts to EUR 2.5m) (2018: EUR 10.5m (MYR amounted to EUR -1.5m, AUD amounted to EUR 1.8m, TRY amounted to EUR 5.6m, NOK amounted to EUR 3.3m and PLN amounted to EUR 1.3m)). The sensitivity surrounding Group equity is not materially different from the impact on the operating results for the year.

The Group entered into a swap agreement (hedge accounting) with a termination date in 2024, where both currency risk and interest risk have been hedged. Related to the interest risk the Group has agreed to pay USD Libor + a spread of 3.63% and the Group will receive EURIBOR + a spread of 2.88% each 30 April and 31 October until maturity. The effective part of the hedge is equal to all future cash flow payments and nominal installments.

The fair value liability is included in a separate line item in the balance sheet "Derivatives financial instruments”.
The ineffective part is recognised as financial income.

2019:

	Notional amount	Maturity < 1 year	Maturity 1-5 years	Maturity > 5 years	Strike	Fair value liability	Change in fair value recognised in hedge reserve	Ineffective part recognised in income statement
EURm								
Swap USD/EUR	114.3	10.1	104.3	0.0	1.00 EUR/ 1.235 USD	-11.5	2.1	-0.3

2018:

	Notional amount	Maturity < 1 year	Maturity 1-5 yesrs	Maturity > 5 years	Strike	Fair value liability	Change in fair value recognised in hedge reserve	Ineffective part recognised in income statement
EURm								
Swap USD/EUR	128.9	11.2	49.8	68.0	1.00 EUR/ 1.235 USD	-10.5	-4.1	0.6

Risks relating to net financing
The Group's most important currency risks arising from receivables and payables in foreign currencies at 31 December 2019 relate to the following currencies: EUR, USD, GBP, TRY, NOK and SEK. If these currencies (apart from EUR) had been 10% down at 31 December, Group equity would be affected by a negative exchange rate adjustment of EUR 0.6m (2018: EUR 3.8m). An increase of currencies would have had a similar positive effect on equity.

Translation risks relating to net investments in subsidiaries
The Group income statement and equity are affected by changes in the exchange rates as the closing results of the foreign Group enterprises are translated into Danish kroner at the consolidation.

Hedging of currency risk is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to net assets in foreign subsidiaries are accounted directly in equity.

With regard to investments in foreign enterprises, Group equity at 31 December 2019 would have been reduced by EUR 63.6m (2018: EUR 63.6m), if the NOK, SEK, USD, CNY, MYR, EGP, PLN, ISK and TRY exchange rates had been 10% down on the actual exchange rates. Other currency risks arising from investments in foreign entities are immaterial.

Assumptions of sensitivity analysis
The sensitivities are stated on the assumption of unchanged sales and price levels and interest levels, and on the assumption of recognised assets and liabilities at 31 December 2019.

Forward contracts regarding future transactions
Above from the above the Group does not comply with the conditions for taking out hedge accounting of future cash flows from the sale of goods. In terms of the hedging of future investments, the Group assesses in each case whether these comply with the conditions for hedge accounting.

No Group forward contracts at 31 December 2019 or at 31 December 2018.

Interest rate risk
Owing to the Group's investment and financing activities the Group has exposure to interest rate changes in both Denmark and abroad. The primary interest-rate exposure is related to fluctuations in CIBOR, LIBOR and EURIBOR.

The Group has floating and fixed loans. The Group's loans at 31 December 2019 came in at EUR 300.1m, 41% thereof financed by floating rate loans. At 31 December 2018 loans were EUR 389.1m (accounting for 35% floating rate loans and 65% fixed rate loans).

With regard to the Group's floating rate loans and cash equivalents, an annual 1% increase in the interest level in proportion to the actual interest rates would, other things being equal, have had an adverse hypothetical impact on the profit before tax of

EUR 1.3m (2018: EUR 1.7m) and on equity of EUR 1.0m (2018: EUR 1.3m). A declining interest level would have had a corresponding positive impact on result and equity.

The Group's cash is placed on demand or time deposits with a maturity of up to 3 months.

The sensitivities stated are based on average financial assets and liabilities for the year.

Raw material price risks
The Group uses a number of raw materials in the manufacture of the Group's products, which expose the Group to a price risk, i.a. especially different fuels and electricity. The Group enters into annual fixed price contracts for some raw materials.

Open swap contracts at 31 December, net:

2019

EURm	**Total**
Market value - swap contracts	**0.0**

2018

EURm	**Total**
Market value - swap contracts	**-0.1**

The swap contracts fell due in December 2019.

Liquidity risks
According to the Group borrowing policy, the Group will ensure the highest possible flexibility by maintaining a capital structure with a strong equity financing. At Group level, there are on-going assessments and management of liquidity risk by maintaining adequate cash reserves/loan facilities based on follow-up on and forecast of cash flow compared with the maturity/repayment profiles related to the Group's financial instruments.

The Aalborg Portland Holding Group is included in the Cementir Group's overall management of financial risks.

The Group's liquidity reserve consists of non-tied-up cash and undrawn credit facilities signed by Cementir Holding. In addition to this, the Aalborg Portland Holding Group has a separate uncommitted credit facility. The Management is of the opinion that the Group has sufficient liquidity at its disposal to carry through planned investments and operating activities and to take the proper action in case of unforeseen liquidity shortfalls.

Neither in 2019 nor in 2018 the Group has defaulted or breached any loan agreements (covenants).

Regarding maturities of the Group debt, reference is made to note 20.

Based on the Group's expectations for the future operation and the Group's present cash funds, no other significant liquidity risks have been identified.

Credit risks
The Group's credit risks arise primarily from receivables related to customers, other receivables and cash.

As a consequence of the Group’s credit risk policy, credit rating of all major customers and other trading partners is performed before contract formation and hereafter continuously. An efficient credit control is important to the Group in the present market. Management of the credit risks is based on internal credit limits, which are based on the customer's and the counterparties' creditworthiness, based on both internal and external credit ratings as well as the Group’s experience with the counterparty. If no satisfactory guarantee is obtained when credit rating the customer/counterparty, payment in advance or separate guarantee for the sale, e.g. a bank guarantee, will be required.

Due to the market situation, the Nordic companies of the Group have in recent years increased the resources used on follow-up on customers, which contributes to early warnings of possible risks. As part of the Group’s risk management, the credit exposure of customers and counterparties is monitored daily, weekly or monthly based on individual assessments. Historically the Group has had relatively small losses due to customers’ or counterparties’ inability to pay.

The credit risk limit of financial assets corresponds to the values recognised on the balance sheet.

No individual customer or co-operator poses any material risk to the Group.

The credit rating of trade receivables is analysed on the basis of the business areas off the Group:

EURm	2019	2018
Aalborg Portland	18.5	16.9
Unicon	32.9	36.0
Overseas	27.9	27.9
Turkey	38.4	38.0
England	2.3	1.5
Belgium	28.4	38.4
	148.4	**158.7**

Receivables from Aalborg Portland activities are attributable to Danish customers and export customers characterised as medium-sized and major customers. The Group is familiar with the Danish customers, who have not been granted long credit lines. Experience shows that export customers pose a low credit risk.

Regarding the Unicon activities the Group's customers primarily consist of contractors, builders and others, customers posing a higher credit risk.

Overseas activities are attributable to minor local customers and medium-sized to major customers on a global scale. Credits are granted in accordance with usual, local trading terms. Credit rating is applied to some types of customers, but experience shows that customers in Overseas pose a low credit risk.

In Turkey, there are both dealers and end-users (contractors and other customers) within both the ready-mixed concrete, cement and waste business. All customers are generally required to provide security for deliveries unless the management has assessed that there are no significant risks associated with selling to that customer. The waste business sales are only to large customers. Received collaterals amount to EUR 20.7m at 31 December 2019 (2018: EUR 25.8m).

Trade receivables at 31 December 2019 include receivables of EUR 8.1m (2018: EUR 3.4m), which, based on an individual assessment, have been written down to EUR 0.1m (2018: EUR 0.1m). The write-downs were generally motivated by the customers' bankruptcy or anticipated bankruptcy. When calculating individual write-downs the collaterals received have been taken into account.

