CEMBRIT

Cembrit Holding A/S

Sohngårdsholmsvej 2, DK-9000 Aalborg

Annual report 2017

The Annual General Meeting adopted the annual report on 30/ 4 2018

Chairman of the Annual General Meeting

Rikke Alsted Houlberg

Name: Rikke Alsted Houlberg

General Counsel

Central Business Reg. No. 18336774

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Entity details

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Central Business Reg. No.:	18336774
Established:	1 January 1995
Registered office:	Aalborg, Denmark
Financial year:	1 January – 31 December

Board of Directors

Rikke Alsted Houlberg, Chairman
Stefan Liedtke
Jacob Moesgård
Jørn Mørkeberg Nielsen
Torben Axelsen
Karsten de Rosche Beierholm
Sanne Kalstrup
Troels Brix Nielsen

Executive Board

Jørn Mørkeberg Nielsen, President and CEO
Jacob Moesgård, Vice President and CFO

Company auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Annual General Meeting

Annual General Meeting will be held on 30/4 2018.

Statement by Management on the annual report

We have today considered and approved the annual report of Cembrit Holding A/S for the financial year 1 January 2017 to 31 December 2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2017 and of the results of its operations for the financial year 1 January 2017 – 31 December 2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 26/4 2018

Executive Board

JØRN MØRKEBERG NIELSEN
President and CEO

JACOB MOESGÅRD
Vice President and CFO

Board of Directors

RIKKE ALSTED HOULBERG
Chairman

STEFAN LIEDTKE

JACOB MOESGÅRD

JØRN MØRKEBERG NIELSEN

TORBEN AXELSEN

KARSTEN DE ROSCHE BEIERHOLM*

SANNE KALSTRUP*

TROELS BRIX NIELSEN *

*Employee Representatives

Independent auditor's report

To the Shareholder of Cembrit Holding A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Cembrit Holding A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as

Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Aalborg, 26 April 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Mikkel Sthyr
State Authorised Public Accountant
mne26693

Søren Korgaard-Mollerup
State Authorised Public Accountant
mne31477

Management Commentary

The Company’s primary activity is to handle shared functions within sale and marketing, production, IT, finances, legal matters, communications as well as general management.

Furthermore, the Company holds the shares in the subsidiaries stated in note 7.

Development in activities and finances

Gross loss for 2017 amounted to DKK 106m (2016: Gross loss of DKK 64m). Result for the year was DKK 116m (2016: Loss of DKK 54m), which is lower than expected.

The result is not at a satisfactory level and below expectations in the annual report 2016.

During 2017 the equity has been increased by DKK 915m via a tax excempt contribution in connection to refinancing of the Group.

Investments

The new ERP system has now, as planned, been implemented in all entities in the Group, except US and Russia.

Expectations to 2018

Based on the market outlook and a number of new initiatives launched, performance is expected to improve in 2018.

Research and development activities

Cembrit conducts ongoing research into new raw materials, production techniques and product development. Cembrit wants to continue and strengthen these activities.

Traditional manufacturing thinking derives many of its benefits from the combination of a one-size-(hopefully)-fits-all approach and the resulting economies of scale.

Cembrit plants and Cembrit's products are designed and configured to provide next-generation manufacturing capabilities — combining economies of scale with the individual customisation and variation opportunities from digitally controlled machinery set up. Development activities are striving to make the Cembrit products personalized based on customer's desires. Cembrit is aiming for making the products seamlessly linked in a cost effective, digitally managed design and construction flow configured to provide the exact, as-specified product delivered on site at a prearranged place and time, packaged in factory-customised, ready-for-installation sequence.

Special Risks

"Identification, mitigation and managing risks are an essential part of our business. Through risk management and internal policies, the Company is minimizing potential threats by closely monitoring exposure to strategic, financial, operational and compliance risks."

