Cembrit Holding A/S

Sohngårdsholmsvej 2, 9000 Aalborg

CVR no. 18 33 67 74

Annual report 2018

Approved at the Company's annual general meeting on 12 June 2019

Chairman:

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Karsten Riis Andersen

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Cembrit Holding A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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

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

Aalborg, 12 June 2019
Executive Board:

Karsten Riis Andersen CEO	Torben Axelsen

Board of Directors:

Jørn Mørkeberg Nielsen Chairman	Morten Rosager Andersen	Karsten Riis Andersen
Torben Axelsen	Henrik Gaardsøe Employee Representatives	Anja Olesen Esbensen Employee Representatives
Carsten Ejberg Jensen Employee Representatives		

Independent Auditor's Report

To the Shareholders 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 2018, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Cembrit Holding A/S for the financial year 1 January - 31 December 2018, 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 International Financial Reporting Standards as adopted by the EU and further requirements in 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

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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.

Hellerup,
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob Fromm Christiansen
State Authorised Public Accountant
Mne18628

Kristian Højgaard Carlsen
State Authorised Public Accountant
Mne44112

Management's review

Company details

Name	Cembrit Holding A/S
Address, Postal code, City	Sohngårdsholmsvej 2, 9000 Aalborg
CVR no.	18 33 67 74
Established	1 January 1995
Registered office	Aalborg
Financial year	1 January - 31 December
Board of Directors	Jørn Mørkeberg Nielsen, Chairman Morten Rosager Andersen Karsten Riis Andersen Torben Axelsen Henrik Gaardsøe, Employee Representatives Anja Olesen Esbensen, Employee Representatives Carsten Ejberg Jensen, Employee Representatives
Executive Board	Karsten Riis Andersen, CEO Torben Axelsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab CBR Strandvejen 44, 2900 Hellerup

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Ordinary operating profit/loss	-136,749	-180,313	-120,983	-121,572	-178,570
Net financials	9,258	-4,535	-49,570	-50,646	-7,574
Profit/loss for the year	-27,653	-116,210	-54,876	2,700	12,602
Total assets	1,675,688	1,528,247	1,611,464	1,260,015	990,766
Equity	1,005,200	1,037,689	205,908	282,925	270,607
Financial ratios					
Equity ratio	60.0%	67.9%	12.8%	22.5%	27.3%
Return on equity	-2.7%	-18.7%	-22.5%	1.0%	4.7%
Average number of employees	52	60	50	45	43

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Equity ratio $$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$$

Management's review

Business review

The Cembrit Holding Group is a key manufacturer and distributor of fibre-cement products for all kinds of exterior and interior protective surfaces. The market focus is Europe and export markets.

Cembrit Holding A/S is a 100% owned subsidiary of Cembrit Group A/S and the Cembrit Holding Group's primary activity is to manage shared functions within the group. Furthermore, the company holds the shares in the subsidiaries stated in note 7.

Financial review

Gross loss for 2018 amounted to DKK 70m (2017: Gross loss of DKK 106m). Result for the year was loss of DKK 28m (2017: Loss of DKK 116m).

In the 2017 Annual Report was stated that the performance was expected to improve in 2018. The improvement in performance was based on the market outlook and several new initiatives launched. With profit/loss for 2018 of DKKm -28 the expectation stated in the 2017 Annual Report has been meet

Non-financial matters

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

Knowledge resources

The Company's future success depends in part on its ability to hire, assimilate and retain highly qualified personnel. Cembrit also depends on know-how in its business. The Company emphasizes on the protection of its know-how when working with third parties.

Special risks

Risk will always play an important part in our business, and we maintain focus on the identification, mitigation and management of risks in our day-today work. Cembrit's business is cyclical by nature. When the level of activity in the industry is high, as is currently the case in Europe, the primary focus is on new building rather than renovation. However, the expectation is that the renovation business will partly compensate for any decline in the European construction industry in the event of a down-turn in the economy.

Impact on the external 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 adhere to environmental regulatory requirements and keep the related activities of the company in compliance with valid permits. 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.

Research and development activities

Cembrit conducts ongoing product development. Cembrit wants to continue and strengthen these activities going forward.

Management's review

Statutory CSR report

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

Account of the gender composition of Management

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

- Cembrit will always consider diversity when hiring or appointing people at all levels, including the Executive Management and the Board of Directors. If two or more candidates for a position are equally qualified, the candidate of the underrepresented gender will be preferred.
- When recruiting candidates for board positions, Cembrit will require at least one candidate of the underrepresented gender. Currently, Cembrit Holding A/S's Board of Directors comprises six men and one woman of which four males are general assembly elected members and one female and two males are employee elected members. The Executive Board comprises two males.