Provision for impairment on trade receivables and loss percentages are specified as follows:

EUR '000	Loss percentage	Trade receivable	Provision for impairment	Total
Neither past due	0.0%	113,815	0	113,815
Due 1-30 days	0.1%	17,237	23	17,215
Due 31-60 days	0.1%	7,326	9	7,317
Due 61-90 days	0.1%	3,155	4	3,150
Due above 90 days	30.1%	9,850	2,966	6,884
	2.0%	**151,383**	**3,002**	**148,381**

Provision for impairment and loss percentages are specified as follows:

	Europe		China/Malaysia		USA		Turkey/Egypt		Other		Total
	EUR '000	%	*EUR '000*	%	*EUR '000*	%	*EUR '000*	%	*EUR '000*	%	*EUR '000*
Neither past due	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Due 1-30 days	0	0.0%	0	0.0%	0	0.0%	23	0.5%	0	0.0%	23
Due 31-60 days	8	0.3%	0	0.0%	0	0.0%	1	0.0%	0	0.0%	9
Due 61-90 days	3	0.3%	0	0.0%	0	0.0%	1	0.1%	0	0.0%	4
Due above 90 days	678	32.5%	0	0.0%	145	6.0%	2,143	36.6%	0	0.0%	2,966
	690	**0.9%**	**0**	**0.0%**	**145**	**0.7%**	**2,167**	**4.9%**	**0**	**0.0%**	**3,002**

EUR '000

	Loss percentage in PL	Trade receivables	Expected loss based on historical loss percentages
Europe	0.1%	80,459	88
China/Malaysia	0.0%	6,168	0
USA	0.0%	20,849	5
Turkey/Egypt	0.5%	43,908	240
Other	0.0%	0	0
		151,383	**333**

Provision for impairment is higher than expected loss as there has been made a separate assessment of the trade receivables due above 90 days.

The receivables written down are included at their net amounts in the above-mentioned tables.

Management of capital structure

Group capital management is assessed and adjusted in close co-operation with the Italian parent company. The Aalborg Portland Holding Group is included in the Cementir Group's overall capital management.

It is the Group's policy that the capital structure and financial gearing of the Group shall at all times reflect the Group's activities and risk profile, afford sufficient financial latitude to ensure the Group's creditworthiness, and provide flexibility and room for investments or acquisitions based on the Group strategy.

The distribution of dividends takes place considering the appropriate level of equity and sufficient availability of loan capital to facilitate the Group's ongoing expansion.

The Group financial gearing between net interest-bearing debt and EBITDA is 0.5 at 31 December 2019 (31 December 2018: 0.8).

Fair value measurement

Financial instruments measured at fair value are measured on a recurring basis and categorised into the following levels of the fair value hierarchy:

- Level 1: Observable market prices for identical instruments
- Level 2**:** Valuation techniques primarily based on observable prices or traded prices for comparable instruments
- Level 3: Valuation techniques primarily based on unobservable prices

Securities and investments measured at fair value through profit/loss are either measured at quoted prices in an active market for the same type of instrument (level 1) or at fair value based on available data (level 3).

Hedging instruments are not traded on an active market based on quoted prices. Measured instead of using a valuation technique, where all significant inputs are based on observable market data; such as exchange rates, interest rates, credit risk and volatilities (level 2).

There have been no transfers between the levels in 2019 or 2018.

Specification of financial assets and obligations

EUR '000	Carrying value 2019	Fair value 2019	Carrying value 2018	Fair value 2018
Financial assets measured at fair value through the income statement	0	0	0	0
Derivatives used as hedging instruments, level 2	0	0	71	71
Loans and receivables	438,112	438,112	394,073	394,073
Financial obligations measured at fair value through the income statement	0	0	0	0
Derivatives used as hedging instruments, level 2	11,619	11,619	10,482	10,482
Financial obligations measured at amortised cost	654,687	654,811	683,432	683,568

Methods and assumptions on determination of fair values

In general, fair value corresponds to the carrying value, except for mortgage loans.

Financial instruments related to sale and procurement of goods, etc. with a short credit period are measured at fair value corresponding to the carrying value.

Derivative financial instruments are computed on generally accepted valuation methods based on relevant exchange rates.

The methods used are unchanged compared to 2018.

28 Post-balance sheet events

After the end of the financial year, the parent company Aalborg Portland Holding A/S acquired the share capital of Spartan Hive S.p.A. in February 2020. Besides this there are no further significant post-balance sheet events to report.

29 Estimation on uncertainties and judgements

Estimation on uncertainties
The accounting polices require that when calculating the carrying value of certain assets and liabilities estimates are made of how future events influence the value of recognised assets and liabilities at the balance sheet date. Estimates that have a material influence on the amounts recognised in the annual report.

The estimates applied are based on assumptions deemed reasonable by the Management, but, given the nature of things, are uncertain. Thus, the Group is exposed to risks and uncertainties that may result in variances between actual and estimated results.

The development in the world economy and in the financial markets in 2018 and 2019 has resulted in considerable changes compared to previous years in respect of some uncertainty in a number of key assumptions within i.a. credit risk, interest level, sales volumes, volatility, etc.

The Management deems that the accounting policies do not include critical aspects.

The following items of the Aalborg Portland Holding Group are subject to major accounting estimates and judgements:

Goodwill
The annual impairment test of goodwill involves an estimate over how the part of the Group to which the goodwill is allocated (cash-generating units) may generate sufficient, positive, future net cash flows in order to support the value of goodwill and other net assets in the cash-generating unit. The Group's thorough budgeting and estimating support the assessments and minimise the risk. The degree of uncertainty is reflected in the chosen discount rate, and is mainly related to Turkey The impairment test has been further described in note 9.

Non-current assets
Non-current assets are measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the expected useful lives of the assets considering the residual value of the assets. The anticipated useful life and residual value are determined on the basis of past experience and the anticipated future use of the asset in question. The anticipated future use and scrap values may prove impossible to realise, prompting a need for write-down or a loss on the disposal of the assets. The depreciation periods are stated in the section "Accounting policies" in note 30, and non-current assets are stated in notes 9 and 11.

Investment properties
The fair value measurement of investment property is based on estimates. Reference is made to note 12 for a further description hereof.

Business combinations
At the date of preparation of the consolidated financial statements, the Purchase Price Allocation at the fair value of acquired assets, liabilities and contingent liabilities assumed is in progress and it will be completed within one year from the acquisition date. The best available input in determining fair value of all assets and liabilities have been used, which include use of expert in the valuation process (reference is made to note 10).

Accounting judgements
Accounting judgements are made when applying accounting policies. Accounting judgements are the judgements made, that can have a significant impact on the amounts recognised in the financial statements.

AB Sydsten
Based on the absolute size of ownership and the distribution of shareholdings, including votes and relationships, the Group management considers the Group's ownership and rights to be sufficient to exercise control on the basis that the Group holds 50% of the shares and have casting vote.

Provisions and contingent liabilities
Assessment of provisions and contingent liabilities are largely based on estimates and judgements. Description of provisions and contingent liabilities is given in notes 19 and 25.

30 Accounting policies

The Annual Report 2019 of the Aalborg Portland Holding Group is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

The Aalborg Portland Holding Group's official statutory annual report is presented in EUR.

The accounting policies set out below have been used consistently in respect of the financial year. For standards implemented prospectively, comparative information is not restated.

On 5 March 2020, the Board of Directors and the Management approved the annual report for 2019 for the Aalborg Portland Holding Group. The annual report is submitted to the shareholders of Aalborg Portland Holding A/S for approval at the Annual General Meeting on 17 April 2020.

Changes in accounting policies
We have implemented all now or amended accounting standards and interpretations as adopted by the EU and applicable for the 2019 financial year, including:

- IFRS 16, Leases (issued 2016, effective date 1 January 2019)
- IFRIC 23, Uncertainty over income tax treatment (issued 2017, effective date 1 January 2019)

Effect from implementation of IFRS 16, Leases
With effect from 1 January 2019, we have adopted IFRS 16 Leases regarding recognition and measurement of leases to which the Group is the lessee.

Consequently, with effect from 1 January 2019, the Group recognises all finance and operating leases in the balance sheet as a right-of-use asset and a lease liability except from:

- Short-term leases with a maximum lease term of 12 months
- Leases for low-value assets.

For such leases, lease payments are recognised on a straight-line basis in the income statement over the lease term.

On adoption of IFRS 16, the Group has used the modified retroactive approach under IFRS 16 on 1 January 2019 without restatement of comparative figures. The effect of the change as of 1 January 2019 has been recognised directly in equity. The Group has applied the following practical expedients for right-of-use assets and lease liabilities previously accounted for as operating leases:

- Applied a single discount rate to a portfolio of lease assets with reasonably similar characteristics.
- Not recognised leases for which the lease term ends within 12 months from the date of transition.
- Excluded initial direct costs from the measurement of the right-use-assets at 1 January 2019.
- At 1 January 2019, the right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.
- Not applied the new lease definition to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
- On 1 January 2019, not separated non-lease components from lease components, but considered them a single lease component.

The adoption of IFRS 16 has increased EBITDA by EUR 24,394k while EBIT remains substantially unchanged. Upon implementation 1 January 2019, we have recognised a right of use asset of EUR 77,543k and a lease liability of EUR 77,543k. The implementation has no effect on equity.

Profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liabilities being almost equal to the operating lease expense.

Below, the operating lease liability in accordance with IAS 17 disclosed in the financial statements for 2018 has been reconciled with the lease liability recognised in the balance sheet at 1 January 2019 (date of transition):

The weighted average discount rate applied is 1.8%.

EUR '000	**Opening balance**
Operating lease commitments as disclosed in the Group's 2018 consolidated financial statements	100,378
Short-term and low value lease assets	-1,064
Service commitments excluded	-9,487
New contracts recognised during 2019	-13,432
Extension options expected to be utilised	1,155
Other	4,077
Undiscounted value	**81,627**
Discounted value	-4,085
Lease liability recognised on transition	**77,542**

Implementation of IFRS 16 has no effect on the underlying cash flows. However, due to the lease payments being split into interest costs and a repayment of the lease liability, the presentation of the cash flow statement has changed. The change has improved the cash flow from operating activities as well as free cash flow by EUR 21,477k whereas the cash outflow from financing activities has been negative impacted by EUR 21,477k.

Effect from implementing IFRIC 23, Uncertainty over income tax treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The implementation has had no significant impact on the financial statement.

Consolidated financial statements
The consolidated financial statements comprise the parent company, Aalborg Portland Holding A/S, and subsidiaries, in which Aalborg Portland Holding A/S exercises a controlling influence.

The Group exercises a controlling influence in an enterprise, if the Group is exposed to or has the right to variable returns from its involvement with the enterprise, and has the ability to affect those returns through its power over the enterprise.

Enterprises, in which the Group directly or indirectly holds more than 20% and less than 50% of the voting rights and another entity has controlling influence, are considered as associates. However, this is based on an assessment of the ability of exercising influence.

When assessing whether the Group exercises a controlling or significant influence, it is to be considered whether potential voting rights exercisable at the balance sheet date are real and have substance as well as de facto control.

If the enterprises meet the criteria for joint control, they are considered as investments in joint arrangements. Joint arrangements are activities or enterprises, in which the Group exercises joint control through cooperation agreements with one or more parties. Joint control implies that decisions about the relevant activities require unanimous consent of the parties with joint control.

Joint arrangements are classified as joint ventures or joint operations. Joints operations are activities where participants are entitled to a proportionate share of the individual assets and liabilities in the arrangement, while joint ventures are activities where participants alone have the right to a proportionate share of net assets in the arrangement.

In joint operations, assets, liabilities, income and expenses as well as cash flows are included pro rata line by line in the consolidated financial statements in accordance with the rights and obligations.

Business combinations
Enterprises acquired are recognised in the consolidated financial statements from the date of acquisition which is the date at which Aalborg Portland Holding actually gains control of the enterprise acquired. The comparative figures are not restated for acquisitions.

For business combinations any remaining positive balance (goodwill) is recognised as goodwill under intangible assets between on the one side the consideration, the value of the non-controlling interests of the enterprise acquired and the fair value of possible previously acquired equity investments and on the other side the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised but impairment tested annually as a minimum. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a different functional currency from the presentation currency of the Aalborg Portland Holding Group's financial statements are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate ruling at the transaction date.

If any bargain purchase gain is recognised, the assets and liabilities undertake a review to ensure they are complete and the measurement appropriately reflects consideration of all available information. Bargain purchase gain is recognised as other operating income in income statement.

The consideration transferred by a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. Costs attributable to business combinations are recognised directly in profit or loss as administrative expenses when incurred.

The book value method is applied to transfers between Group companies (common controlled transactions), according to which assets and liabilities are transferred at their carrying amount at the date where control is obtained. The difference between the carrying value of net assets acquired and consideration is recognised directly in equity.

When enterprises are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement as a separate item in finance income and finance costs.

Non-controlling interests
On initial recognition, non-controlling interests are measured at fair value or at the proportionate share of the fair value of the

acquired business's identifiable assets, liabilities and contingent liabilities. In the first scenario, goodwill in relation to the non-controlling interests' ownership share in the acquired enterprise is thus recognised, while, in the latter scenario, goodwill in relation to non-controlling interests is not recognised. Measurement of non-controlling interests is chosen transaction by transaction and stated in the notes in connection with the description of acquired enterprises.

The effect of transactions with non-controlling interests is taken directly to shareholders’ equity. Therefore, no gains or losses are stated in the income statement, and there is no change of the carrying amount of net assets (including goodwill).

Foreign currency translation
For each of the reporting enterprises in the Group, a functional currency is determined. Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies.

Transactions in foreign currencies are on initial recognition translated at the functional currency at the exchange rate of the date of transaction.

Financial assets and liabilities in foreign currencies are translated at the exchange rates at the balance sheet date. Any foreign exchange variances between the rates at the transaction date and the payment date or the balance sheet date, respectively, are stated in the income statement as financial items.

Non-financial assets and liabilities in foreign currencies are stated at the rate of exchange at the date of transaction.

On recognition in the consolidated financial statements of foreign enterprises and associates as well as foreign joint ventures with a functional currency different from the Group’s presentation currency, the income statements are translated at the average exchange rates and the balance sheet items are translated at the exchange rates at the balance sheet date. The calculation differences arising from the translation of the income statements of companies abroad at average exchange rates and of their balance sheet items at the rate of exchange on the balance sheet date are taken directly to other comprehensive income.

On full or partial disposal of wholly-owned foreign operations resulting in a loss of control or on repayment of balances which constitute part of the net investment in the foreign operation, the share of the cumulative amount of the exchange differences that is recognised in other comprehensive income relating hereto is reclassified from other comprehensive income to profit for the year together with gain or loss on disposal.

On the disposal of partially owned foreign subsidiaries resulting in a loss of control, the share of the translation reserve in other comprehensive income attributable to non-controlling interests is not transferred to profit or loss.

An average exchange rate is used if it does not significantly deviate from the exchange rate ruling at the transaction date.

The assets and liabilities of a foreign company acquired are translated at the exchange rate at the date of transaction (acquisition date).

Derivative financial instruments
Derivatives are initially recognised in the balance sheet at fair value and subsequently measured at fair value. Fair value of derivatives is included in other receivables or other liabilities, respectively. Fair value changes of derivatives used for cash flow hedging are recognised in other comprehensive income. Any ineffective portions of the cash flow hedges are recognised as a financial item. Upon settlement of the cash flow hedges, the fair value is transferred from other comprehensive income into the line item of the hedged item.

Any changes in the fair value of derivatives not used for hedge accounting are recognised in the income statement as financial items.

Certain contracts contain conditions that correspond to derivatives. In case the embedded derivatives deviate significantly from the overall contract, they are recognised and measured as separate instruments at fair value. That is unless the contract concerned as a whole is recognised and measured at fair value.

Income statement

Revenue
Revenue is recognised in the income statement on delivery and passing of the risk to the buyer and when the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the consideration agreed excl. VAT charged on account of third party. All kinds of discounts are recognised in revenue.

Trade receivables recognised as services delivered are invoiced to the customer and are not adjusted for any financing components as credit terms are short – typically between 20 to 45 days – and the financing component therefore insignificant.

No special obligations in relation to warranties or return obligations compared to the industry.

Cost of sales
Cost of sales comprises costs incurred to generate revenue for the year and development costs which do not meet the criteria for capitalisation. This includes raw materials, consumables, CO_2 quotas, direct labour costs and indirect production costs such as maintenance and operation of production plant as well as production plant depreciation, administration and plant management.

Sales and distribution costs
Sales and distribution costs comprise direct distribution and marketing costs, salaries for the sales and marketing functions as well as other indirect costs, including depreciation and amortisation.

Administrative expenses
Administrative expenses comprise the costs of administrative staff and management and other indirect expenses, as well as depreciation and amortisation.

Other operating income and costs
Other operating income and costs comprise items of a secondary nature in relation to the activities of the Group, including certain grants, rentals, fees, fair value adjustments of investment property, bargain purchase gain, etc.

Gains and losses from the disposal of property, plant and equipment which cannot be considered part of the disposal of a complete activity are included in other operating income and costs.

Profit/loss from investments in joint ventures
The proportionate share of the profit/loss after tax in joint ventures is recognised in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Financial items
Interest income and expenses comprise interest, exchange rate gains and losses regarding transactions denominated in foreign currencies and write-down on securities, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. realised and unrealised gains and losses on derivative financial instruments that are not qualified as hedge accounting are also included.

Tax
Tax for the year comprises current tax and changes in deferred tax.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the financial year and any adjustment of tax for previous years.

Tax related to other comprehensive income is recognised in other comprehensive income.

Deferred tax is recognised and measured according to the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes.