Strategic risks
The Company's subsidiaries operate in a number of geographical markets and on several of these the Company as parent company and owner of intangible rights is, among others required to obtain various environmental permits and licenses and certifications for the Group's products. Actual or expected changes in standards and regulations, taxation and subsidies for agricultural, homes, residential building and renovation work, could entail a more volatile market affecting the Group's capacity planning, and entail increased future and retroactive product liability.

Compliance
Cembrit is subject to the risk that employees make decisions or perform acts or omissions that are not consistent with the internal guidelines, laws or regulations. Special risk areas could be violations or non-compliance with e.g. anti-corruption legislation, personal data legislation or Market Abuse Regulation. The Company and employees may be affected by public law sanctions including penalties or fines as well as the negative effect on its financial position due to breach of contract should the Company's internal controls and other measures to ensure compliance prove to be insufficient.

Knowledge resources

The Company's future success depends in part on its ability to hire, assimilate and retain highly qualified personnel, particularly the senior management team and key individuals. Competition for highly qualified management and technical personnel remains intense in the industries and regions in which the Group operates. If Cembrit is unable to attract and retain members of its senior management team and key employees this could have an adverse effect on the Company's business.

Cembrit also depends on know-how in its business. The Company emphasizes on the protection of its know-how when working with third parties through non-disclosure agreements, by including restrictions in the employment contracts and through registration of wordmark and trademark in current and strategic markets.

Environment

The objective of Cembrit is to manufacture fibre-cement products on a commercial basis as efficiently as possible with the least impact on the environment and resources. Cembrit focus on sustainability in the consumption of resources, waste reduction, recycling of e.g. water and some waste products and by optimising transport. Several waste reduction projects were run during 2017 with the aim to reduce both, volume of waste as well as the related costs.

Cembrit strives to cooperate actively with the authorities and stakeholders, in order to avoid possible risks to the environment.

Cembrit adhere to environmental regulatory requirements and keep the related activities of the company in compliance with valid permits. Cembrit encourage staff to environmental friendly mode of operation and high focus is paid on using environmental friendly materials.

The environmental-friendly focus is not only an important factor linked to existing production activities in subsidiaries but is also affecting decision making when it comes to development of new products.

Events occurring after the balance sheet date

23 January 2018 a turnaround plan was announced for the Group, including restructuring and cost reductions, to address the negative effects of delay in ramping up in the subsidiary in Hungary as well as the poor delivery status and inventory management. The plan included a reorganisation of head quarter functions e.g. R&D and a new regional commercial structure with central support functions were launched.

Financial Highlights

DKK (000)	2013	2014	2015	2016	2017
Operating profit/loss	(106,620)	(178,570)	(121,572)	(120,983)	(180,313)
Earnings from financial items, net	(7,849)	(7,574)	(50,646)	(49,570)	(4,535)
Profit for the year	(47,583)	12,602	2,700	(54,876)	(116,210)
Total assets	873,270	990,766	1,260,015	1,611,464	1,528,247
Equity	259,555	270,607	282,925	205,908	1,037,689
Investments tangible assets	953	3,639	932	2,460	3,330
Number of employees	45	43	45	50	60

Accounting policies

The annual report of Cembrit Holding A/S for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium sized).

The accounting policies applied to these financial statements are consistent with those applied last year.

The Annual Report is presented in Danish Kroner (DKK).

Consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, Cembrit Holding A/S has omitted to prepare consolidated financial statements. Cembrit Holding A/S is included in the consolidated financial statements of the ultimate parent Company Cembrit Group A/S, Sohngårdsholmsvej 2, DK-9000 Aalborg (Central Business Reg. No. 3647 7199).

Recognition and measurement

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

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is made as described below for each financial statement item.

Profits, losses and risks that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, including recognition of value adjustments of financial assets and liabilities that are measured at fair value. Furthermore, costs incurred to generate earnings for the year are recognised in the income statement, including depreciation/amortisation, impairment losses and provisions as well as reversal of entries as a result of changed accounting estimates of amounts formerly recognised in the income statement.