It is Cembrit's target to have at least one general meeting-elected woman on the Board of Directors by 2021. The target was not achieved end 2018.

Events after the balance sheet date

There have been no significant events after 31 December 2018 that could materially impact the financial position.

Outlook

Based on the market outlook and several new initiatives launched, performance is expected to improve in 2019 compared to 2018.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
	Gross loss	-70,204	-105,837
2	Staff costs	-42,776	-53,375
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-23,768	-21,101
	Profit/loss before net financials	-136,748	-180,313
	Income from investments in group enterprises	72,106	67,214
3	Financial income	61,133	61,791
4	Financial expenses	-51,875	-66,326
	Profit/loss before tax	-55,384	-117,634
5	Tax for the year	27,731	1,424
	Profit/loss for the year	-27,653	-116,210

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Completed development projects	5,830	4,698
	Acquired intangible assets	79,554	95,650
	Acquired licences	788	1,579
	Development projects in progress and prepayments for intangible assets	8,402	5,435
		94,574	107,362
7	Property, plant and equipment		
	Plant and machinery	3,158	3,656
	Fixtures and fittings, other plant and equipment	3,567	4,419
		6,725	8,075
8	Investments		
	Investments in group enterprises	924,819	905,755
		924,819	905,755
	Total fixed assets	1,026,118	1,021,192
	Non-fixed assets		
	Receivables		
	Receivables from group enterprises	569,686	456,203
11	Deferred tax assets	75,561	45,452
	Other receivables	4,251	5,326
		649,498	506,981
	Cash	72	74
	Total non-fixed assets	649,570	507,055
	TOTAL ASSETS	1,675,688	1,528,247

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	83,000	83,000
	Reserve for development costs	11,101	7,904
	Value adjustment hedging	-534	-534
	Retained earnings	911,633	947,319
	Total equity	1,005,200	1,037,689
	Provisions		
	Other provisions	1,914	4,457
13	Total provisions	1,914	4,457
	Liabilities other than provisions		
12	Non-current liabilities other than provisions		
	Payables to group entities	58,380	29,438
	Other payables	0	5,367
		58,380	34,805
	Current liabilities other than provisions		
	Payables to group enterprises	585,538	436,228
	Other payables	24,656	15,068
		610,194	451,296
	Total liabilities other than provisions	668,574	486,101
	TOTAL EQUITY AND LIABILITIES	1,675,688	1,528,247

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15 Collateral
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17 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Value adjustment hedging	Retained earnings	Total
	Equity at 1 January 2018	83,000	7,904	-534	947,319	1,037,689
18	Transfer, see "Appropriation of profit/loss"	0	3,197	0	-30,850	-27,653
	Adjustment of investments through forreign exchange adjustments	0	0	0	-4,836	-4,836
	Equity at 31 December 2018	83,000	11,101	-534	911,633	1,005,200

Share capital has not changed in the last five years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Cembrit Holding A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Cembrit Group A/S.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

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

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

Derivative financial instruments

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

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

Leases

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

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

Income statement

Gross loss

The items revenue and external expenses have been aggregated into one item in the income statement called gross loss in accordance with section 32 of the Danish Financial Statements Act.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

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

Staff costs

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

Amortisation/depreciation

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

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

Completed development projects	10 years
Acquired intangible assets	7 years
Acquired licences	5 years

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

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

Plant and machinery	3-15 years
Fixtures and fittings, other plant and equipment	3-15 years

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

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

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

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

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

Balance sheet

Intangible assets

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

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

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

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

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is up to 10 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight line basis over the remaining term of the patent, and licences are amortised over the term of the licence, but not exceeding 5 years.

Property, plant and equipment

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

Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

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

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

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

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

Receivables

Receivables are measured at amortised cost.

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

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

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

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

Prepayments

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

Cash

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

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

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

Provisions

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

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

Restructuring provisions comprise severance pay to employees, losses incurred due to the termination of contracts, etc. following Management's decision to restructure the Company. Restructuring provisions are recognised when it has been decided to restructure the Company and the restructuring process has been initiated.

Income taxes

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

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

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

Other liabilities are measured at net realisable value.