Measurement of deferred tax is based on the tax rules and tax rates applicable in the respective countries at the balance sheet date, which is expected to be valid, when the deferred tax will be reversed as current tax. The effect of changes in the tax rates is stated in the income statement unless it relates to items previously entered directly in Shareholders' equity.

Deferred tax assets, including the value of tax loss carry-forwards, are recognised under Financial assets 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 and jurisdiction.

Uncertain tax positions are measured at the amount estimated to be required to settle such potential future obligations. We measure these uncertain tax positions on a yearly basis through dialog with key stakeholders in the main Group entities. The measurement addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and IFRIC 23. We will determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty will be followed. Uncertain tax positions are measured at the most likely outcome method.

Aalborg Portland Holding A/S is covered by the Danish rules on compulsory joint taxation of the Group's Danish companies. Enterprises are included in the joint taxation from the date of consolidation into the consolidated financial statements and up to the date when they exit the consolidation.

Aalborg Portland Holding A/S is the administrative company for the joint taxation and consequently settles all income tax payments with the tax authorities.

The current Danish income tax is allocated by payment of joint taxation contributions between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint tax contributions from companies who have used this loss to reduce their own taxable income.

Balance sheet

Intangible assets

Goodwill
On initial recognition, goodwill is recognised in the balance sheet at cost as described under “Business combinations”. Subsequently goodwill is measured at cost less accumulated impairment. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group’s cash-generating units at the acquisition date. Determination of cash-generating units follows the management structure and internal financial control.

Development projects
Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Company is demonstrated, and where the Company intends to complete, market or use the individual project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development projects are measured at cost less accumulated amortisation and impairment. Cost comprises wages and salaries, amortisation and other costs attributable to the Group's development activities.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life from the date when the asset is available for use. The amortisation period is up to 5 years.

Other intangible assets
Other intangible assets, including intangible assets acquired in business combinations, are measured at cost less accumulated amortisation and impairment losses.

Amortisation is made on a straight-line basis over the lower of the useful life and the contract period.

The expected useful lives are:

- Software applications, up to 10 years.
- Customer lists up to 25 years.
- Patents, licences and other intangible assets, up to 20 years.
- Leasehold improvements, up to 5 years.

CO_2 quotas
On initial recognition, granted and acquired CO_2 quotas are measured at cost.

The basis for amortisation of CO_2 quotas is stated as cost less scrap value. The scrap value depends on whether the company expects to utilise the quotas or sell them. Amortisation is based on a portfolio view on a straight-line basis.

If the actual emission exceeds the granted and acquired CO_2 quotas, a liability corresponding to the fair value of the CO_2 quotas, which the company has to settle, is recognised.

On disposal of CO_2 quotas the difference between carrying amount and the selling price of excess CO_2 quotas is recognised in the income statement at the date of disposal.

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

The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs from specific or general lending directly relating to the construction of the individual asset.

Deemed costs for dismantling and disposal of the asset and re-establishment are added to cost if the deemed costs are recognised as a provision. The cost of total assets is split into separate components, which are depreciated separately if the useful lives of the individual components differ.

The cost of finance leases is measured at the lower value of the asset's fair value or at the present value of the future minimum lease payment. When calculating the present value, the internal interest rate of the lease or the Group's alternative borrowing rate is used as discount rate.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The carrying amount of the replaced components are derecognised in the balance sheet and recognised as an expense in the income statement. All costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is charged on a straight-line basis during the estimated useful life of the asset concerned until it reaches the estimated scrap value.

Estimated useful lives are as follows:

- Buildings and improvements of land, 5-50 years
- Main machinery, 25 years
- Other plant and machinery, 3-20 years

Newly acquired assets and assets of own construction are depreciated from the time they come into use. Land is not depreciated, unless it is used for raw material extraction after individual assessment.

The basis of depreciation is calculated on the basis of the scrap value less impairment losses. The scrap value is determined at the acquisition date and reassessed annually. If the scrap value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the scrap value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, sales and distribution costs and administrative expenses to the extent that depreciation is not included in the cost of self-constructed assets.

Leases up to 2018

Leases are classified either as finance or operating leases.

A lease is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership. All other leases are classified as operating leases.

The accounting for finance leases and the related liabilities are described in the paragraphs concerning tangible assets and financial liabilities, respectively.

Lease payments regarding operating leasing are expensed on a straight-line basis over the lease term.

Lease assets and lease liabilities from 2019

Aalborg Portland Holding Group mainly leases land, building, railcars, silos, trucks, vehicles and ships. When entering into a contract, it is assessed whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to essentially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

A right-of-use asset and a lease liability is recognised at the commencement date.

Aalborg Portland Holding Group leases silos, trucks, vehicles and ships including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If it is not possible to separate lease components and non-lease components, it is considered a single lease component.

Lease liabilities recognised as "Credit institutions and interest-bearing liabilities" are initially measured at the present value of the lease payments that are not paid at commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, we have used the incremental borrowing rate.

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options, if the Group finds it reasonably certain to exercise the option and termination penalties, if the lease term reflects our exercising an option to terminate the lease. The lease liability is subsequently adjusted as follows, if:

- The value of the index or rate on which the lease payments are based is changed.
- The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.
- The lease term is changed if the option is exercised in order to extend or terminate the lease.
- Estimated residual value guarantee is changed.
- The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognised as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is EUR 0, a negative adjustment to the right-of-use asset is, however, recognised in the income statement.

The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognised in the balance sheet.

Investment properties
Properties are classified as investment properties when they are held for the purpose of obtaining rental income and/or capital gains. On initial recognition, investment properties are measured at cost, comprising purchase price and costs directly attributable to the acquisition. Subsequently, investment properties are measured at fair value. Changes in the fair value are recognised in profit or loss as value adjustment of investment properties under other operating income/costs in the financial year in which the change arises.

Realised gains and losses on the disposal of investment properties are determined as the difference between the carrying amount and the sales price and are also recognised under other operating income/costs.

If investment properties are reclassified to own property, fair value at this date is considered new cost price.

Investments in joint ventures
Investments in jointly managed enterprises (joint ventures) are measured according to the equity method, and the investments are recognised in the balance sheet as the proportionate share of the equity value of the entities stated in accordance with the Group's accounting policies, adding or deducting the proportionate share of unrealised intra-group profits and losses, and adding carrying amount of goodwill.

Joint ventures with negative equity value are measured at zero. If the Group has a legal or constructive obligation to cover a deficit in the joint ventures, the remaining amount is recognised under liabilities.

Other non-current assets
Other non-current assets mainly relate to deposits and loans which are measured at amortised cost. Amortisation for the year is stated in the income statement.

Impairment of non-current assets
Goodwill is subject to annual impairment tests, initially before the end of the acquisition year.

The carrying amount of goodwill is tested together with the other non-current assets of the cash-generating unit or group of cash-generating units to which goodwill is allocated. The assets of the cash-generating units are written down to the recoverable amount in profit or loss if the carrying amount is higher. The recoverable amount of a cash-generating unit is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which goodwill is allocated. However, impairment losses on goodwill are recognised as other operating costs in the income statement.

The carrying amount of other non-current assets, except for goodwill, investment properties and financial assets measured at fair value, is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit.

Amortisation and depreciation of intangible assets and property, plant and equipment are recognised in the same item as the related amortisation and depreciation. However, impairment losses on goodwill are recognised in a separate line item in the income statement.

Inventories
Raw materials and consumables are measured at cost. Cost is computed according to the weighted average cost method.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

The cost of work in progress and finished goods comprise direct production costs with addition of indirect production costs. Indirect production costs include operating costs, maintenance and depreciation of production plant and plant management.

If the net realisable value is lower than cost, write-down is made to this lower value.

Receivables
Receivables are measured at amortised cost.

Write-downs are made to counter losses on the basis of expected losses using the simplified expected credit loss model.

Receivables are monitored on an ongoing basis in accordance with the company's risk policy. Impairment losses are calculated on the basis of the expected loss ratio broken down by geographic markets. Loss rates are determined on the basis of historical data for losses adjusted for estimates of the effect of expected changes in relevant parameters, such as general economic development, interest rate level, unemployment, etc. in the relevant markets. The total loss is recognised in the income statement on the basis of the expected losses during the entire period of the receivable.

Equity
Dividends are recognised as debt at the time of approval at the annual general meeting (time of declaration). Dividends which are proposed for distribution are therefore stated separately in the shareholders' equity.

Reserves relating to foreign exchange adjustments in the consolidated financial statements comprise currency translation differences arising from the translation of the financial statements of foreign entities from their functional currencies to the presentation currency of the Aalborg Portland Holding Group (EUR) and foreign exchange adjustments of assets and liabilities considered to be part of the Group's net investment in foreign operations.