Foreign currency translation

Foreign currency transactions are translated applying the exchange rate on the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign group enterprises' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Income statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue and other external expenses have not been disclosed in the Annual Report.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including expenses for premises, administrative expenses, promotion expenses, etc. This item also includes write-downs of receivables recognised under current assets.

The residual profit/loss from the "Residual Income Model" is included in other external expenses as well.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for the Company's staff.

Amortisation, depreciations and impairment losses

Amortisation, depreciation and impairment losses relating to plant and equipment as well as intangible assets comprise amortisation, depreciation and impairment losses for the year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Income from investments in subsidiaries

Income from investments in subsidiaries comprises the pro rata share of the individual subsidiaries' profit/loss after full elimination of intra-group profit/loss.

Other financial income

Other financial income comprises interest income, including interest income from receivables from group enterprises, payables and foreign currency transactions, amortisation of financial income and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses relating to payables to subsidiaries, payables and foreign currency transactions, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss from ordinary activities

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to profit/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity.

In 2017 the Company and its Danish subsidiaries are jointly taxed with the other Danish group enterprises owned by Cembrit Group A/S. The share of the joint taxation income is fully allocated according to the current rules governing joint taxation.

Balance sheet total

Intangible assets

Intellectual property rights etc. are measured at cost less accumulated amortisation and impairment losses.

Development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Group can be demonstrated and which are intended to be manufactured, marketed or used, are recognised as development projects. This requires that the cost can be determined and it is sufficiently certain that the future earnings or the net selling price will cover production, sales and administrative costs plus the development costs. Other development costs are recognised in the income statement when the costs are incurred. Development costs consist of salaries and other costs that are directly attributable to development activities.

Amortisation is provided on a straight-line basis from the following assessment of the assets' expected useful lives:

- *Licenses acquired, up to 5 years*
- *Other intangible assets, up to 7 years*
- *Completed development projects, up to 10 years*

The gain or loss arising from the disposal of an item of intangible assets is determined as the difference between the selling price net of selling costs and the carrying amount at the time of sale. Profits and losses are recognised in the income statement under other external expenses.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

Tangible assets

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Depreciation is provided on a straight-line basis from the assessment of the assets' expected useful lives. Other fixtures and fittings, etc. are expected to have a useful life of 3-15 years.

Assets with a short useful life are recognised in the income statement in the year of acquisition.

The gain or loss arising from the disposal of an item of plant and equipment is determined as the difference between the selling price net of selling costs and the carrying amount at the time of sale. Profits and losses are recognised in the income statement under administrative and other expenses.

Plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised positive or negative goodwill and plus or minus unrealised intra-group profits or losses.

Subsidiaries with a negative equity value are measured at DKK 0, and any receivables from these entities are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds receivables, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant entity.

Upon distribution of profit/loss, net revaluation of investments in subsidiaries is transferred to Reserve for net revaluation according to the equity method in equity.

Investments in subsidiaries are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad debts.

Cash

Cash comprises cash at bank and in hand.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax base of assets and liabilities, for which the tax base of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Equity - dividend

Dividend is recognised as a liability at the time of adoption at the annual general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually equals nominal value.

Derivatives

Derivatives are initially recognized in the balance sheet at cost and subsequently measured according to fair value at the balance sheet date. The fair value of derivatives is included in Other receivables (positive fair value) or Other liabilities (negative fair value) as the case may be. Positive fair values are only offset against negative fair values if the enterprise is entitled to and intends to make a net settlement of several financial instruments (cash settlement). The fair values of derivatives are measured on the basis of market data and recognized valuation methods.

Changes in the fair value of derivatives that are classified as and fulfil the criteria for hedging of future cash flow (cash flow hedge) are recognized directly in the equity until the hedged item is realized. When the item is realized the changes in value are recognized in the same accounting entry as the hedged item.