On full or partial realisation of net investments, exchange differences are recognised in the income statement.

Pensions, defined contribution schemes
In contribution pension schemes the employer is obliged to pay a specific contribution (e.g. a fixed sum or a fixed percentage of the pay). In a contribution scheme the risk in respect of future developments in interest rate, inflation, mortality and invalidity is not borne by the Group.

Payments by the Group into defined contribution schemes are stated in the income statement for the period to which they apply and any outstanding payments are stated in the balance sheet as Other payables.

Pensions, defined benefit schemes
In benefit pension schemes the employer is obliged to pay a specific benefit (e.g. a retirement pension as a fixed sum or a

fixed percentage of final pay). In a benefit scheme the Group bears the risk with regard to future development in interest rate, inflation, mortality and invalidity.

An annual actuarial valuation is carried out to determine the present value of the future benefits which the employees have obtained under defined benefit schemes. The present value is calculated on the basis of assumptions for future developments in wage/salary level, interest rates, inflation, pension age and mortality. The present value is calculated only for benefits to which the employees have already earned the right during their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under retirement benefit obligations.

The pension costs of the year are recognised in income statement based on actuarial estimates at the beginning of the year. Differences between the calculated growth in pension assets and liabilities and the realised values stated at the end of the year are classified as actuarial gains or losses and are recognised in other comprehensive income.

If a pension plan constitutes a net asset, the asset is only recognised if it represents future refunds from the plan or will lead to reduced future payments to the plan.

Long-term employee benefits are recognised based on an actuarial calculation. All actuarial gains and losses are recognised in the income statement immediately. Other long-term employee benefits include i.a. anniversary bonuses.

Provisions
Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of expected future costs. The present value of costs is recognised in the income statement for the tangible assets concerned and is amortised together with these assets over the useful lives or according to the production method.

Provisions are measured as the best estimate of the expenses required to settle the obligation at the balance sheet date.

Financial liabilities
Amounts owed to credit institutions are recognised when raising the loan at fair value less transaction costs. Subsequent measurement is made at amortised cost so that the difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

The capitalised remaining lease liability of finance leases is also recognised in financial liabilities, measured at amortised cost.

Other financial liabilities are measured at amortised cost.

Deferred income
Deferred income is measured at cost.

Cash flow statement

The cash flow statement is presented according to the indirect method and shows the composition of the cash flow divided into operating, investing and financing activities, respectively, and the cash funds at the beginning and end of the year.

In the statement of working capital/loans a distinction is made between interest-bearing and non-interest-bearing items plus cash funds.

Cash funds consist of cash in hand and bank deposits.

Loans represent total interest-bearing debt items less interest-bearing receivables. Formation of finance leases are considered as non-cash transactions

All other non-interest-bearing receivables and debt items are regarded as working capital.

Cash flows from operating activities are stated as Profit for the year (EAT) adjusted for non-cash operating items, changes in working capital, financial items and paid tax.

Cash flows from investing activities comprise payments made in connection with the acquisition and disposal of enterprises and activities and the acquisition and disposal of non-current assets.

Cash flows from financing activities comprise payments to and contributions from owners as well as the raising and repayment of loans.

Segment reporting

The Aalborg Portland Holding Group is not a listed company and therefore no segment reporting is made according to IFRS 8.

Forthcoming requirements

IASB has issued several new or amended accounting standards, which are not effective for the financial year 2019. Generally, we expect to implement all new or amended accounting standards and interpretations when they become mandatory and have been endorsed by the EU.

Income statement

EUR '000

Notes		2019	2018
1	Revenue	39,090	192,045
	Gross profit	**39,090**	**192,045**
2	Sales and distribution costs	7,156	6,849
2+3	Administrative expenses	21,340	20,859
	Other operating income	3	0
	Earnings before interest and tax (EBIT)	**10,597**	**164,337**
4	Financial income	9,137	9,270
4	Financial expenses	75,572	45,682
	Earnings before tax (EBT)	**-55,838**	**127,925**
5	Tax on profit for the year	386	774
	Profit or loss for the year	**-56,224**	**127,151**
	To be distributed as follows:		
	Retained earnings	-56,224	127,151

Statement of comprehensive income

EUR '000

Notes		2019	2018
	Profit or loss for the year	-56,224	127,151
	Total comprehensive income	**-56,224**	**127,151**

Cash flow statement

EUR '000

Notes		2019	2018
	Profit or loss for the period	**-56,224**	**127,151**
	Reversal of amortisation and depreciation	31	28
	Reversal of revaluation / impairment losses	66,291	35,359
	Net financial income / expense	-10,572	-163,583
	Income taxes	386	774
	Operating cash flows before changes in working capital	**-88**	**-271**
	Increase / decrease trade receivables	5,455	-1,778
	Increase / decrease trade payables	-1,422	2,186
	Change in non-current/current other assets/liabilities	-3,710	1,099
	Change in current and deferred taxes	-76	125
	Operating cash flows	**159**	**1,361**
	Dividends received	10,715	164,637
	Interests received	8,893	7,313
	Interests paid	-3,054	-4,868
	Other income collected/expenses paid	-5,077	-3,453
	Income taxes paid	683	-2,482
	Cash flow from operating activities	**12,319**	**162,508**
	Investments in intangible assets	-17	-56
	Cash from investing activities	**-17**	**-56**
	Change in non-current financial liabilities	-46,321	-26,443
	Change in current financial assets/liabilities	82,224	-170,023
	Other variances of equity	98	-4,315
	Cash flow from financing activities	**36,001**	**-200,781**
	Net change in cash and cash equivalent	48,303	-38,329
	Cash and cash equivalent exchange rate effect	-36	152
	Cash and cash equivalent opening balance	0	38,177
	Cash and cash equivalent closing	**48,267**	**0**

Balance sheet

EUR '000

Notes	ASSETS	2019	2018
	Other intangible assets	103	97
6	**Intangible assets**	**103**	**97**
	Right-of-use assets	58	0
7	**Property, plant and equipment**	**58**	**0**
8	Other non-current assets	669,721	736,015
8+9	Deferred tax assets	451	843
	Other non-current assets	**670,172**	**736,858**
	Total non-current assets	**670,333**	**736,955**
	Amounts owed by Group enterprises	162,347	121,473
	Amounts owed by related parties	0	30,000
	Joint taxation contribution receivable	17,121	14,677
10	Other receivables	3,954	282
10	Prepayments	83	118
	Receivables	**183,505**	**166,550**
	Cash and cash equivalents	**48,267**	**0**
	Total current assets	**231,772**	**166,550**
	TOTAL ASSETS	**902,105**	**903,505**

Balance sheet

EUR '000

Notes	EQUITY AND LIABILITIES	2019	2018
	Shareholder's equity		
	Share capital	40,333	40,333
	Hedge reserve	-2,059	-3,976
	Retained earnings	515,769	571,933
	Total shareholders' equity	**554,043**	**608,290**
	Liabilities		
11	Credit institutions, etc.	39	0
	Derivative financial instruments (negative fair value)	11,508	10,482
	Amounts owed to Group enterprises	105,070	151,384
	Deferred income	415	542
	Non-current liabilities	**117,032**	**162,408**
11	Credit institutions, etc.	10,042	1,037
	Trade payables	190	411
	Amounts owed to Group enterprises	216,023	129,665
	Derivative financial instruments (negative fair value)	111	0
	Income tax payable	4,261	1,132
12	Other payables	275	434
	Deferred income	128	128
	Current liabilities	**231,030**	**132,807**
	Total liabilities	**348,062**	**295,215**
	TOTAL EQUITY AND LIABILITIES	**902,105**	**903,505**

Statement of shareholders' equity

EUR '000	Share capital	Hedge reserve	Retained earnings	Total equity
Shareholders' equity at 1 January 2019	**40,333**	**-3,976**	**571,933**	**608,290**
Effect of translation to presentation currency		1	60	61
Changes in fair value of financial instruments		1,916	0	1,916
Profit for the year (total comprehensive income)			-56,224	-56,224
Shareholders' equity at 31 December 2019	**40,333**	**-2,059**	**515,769**	**554,043**

	Share capital	Hedge reserve	Retained earnings	Total equity
Shareholders' equity at 1 January 2018	**40,333**	**0**	**446,554**	**486,887**
Effect of translation to presentation currency		8	-1,530	-1,522
Changes in fair value of financial instruments		-3,984	0	-3,984
Other changes			-242	-242
Profit for the year (total comprehensive income)			127,151	127,151
Shareholders' equity at 31 December 2018	**40,333**	**-3,976**	**571,933**	**608,290**

The share capital in 2019 and 2018 consists of:
1 share at DKK 150m
1 share at DKK 60m
2 shares at DKK 30m each
1 share at DKK 15m
5 shares at DKK 3m each

Dividends distributed to shareholders in 2019 were EUR 0.0m (2018: EUR 0.0m).
All shares are fully issued and paid up. One share of DKK 1,000 holds one vote.