Derivatives that do not fulfil the criteria for hedge accounting are regarded as trading portfolio and recognized in the balance sheet at fair value on the balance sheet date. Value adjustments are recognized in the income statement as financial items.

Cash-flow statement

According to § 86.4 in the Danish Financial Statements Act, Cembrit Holding A/S' cash-flow statement is included in the consolidated cash-flow statement statements of the Parent Company Cembrit Group A/S, Sohngårdsholmsvej 2, DK-9000 Aalborg (Central Business Reg. No. 3647 7199).

Income statement

DKK (000)	Note	2017	2016
Gross profit/loss		**(105,837)**	**(64,191)**
Staff costs	1	(53,375)	(36,377)
Amortisation, depreciations and impairment losses	6/7	(21,101)	(20,415)
Operating profit/loss		**(180,313)**	**(120,983)**
Income from investments in subsidiaries	8	67,214	79,616
Financial income	2	61,791	37,491
Financial expenses	3	(66,326)	(87,061)
Profit/loss from ordinary activities before tax		**(117,634)**	**(90,937)**
Tax on profit/loss from ordinary activities	4	1,424	36,061
Profit/loss for the year	5	**(116,210)**	**(54,876)**

Proposed distribution of profit/loss

Retained earnings		(122,117)	(57,683)
Reserve for development costs		5,907	2,807
	5	(116,210)	(54,876)

Balance sheet at 31 December

DKK (000)	Note	2017	2016
ASSETS			
Licenses acquired		1,579	1,809
Other intangible assets		95,650	86,120
Completed development projects		4,698	954
Intangible assets under development		5,435	2,725
Intangible assets	6	**107,362**	**91,608**
Other fixtures and fittings, tools and equipment,		8,075	6,907
Tangible assets	**7**	**8,075**	**6,907**
Investments in subsidiaries	8	905,755	866,583
Fixed asset investments		**905,755**	**866,583**
Fixed assets		**1,021,192**	**965,098**
Receivables from group enterprises		456,203	584,618
Other receivables		5,326	10,807
Deferred tax asset	9	45,452	50,697
Receivables		**506,981**	**646,122**
Cash		74	244
Current assets		**507,055**	**646,366**
ASSETS		**1,528,247**	**1,611,464**

DKK (000)	Note	2017	2016
LIABILITIES			
Share capital		83,000	83,000
Reserve for development costs		7,904	2,807
Value adjustment hedging		(534)	(2,978)
Reatined earnings		947,319	123,079
Equity	10	**1,037,689**	**205,908**
Provisions	13	**4,457**	**9,379**
Payable to related parties	11	29,438	533,789
Bank debt	11	0	146,300
Financial Instruments	12	5,367	9,026
Liabilities other than provisions		**34,805**	**689,115**
Bank debt	11	0	44,086
Payables to related parties	11	436,228	642,034
Other payables		15,068	20,942
Current liabilities other than provisions		**451,296**	**707,062**
Total liabilities other than provisions		**486,101**	**1,396,177**
EQUITY AND LIABILITIES		**1,528,247**	**1,611,464**

Contingent liabilities	14
Related Parties	15
Events occurring after the balance sheet date	16

Statement of changes in equity

DKK (000)	Share capital	Reserve for develop-ment costs	Value adj. hedging	Retained earnings	Total
Equity at 1 January 2017	83,000	2,807	(2,978)	123,079	205,908
Exchange rate adjustments etc.	0	0	0	29,806	29,806
Profit/loss for the year	0	5,097	0	(121,307)	(116,210)
Tax excempt contribution	0	0	0	914,859	914,859
Other equity adjustments	0	0	2,444	882	3,326
Equity at 31 December 2017	83,000	7,904	(534)	947,319	1,037,689

Share capital has not changed in the last five years.