EUR '000

		2019	2018
1	**Revenue**		
	Dividend received	10,715	164,637
	Consultancy services provided to subsidiaries and royalties on the subsidiaries' use of the trademarks	28,375	27,408
		39,090	**192,045**
2	**Staff costs**		
	Wages and salaries and other remuneration	1,368	1,355
	Pension costs, defined contribution scheme	95	91
	Social security costs	7	2
		1,470	**1,448**
	Number of employees at 31 December	10	10
	Average number of full-time employees	10	10
	Remuneration of the Board of Directors, the Management and other senior executives		
	Salaries and remunerations	583	571
	Pension contributions	28	28
		611	**599**
	Hereof Board of Directors and Management	611	599

Remuneration of the Board of Directors represents EUR 87k in 2019 (2018: EUR 75k).

Pension schemes
Pension schemes in Aalborg Portland Holding A/S are defined contribution schemes, which do not entail any obligations beyond payment of contributions.

		2019	2018
3	**Fees to the auditors appointed by the Annual General Meeting**		
	Total fees to KPMG are specified as follows:		
	Statutory audit	70	43
	Tax and VAT advisory services	23	24
	Other services	2	51
		95	**118**
	Fees to other auditors	0	0
4	**Financial income and expenses**		
	Financial income		
	Interest, cash funds, etc.	75	49
	Interest, Group enterprises	8,817	7,265
	Financial income on derivatives	141	1,052
	Ineffective part of hedge	0	586
	Exchange rate adjustments	104	318
		9,137	**9,270**
	Interest on financial assets measured at amortised cost	8,892	7,314
	Financial expenses		
	Interest, credit institutions, etc.	390	768
	Interest, Group enterprises	2,664	4,101
	Losses on derivatives	5,180	3,784
	Ineffective part of hedge	298	0
	Exchange rate adjustments	210	1,033
	Other financial expenses	66,830	35,996
		75,572	**45,682**
	Interest on financial obligations measured at amortised cost	3,054	4,869

Other financial expenses include the EUR 66.3m (2018: EUR 35.4m) impairment of the investment in Cimentas Group deriving from the difference between the expected future cash flow and the carrying amount of the investment, reference is made to note 7.

EUR '000

5 Income tax

	2019	2018
Income tax		
Current tax on the profit for the year/joint taxation contribution	24	1,544
Deferred tax adjustment	391	-863
Other adjustments, including previous years	-29	93
	386	**774**
Taxes paid	**683**	**-2,482**

According to legislation, the Parent Company is the administrative company of the compulsory Danish joint taxation.

	2019	2018
Reconciliation of tax rate		
Tax according to Danish tax rate 22.0%	-12,284	35,923
Dividends received from subsidiaries and profits from sales	-2,357	-36,172
Other, including adjustments previous years	15,027	1,023
	386	**774**
Applicable tax rate for the year	**-1%**	**1%**
Total income tax	**386**	**774**

6 Intangible assets

	Other intangible assets	Total
Cost at 1 January 2019	226	226
Additions	17	17
Cost at 31 December 2019	**243**	**243**
Amortisation and impairment at 1 January 2019	129	129
Amortisation for the year	11	11
Amortisation and impairment at 31 December 2019	**140**	**140**
Carrying amount at 31 December 2019	**103**	**103**

	Other intangible assets	Total
Cost at 1 January 2018	171	171
Exchange rate adjustments	-1	-1
Additions	56	56
Cost at 31 December 2018	**226**	**226**
Amortisation and impairment at 1 January 2018	100	100
Exchange rate adjustments	1	1
Amortisation for the year	28	28
Amortisation and impairment at 31 December 2018	**129**	**129**
Carrying amount at 31 December 2018	**97**	**97**

	2019	2018
Amortisation during the year is included in the following items:		
Administrative expenses	11	28
	11	**28**

Other intangible assets include patents.

EUR '000

7 Property, plant and equipment

	Right-of-use assets	Total
Change in accounting policy, leases	20	20
Additions	57	57
Disposals	-6	-6
Cost at 31 December 2019	**71**	**71**
Reversed depreciation on disposals	-6	-6
Depreciation for the year	19	19
Depreciation and impairment at 31 December 2019	**13**	**13**
Carrying amount at 31 December 2019	**58**	**58**
Hereof assets held under a finance lease	**0**	**2,512**

	2019	2018
Depreciation during the year is included in the following items:		
Administrative expenses	19	0
	19	**0**

	2019
Depreciation	19
Short-term leases	256
Total amounts recognised in the income statement regarding leases	**275**

Variable lease payments may depend on an index, a rate or other elements. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index/rate at the lease commencement

The Company is not exposed to any significant future cash outflows that are not reflected in the measurement of lease liabilities. Residual value guarantees that are expected to be paid are included in the initial measurement of the lease liability. Reference is made to note 11.

EUR '000

8 Other non-current assets

	Investments in subsidiaries	Deferred tax assets	Total
Cost at 1 January 2019	771,307	843	772,150
Exchange rate adjustments	-71	0	-71
Additions	0	105	105
Disposals	0	-21	-21
Change offset in provision for deferred tax	0	-476	-476
Cost at 31 December 2019	**771,236**	**451**	**771,687**
Impairment at 1 January 2019	-35,292	0	-35,292
Exchange rate adjustments	68	0	68
Impairment	-66,291	0	-66,291
Impairment at 31 December 2019	**-101,515**	**0**	**-101,515**
Carrying amount at 31 December 2019	**669,721**	**451**	**670,172**

	Investments in subsidiaries	Deferred tax assets	Total
Cost at 1 January 2018	769,908	224	770,132
Exchange rate adjustments	-2,146	-2	-2,148
Additions	3,815	622	4,437
Disposals	0	-1	-1
Other	-270	0	-270
Cost at 31 December 2018	**771,307**	**843**	**772,150**
Adjustments at 1 January 2018	0	0	0
Exchange rate adjustments	67	0	67
Impairment	-35,359	0	-35,359
Adjustments at 31 December 2018	**-35,292**	**0**	**-35,292**
Carrying amount at 31 December 2018	**736,015**	**843**	**736,858**

Impairment test has been performed in relation to goodwill, which supports the carrying amounts on the investments besides the investment in the Cimentas Group.
The impairment test performed on the Cimentas Group investment outlined that the expected future cash flow is lower than the carrying amount of the investment with an amount of EUR 66.3m, which has been booked as an impairment loss.
The main reason to the impairment is due to the devaluation of the Turkish lira in 2019 and continued uncertainty about economic policy and development.
Reference is made to note 9 in the consolidated financial statement, where key assumptions and sensitivity in impairment test are disclosed.

9 Deferred tax assets and deferred tax liabilities

	2019	2018
Change in deferred tax in the year		
Deferred tax at 1 January	-843	-224
Exchange rate adjustments	0	2
Adjustments, previous years via income statement	476	0
Movements via income statement	-84	-621
Deferred tax liabilities at 31 December, net	**-451**	**-843**
Deferred tax is presented in the balance sheet as follows:		
Deferred tax assets	451	843
Deferred tax liabilities at 31 December, net	**-451**	**-843**

	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Intangible assets	-3	2	0	0
Current assets	-18	-2	0	0
Non-current and current liabilities	472	843	0	0
Deferred tax at 31 December	**451**	**843**	**0**	**0**

EUR '000

10 Other receivables and prepayments

Other receivables include VAT and other receivables.
Prepayments comprise insurance.

11 Credit institutions and other borrowings

Bank borrowings and credits in the Parent Company at 31 December:

	Year of maturity	Fixed/ variable	Carrying amount 2019	Carrying amount 2018
Bank borrowings and credits	2020-2021	Variable	10,023	1,037
Finance leases	2021-2023	Variable	58	0
Financial payable Group enterprises	2019-2021	Fixed	105,070	151,384
			115,151	**152,421**

Fair values does not significantly deviate from the carrying amount.

Fair values corresponds to the nominal outstanding debt.

The Parent Company's debt to credit institutions has been recognised and falls due as follows:

	Non-current borrowings (>1 year)	Current borrowings (0-1 year)	Total	Maturity >5 years
31 December 2019:				
Bank borrowings and credits	0	10,023	10,023	0
Finance leases	39	19	58	
Financial payable Group enterprises	105,070	0	105,070	0
	105,109	**10,042**	**115,151**	**0**
Specification of contractual cash flows incl. interest:				
Bank borrowings and credits	0	10,043	10,043	0
Finance leases	39	19	58	
Financial payable Group enterprises	106,409	1,832	108,241	0
	106,448	**11,894**	**118,342**	**0**

	Non-current borrowings (>1 year)	Current borrowings (0-1 year)	Total	Maturity >5 years
31 December 2018:				
Bank borrowings and credits	0	1,037	1,037	0
Financial payable Group enterprises	151,384	0	151,384	0
	151,384	**1,037**	**152,421**	**0**
Specification of contractual cash flows incl. interest:				
Bank borrowings and credits	0	1,050	1,050	0
Financial payable Group enterprises	156,935	3,028	159,963	0
	156,935	**4,078**	**161,013**	**0**

The maturity analysis is based on all undiscounted cash flows including estimated payment of interest.
Payment of interest is estimated and based on the present market conditions.

Other financial liabilities are due within 1 year.

12 Other payables

Other current payables include holiday pay liabilities, taxes and public indirect taxes.

EUR '000

13 Contingent liabilities, contractual obligations and contingent assets

Contingent liabilities
The Parent Company is involved in a few disputes, lawsuits, etc., of various scopes, including a few tax disputes in some countries. No significant liabilities are considered to be incumbent on the Parent Company in that respect, and the outcome of the disputes is not expected to have significant impact on the Parent Company's financial position beyond what has been recognised in the balance sheet.

In 2019, contractual liabilities are EUR 0.0m (2018: EUR 0.0m).

The Parent Company is taxed jointly with other Danish companies in the Aalborg Portland Holding Group. As an administrative company, the Parent Company is jointly and unlimited liable with the other companies in the joint taxation of Danish taxes at source and income taxes within the joint taxation group. Payable income taxes in the joint taxation group amounted to EUR 4.3m at 31 December 2019 (2018: EUR 1.1m). Any subsequent corrections of the taxable income subject to joint taxation could cause a higher liability of the Parent Company.

	2018
Operating leases	
Aggregate future lease payments under non-cancellable operating leases:	
Falling due within one year	262
Falling due between one and five years	12
Falling due after more than five years	0
	274
Operating lease expenses recognised in the income statement	**207**

14 Related party transactions

Related parties with significant influence in Aalborg Portland Holding A/S:
- Cementir España S.L., Calle General Yagüe, Num. 13, 28020 Madrid, Spain
- Cementir Holding N.V., Zuidplein, 36, 1077 XV - Amsterdam, Netherlands
- Caltagirone S.p.A., Via Barberini, 28, 00187 Rome, Italy

Related parties within Aalborg Portland Holding A/S comprise the enterprises' Board of Directors and Management together with family related to these persons.
Furthermore, related parties comprise enterprises in which the above-mentioned persons have significant interests.

Additionally, related parties include subsidiaries, joint ventures and joint operation cf. page 77, where the Parent Company has significant influence or exercises control or joint control.

Transactions with Cementir Holding N.V.:		
- Intra-group management and administration agreements and royalties	21,051	20,212
- Financial items, net	-2,504	-3,971
- Payables	5,457	6,658
- Non-current financing	105,070	151,384
Transactions with other related parties:		
- Intercompany management, administration agreements and shared service	21,961	21,317
- Financial items, net	1,985	2,238
- Trade and financial receivables	2,118	7,456
- Trade and financial payables	216,023	129,665

Remuneration of the Board of Directors and the Management is presented in note 2.
No losses on loans to or receivables from related parties were recognised, nor provisions made for such in 2019 or 2018.

14 Financial risks and financial instruments

The Parent Company's most predominant currency exposure regarding the operating results arises from NOK and USD. A 10% drop in these exchange rates compared to EUR/DKK would, viewed separately, increase EBITDA by EUR 0.2m. NOK amounts to EUR 0.1m and USD amounts to EUR 0.1m (2018: NOK amounted to EUR 0.1m).

Currency risks

Forward contracts regarding future transactions

The Group does not comply with the conditions for taking out hedge accounting of future cash flows from the sale of goods. In terms of the hedging of future investments, the Group assesses in each case whether these comply with the conditions for hedge accounting.

No currency forward contracts at 31 December 2019 or at 31 December 2018.

The Parent Company entered into a swap agreement (hedge accounting) with a termination date in 2024, where both currency risk and interest risk has been hedged. Related to the interest risk the Parent Company has agreed to pay USD Libor + a spread of 3.63% and the Parent Company will receive EURIBOR + a spread of 2.88% each 30 April and 31 October until maturity. The effective part of the hedge is equal to all future cash flow payments and nominal installments.

The fair value liability is included in a separate line item in the balance sheet "Derivatives financial instruments”.
The ineffective part is recognised as financial income.

2019:

	Notional amount	Maturity < 1 year	Maturity 1-5 years	Maturity > 5 years	Strike	Fair value liability	Change in fair value recognised in hedge reserve	Ineffective part recognised in income statement
EURm								
Swap USD/EUR	114.3	10.1	104.3	0.0	1.00 EUR/ 1.235 USD	-11.5	2.1	-0.3

2018:

	Notional amount	Maturity < 1 year	Maturity 1-5 yesrs	Maturity > 5 years	Strike	Fair value liability	Change in fair value recognised in hedge reserve	Ineffective part recognised in income statement
EURm								
Swap USD/EUR	128.9	11.2	49.8	68.0	1.00 EUR/ 1.235 USD	-10.5	-4.1	0.6

Interest rate risk

The Parent Company is included in the cash pool for the Group.

Liquidity risks

Aalborg Portland Holding A/S has access to funding through the Cementir Holding facility which includes certain covenants.

The Parent Company acts as account holder of the Group's cash pool scheme and as bank in proportion to other intra-group loans. The purpose of the cash pool scheme is to optimise cash management and the use of liquidity in the participating companies.

Credit risks

Receivables from the Parent Company’s activities are attributable to Danish and foreign Group companies. The Parent Company is familiar with customers, who have not been granted long credit lines.

The Parent Company's trade receivables at 31 December 2019 and 31 December 2018 include no write-downs. Historically there have not been any write-downs.

Regarding management of capital structure, reference is made to note 26 in the consolidated financial statements.

Fair value measurement

Financial instruments measured at fair value are measured on a recurring basis and categorised into the following levels of the fair value hierarchy:

- Level 1: Observable market prices for identical instruments

- Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments
- Level 3: Valuation techniques primarily based on unobservable prices

Securities and investments measured at fair value through profit/loss are either measured at quoted prices in an active market for the same type of instrument (level 1) or at fair value based on available data (level 3).

Hedging instruments are not traded on an active market based on quoted prices. Measured instead of using a valuation technique, where all significant inputs are based on observable market data; such as exchange rates, interest rates, credit risk and volatilities (level 2).

There have been no transfers between the levels in 2019 or 2018.

Specification of financial assets and obligations

EUR '000	Carrying value 2019	Fair value 2019	Carrying value 2018	Fair value 2018
Financial assets measured at fair value through the income statement	0	0	0	0
Derivatives used as hedging instruments, level 2	0	0	0	0
Loans and receivables	166,301	166,301	151,755	151,755
Financial obligations measured at fair value through the income statement	0	0	0	0
Derivatives used as hedging instruments, level 2	11,508	11,508	10,482	10,482
Financial obligations measured at amortised cost	321,558	321,558	281,460	281,460

Methods and assumptions on determination of fair values

In general, fair value corresponds to the carrying value, except for mortgage loans.

Financial instruments related to sale and procurement of goods, etc. with a short credit period are measured at fair value corresponding to the carrying value.

Derivative financial instruments are computed on generally accepted valuation methods based on relevant exchange rates.

The methods used are unchanged compared to 2018.

15 Post-balance sheet events

After the end of the financial year, the parent company Aalborg Portland Holding A/S acquired the share capital of Spartan Hive S.p.A. in February 2020. Besides this there are no further significant post-balance sheet events to report. Reference is made to note 10 in consolidated accounts.

16 Estimation on uncertainties and judgements

Investments in subsidiaries are tested for impairment based on performed impairment tests of goodwill as described in note 9 in the consolidated financial statements. Uncertainty is mainly related to Turkey.

17 Accounting policies

Parent Company

The Parent Company's financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

Compared to the accounting policies applied in the consolidated financial statements (see Note 29 to the consolidated financial statements), the Parent Company's accounting policies only deviate in the following items:

Revenues

Dividends received from investments in subsidiaries and joint ventures are recognised as revenue in the Parent Company's income statement in the financial year in which the dividends are declared. To the extent that the distributed dividend exceeds the total comprehensive income of enterprises for the period when the decision to pay interim dividend is made, impairment test is carried out.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. In case of indication of impairment, impairment test is carried out as described in the accounting policies of the Group. If the carrying value exceeds the recoverable amount, write-down is made to this lower value.