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Notes

1 Staff costs

DKK (000)	2017	2016
Salaries and wages	48,865	33,572
Pensions	3,761	1,858
Other social security costs	749	947
	53,375	36,377
Number of employees	60	50

Remuneration of the Board of Directors and Management

Salaries and wages	8,054	14,774
Pension	188	0
	8,242	14,774
Hereof management	7,022	13,554
Hereof Board of directors	1,220	1,220

Cembrit Group established in 2015 a management incentive programme for a part of the management team.

There has been no termination benefit in 2017.

2 Financial income

DKK (000)

Financial income group enterprises	39,666	26,054
Exchange rate adjustments	22,107	11,437
Other financial income	18	0
	61,791	37,491

3 Financial expenses

DKK (000)

Financial expenses to group enterprises	20,999	56,047
Exchange rate adjustments	23,930	11,489
Interest Swap	2,027	0
Other financial expenses	4,331	12,183
Borrowing costs	15,039	7,342
	66,326	87,061

4 Tax for the year

DKK (000)	2017	2016

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Current tax on profit/loss for the year	6,924	9,960
Foreign tax	(199)	0
Adjustment of current tax on profit/loss previous years	(57)	(125)
Adjustment of deferred tax	(3,237)	25,883
Adjustment of deferred tax previous years	(2,007)	343
	1,424	36,061

5 Proposed distribution of profit/loss

DKK (000)

Retained earnings	(122,117)	(57,683)
Reserve for development costs	5,907	2,807
	(116,210)	(54,876)

6 Intangible assets

DKK (000)	Licenses acquired	Other intan-gible assets	Completed develop-ment projects	Intangible assets under develop-ment	**Total**
Cost at 1 January 2017	8,398	133,926	972	2,725	**146,021**
Additions	768	26,695	4,520	2,710	**34,693**
Cost at 31 December 2017	**9,166**	**160,621**	**5,492**	**5,435**	**180,714**
Amortization and impair-ment at 1 January 2017	6,589	47,806	18	0	**54,413**
Amortizations	998	17,165	776	0	**18,939**
Amortization and impair-ment at 31 December 2017	**7,587**	**64,971**	**794**	**0**	**73,352**
Carrying amount at 31 December 2017	**1,579**	**95,650**	**4,698**	**5,435**	**107,362**

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Intangible assets (continued):

Development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Group can be demonstrated and which are intended to be manufactured, marketed or used, are recognised as development projects. This requires that the cost can be determined and it is sufficiently certain that the future earnings or the net selling price will cover production, sales and administrative costs plus the development costs. Other development costs are recognised in the income statement when the costs are incurred. Development costs consist of salaries and other costs that are directly attributable to development activities.

7 Tangible assets

DKK (000)	Plant & machinary	Operating equipment, fixtures and fittings	Total
Cost at 1 January	4,077	9,672	13,749
Additions	1,924	1,406	3,330
Cost at 31 December	**6,001**	**11,078**	**17,079**
Depreciations and impairment at 1 January	2,012	4,830	6,842
Depreciations	333	1,829	2,162
Depreciations and impairment at 31 December	**2,345**	**6,659**	**9,004**
Carrying amount at 31 December 2017	**3,656**	**4,419**	**8,075**

8 Investment in subsidiaries

DKK (000)	2017
Cost at 1 January	1,266,699
Additions	500
Disposals	0
Cost at 31 December	**1,267,199**
Adjustments 1 January	(400,116)
Profit share	67,214
Dividends for the year	(59,226)
Exchange rate, hedging and other adjustments	30,684
Adjustments at 31 December	**(361,444)**
Carrying amount at 31 December	**905,755**

Annual report 1 January – 31 December

Investment in subsidiaries (continued):

Name and registered office	Ownership interest
Cembrit A/S, Denmark	100%
Cembrit Logistics A/S, Denmark	100%
Cembrit a.s., the Czech Republic	100%
Cembrit Oy, Finland	100%
Cembrit Production Oy, Finland	100%
Cembrit Production S. A., Poland	100%
Cembrit Ltd., Great Britain	100%
Cembrit Sp. z o.o., Poland	100%
Cembrit AB, Sweden	100%
Cembrit AS, Norway	100%
DKCF ApS, Denmark	100%
Cembrit Kft., Hungary	100%
Cembrit NV/SA, Belgium	100%
Cembrit Ireland Limited, Ireland	100%
Cembrit Inc., USA	100%
Cembrit GmbH, Germany	100%
Cembrit BV, Netherlands	100%

9 Deferred tax asset

DKK (000)	Beginning Balance	Adj. previous years	Tax on equity	Move in P&L	Total
Intangible Assets	(11,127)	0	0	(3,466)	(14,593)
Tangible Assets	2,199	0	0	1,331	3,530
Total current and non current liabilities	1,988	864	0	(4,061)	(1,209)
Tax losses	57,637	(763)	(2,109)	2,959	57,724
Carrying amount at 31 December 2017	**50,697**	**101**	**(2,109)**	**(3,237)**	**45,452**

The tax value of losses that are expected with adequate certainty to be available for utilization against future taxable income is included in the measurement of deferred tax.

10 Equity

The share capital is composed as follows:

A shares, 1 of a nominal DKK 83,000,000

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11 Bank debt and payable to related parties

DKK (000)	2017	2016
Within one year	436,228	686,120
Between one and five years	29,438	680,089
After five years	0	0
Total	465,666	1,366,209

12 Financial instruments

Hedging of forecast transactions (cash flow hedge)

Cembrit Holding A/S uses forward exchange contracts to hedge currency risks regarding expected future cash flows that meet the criteria for cash flow hedging. The fair value reserve of the derivatives is recognised in the equity until the hedged items are included in the income statement. In addition, unrealised fair value of derivatives is recognised in other receivables and other liabilities.

At 31 December 2017, the fair value of the cash flow hedge instruments amounted to DKK -2.7m (2016 DKK -5.6m).

Interest rate swap

At 31 December 2017 the market value of the Group's interest rate swap is DKK -2.0m (2016 DKK -3.1m). Loss in 2016 was recognised in the hedging reserve in equity on interest rate swap contract. For 2017 the interest rate swap is no longer efficient and the loss has been recognised in the income statement as financial items.

13 Provisions

The provisions are related to restructuring.

14 Contingent liabilities

DKK (000)	2017	2016
Lease commitments (operating leases) mature within 5 years calculated in nominal value at a total of	6,854	5,940
Total	6,854	5,940

Willingness has been expressed to support a few subsidiaries. Cembrit Holding A/S has as the principal a contingent liability consisting of a residual risk in relation to the individual subsidiaries.

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Contingent liabilities (continued):

Cembrit Holding A/S participates in a Danish joint taxation arrangement with Cembrit Group A/S. Therefore, the Company has partial joint and partial secondary liability for any obligations to withhold tax on interest, royalties and dividend for the jointly taxed companies. However, secondary liability cannot exceed an amount equalling the share of capital held by the Company, which is owned directly or indirectly by the ultimate parent.

15 Related parties

Cembrit Holding A/S is 100% owned by Cembrit Group A/S.

Cembrit Holding A/S is included in the Consolidated financial statement of the ultimative parent company, Cembrit Group A/S.

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

Cembrit Group A/S
Sohngårdsholmsvej 2
9000 Aalborg.

There have not been transactions with related parties that have not been carried out at arms length.

16 Events occurring after the balance sheet date

23 January 2018 a turnaround plan was announced for the Group, including restructuring and cost reductions, to address the negative effects of delay in ramping up in the subsidiary in Hungary as well as the poor delivery status and inventory management. The plan included a reorganisation of head quarter functions e.g. R&D and a new regional commercial structure with central support functions were launched.

No other events have occurred after the balance sheet date.