On disposal of investments in subsidiaries, the difference between the sales price and the carrying amount (cost of the shares based on a weighted average) is recognised in the income statement at the date of disposal.

Effect from implementation of IFRS 16, Leases

Upon implementation 1 January 2019, we have recognised a right of use asset of EUR 20k and a lease liability of EUR 20k. The implementation has no effect on equity.

Profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liabilities being almost equal to the operating lease expense.

Below, the operating lease liability in accordance with IAS 17 disclosed in the financial statements for 2018 has been reconciled with the lease liability recognised in the balance sheet at 1 January 2019 (date of transition):

The weighted average discount rate applied is 0.6%

EUR '000	**Opening balance**
Operating lease commitments as disclosed in the Group's 2018 consolidated financial statements	274
Short-term and low value lease assets	-249
Service commitments excluded	-4
New contracts recognised during 2019	0
Extension options expected to be utilised	0
Other	0
Undiscounted value	**21**
Discounted value	-1
Lease liability recognised on transition	**20**

Implementation of IFRS 16 has no effect on the underlying cash flows. However, due to the lease payments being split into interest costs and a repayment of the lease liability, the presentation of the cash flow statement has changed. The change has improved the cash flow from operating activities as well as free cash flow by EUR 19k whereas the cash outflow from financing activities has been negatively impacted by EUR 19k.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Aalborg Portland Holding A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

Copenhagen, 5 March 2020

Executive Board

Francesco Caltagirone Jr
CEO

Henning Bæk
Executive Vice President, CFO

Board of Directors

Bjarne Moltke Hansen
Chairman

Francesco Caltagirone Jr

Marco Maria Bianconi

Alessandro Caltagirone
Vice Chairman

Francesco Gaetano Caltagirone

Azzura Caltagirone

Claudio Criscuolo

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Aalborg Portland Holding A/S for the financial year 1 January – 31 December 2019.

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

Copenhagen, 5 March 2020

Executive Board

Francesco Caltagirone Jr
CEO

Henning Bæk
Executive Vice President, CFO

Board of Directors

Bjarne Moltke Hansen *Chairman*	Francesco Caltagirone Jr	Marco Maria Bianconi
Alessandro Caltagirone *Vice Chairman*	Francesco Gaetano Caltagirone	Azzura Caltagirone
Claudio Criscuolo		

Signatures

Statement by the Board of Directors and the Executive Board

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Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

Copenhagen, 5 March 2020

Executive Board

Francesco Caltagirone Jr
CEO

Henning Bæk
Executive Vice President, CFO

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Bjarne Moltke Hansen
Chairman

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Marco Maria Bianconi

Alessandro Caltagirone
Vice Chairman

Francesco Gaetano Caltagirone

Azzura Caltagirone

Claudio Criscuolo

Independent auditor's report

To the shareholders of Aalborg Portland Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Aalborg Portland Holding A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity, cash flow statements and notes, including accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these 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 responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 5 March 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR No 25 57 81 98

Henrik O. Larsen	Steffen S. Hansen
State Authorised Public Accountant	*State Authorised Public Accountant*
MNE-NO. 15839	MNE-NO. 32737

Board of Directors
Bjarne Moltke Hansen, *Chairman*
Alessandro Caltagirone, *Vice Chairman*
Azzura Caltagirone
Francesco Caltagirone Jr.
Francesco Gaetano Caltagirone
Marco Maria Bianconi
Claudio Criscuoli

Executive Board
Francesco Caltagirone Jr., *CEO*
Henning Bæk, *Executive Vice President, CFO*

Nordic & Baltic
Søren Holm Christensen, *CEO*

Aalborg Portland
Søren Holm Christensen, *CEO*
Michael Lundgaard Thomsen, *Managing Director*
Henning Bæk, *Executive Vice President, CFO*

Unicon
Søren Holm Christensen, *CEO*
Henning Bæk, *Executive Vice President, CFO*

Belgium
Eddy Fostier, *General Manager*

Turkey
Cenker Mirzaoğlu, *CEO*

Overseas
Alberto Barbieri, *Managing Director, Egypt*
Alessandro Civera, *Managing Director, USA*
Fabrizio Piero Carraro, *Managing Director, Malaysia*
Yan Xing Wu, *Managing Director, China*

Companies in the Group

The Company
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CVR No 14 24 44 41

Owners
Aalborg Portland Holding A/S is 75% owned by Cementir España S.L., Spain and 25% owned by Globo Cem S.L., Spain.
Aalborg Portland Holding A/S is included in the Group financial statements for Cementir Holding N.V., the Netherlands and Caltagirone S.p.A., Italy.

Annual General Meeting
17 April 2020 at
Islands Brygge 43, Copenhagen.

			Nominal share capital (in 000)	Direct holding **	Minorities
Aalborg Portland Holding A/S	Denmark	DKK	300,000	-	
Aalborg Portland					
Aalborg Portland A/S	Denmark	DKK	100,000	100.0%	
Aalborg Portland Íslandi ehf.	Iceland	ISK	303,000	100.0%	
Aalborg Portland Polska Sp. z o.o.	Poland	PLN	100	100.0%	
Aalborg Portland OOO	Russia	RUB	14,700	100.0%	
Aalborg Portland France S.A.S.	France	EUR	10	100.0%	
Aalborg Portland Belgium S.A.	Belgium	EUR	500	100.0%	
Unicon					
Unicon A/S	Denmark	DKK	150,000	100.0%	
Unicon AS	Norway	NOK	13,289	100.0%	
AB Sydsten	Sweden	SEK	15,000	50.0%	50.0%
ÅGAB Syd AB *	Sweden	SEK	500	40.0%	
Skåne Grus AB	Sweden	SEK	1,000	60.0%	40.0%
Ecol-Unicon Sp. z o.o. *	Poland	PLN	1,000	49.0%	
Kudsk & Dahl A/S	Denmark	DKK	10,000	100.0%	
Belgium					
Compagnie des Ciments Belges CCB SA/NV	Belgium	EUR	179,344	100.0%	
De Paepe Beton N.V.	Belgium	EUR	500	100.0%	
Société des Carrières du Tournaisis S.C.T. S.A. ***	Belgium	EUR	12,297	65.0%	
Recybel S.A.	Belgium	EUR	99	25.5%	
Mixers at your Service NV	Belgium	EUR	976	18.0%	
Compagnie des Ciments Belges France S.A. (CCBF)	France	EUR	34,363	100.0%	
Overseas					
Sinai White Portland Cement Co. S.A.E.	Egypt	EGP	350,000	71.1%	28.9%
Aalborg Portland Malaysia Sdn. Bhd.	Malaysia	MYR	95,400	70.0%	30.0%
Aalborg Resources Sdn. Bhd.	Malaysia	MYR	2,544	100.0%	
Aalborg Portland (Australia) Pty. Ltd.	Australia	AUD	1	100.0%	
Aalborg Portland (Anqing) Co. Ltd.	China	CNY	265,200	100.0%	
Aalborg Portland U.S. Inc.	USA	USD	1	100.0%	
Aalborg Cement Company Inc.	USA	USD	1	100.0%	
Gaetano Cacciatore, LLC	USA	USD	N/A	100.0%	
White Cement Company LLC	USA	USD	N/A	100.0%	
Lehigh White Cement Company, LLC	USA	USD	N/A	63.3%	36.7%
Vianini Pipe, Inc.	USA	USD	4,483	99.9%	0.1%
Turkey					
Aalborg Portland España S.L.U.	Spain	EUR	3	100.0%	
Cimentas AS	Turkey	TRY	87,112	97.8%	2.2%
Cimbeton AS	Turkey	TRY	1,770	50.3%	49.7%
Ilion Cimento Ltd	Turkey	TRY	300	100.0%	
Destek AS	Turkey	TRY	50	100.0%	
Kars Cimento AS	Turkey	TRY	437,178	48.8%	51.2%
Recydia AS	Turkey	TRY	759,544	91.1%	
Sureko AS	Turkey	TRY	43,444	100.0%	
NWM Holdings Ltd	England	GBP	5,000	100.0%	
Neales Waste Management Ltd	England	GBP	100	100.0%	
Quercia Ltd.	England	GBP	5,000	100.0%	
Recydia AS	Turkey	TRY	759,544	8.9%	

* Joint ventures. Others are Group enterprises.
** Ownershare is stated as direct holding of the superjacent enterprise.
*** Pro rata consolidated.

Aalborg Portland Holding Group

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Chairman of the Board of Directors

Executive Board:
Francesco Caltagirone Jr., *CEO*
Henning Bæk,
Executive Vice President, CFO

Aalborg Portland

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