	DKK'000	2018	2017
2	Staff costs		
	Wages/salaries	38,941	48,865
	Pensions	2,974	3,761
	Other social security costs	861	749
		42,776	53,375

	2018	2017
Average number of full-time employees	52	60

Remuneration to members of management:

DKK'000	2018	2017
Executive board	8,998	7,022
Board of Directors	1,120	1,220
	10,118	8,242

	DKK'000	2018	2017
3	Financial income		
	Interest receivable, group entities	29,383	39,666
	Exchange adjustments	31,750	22,107
	Other financial income	0	18
		61,133	61,791

	DKK'000	2018	2017
4	Financial expenses		
	Interest expenses, group entities	12,137	20,999
	Exchange adjustments	28,737	23,930
	Fair value adjustments of financial instruments	0	2,027
	Remission of debt and similar	545	15,039
	Other financial expenses	10,456	4,331
		51,875	66,326

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
5 Tax for the year		
Estimated tax charge for the year	-1,062	-6,725
Deferred tax adjustments in the year	-30,171	3,237
Tax adjustments, prior years	3,502	2,064
	-27,731	-1,424

6 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Acquired licences	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2018	5,492	160,621	9,166	5,435	180,714
Additions	2,470	3,147	77	2,967	8,661
Cost at 31 December 2018	7,962	163,768	9,243	8,402	189,375
Impairment losses and amortisation at 1 January 2018	794	64,971	7,587	0	73,352
Amortisation for the year	1,338	19,243	868	0	21,449
Impairment losses and amortisation at 31 December 2018	2,132	84,214	8,455	0	94,801
Carrying amount at 31 December 2018	5,830	79,554	788	8,402	94,574

7 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2018	6,001	11,078	17,079
Additions	0	969	969
Cost at 31 December 2018	6,001	12,047	18,048
Impairment losses and depreciation at 1 January 2018	2,345	6,659	9,004
Depreciation	498	1,821	2,319
Impairment losses and depreciation at 31 December 2018	2,843	8,480	11,323
Carrying amount at 31 December 2018	3,158	3,567	6,725

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Notes to the financial statements

8 Investments

DKK'000	Investments in group enterprises
Cost at 1 January 2018	1,267,199
Cost at 31 December 2018	1,267,199
Value adjustments at 1 January 2018	-361,444
Dividend received	-48,206
Profit/loss for the year	72,106
Value adjustments for the year	-4,836
Value adjustments at 31 December 2018	-342,380
Carrying amount at 31 December 2018	924,819

Name	Legal form	Domicile	Interest
Subsidiaries			
Cembrit	A/S	Denmark	100.00%
Cembrit Logistics	A/S	Denmark	100.00%
Cembrit	a.s.	Czech Republic	100.00%
Cembrit	Oy	Finland	100.00%
Cembrit Production	Oy	Finland	100.00%
Cembrit Production	S.A.	Poland	100.00%
Cembrit	Ltd.	Great Britain	100.00%
Cembrit	Sp. z o.o.	Poland	100.00%
Cembrit	AB	Sweden	100.00%
Cembrit	AS	Norway	100.00%
DKCF	ApS	Denmark	100.00%
Cembrit	Kft.	Hungary	100.00%
Cembrit	NV/SA	Belgium	100.00%
Cembrit Ireland	Limited	Ireland	100.00%
Cembrit	Inc.	USA	100.00%
Cembrit	GmbH	Germany	100.00%
Cembrit	BV	Netherlands	100.00%

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, DKK 1,065 thousand, leases DKK 463 thousand, and other prepayments DKK 2,649 thousand.

DKK'000	2018	2017
10 Share capital		
Analysis of the share capital:		
1 A shares of DKK 83,000,000.00 nominal value each	83,000	83,000
	83,000	83,000

The Company's share capital has remained DKK 83,000 thousand in the past year.

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Notes to the financial statements

DKK'000	2018	2017
11 Deferred tax		
Deferred tax relates to:		
Intangible assets	11,780	14,593
Property, plant and equipment	-4,749	-3,530
Liabilities	1,090	1,209
Tax loss	-83,682	-57,724
	-75,561	-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.

12 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Payables to group entities	58,380	0	58,380	0
	58,380	0	58,380	0

13 Provisions

The provisions are related to restructuring.

14 Contractual obligations and contingencies, etc.

Other contingent liabilities

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

The Company is jointly taxed with its parent, Cembrit Group A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after July 1 2012.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2018	2017
Rent and lease liabilities	5,275	6,854

15 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

16 Currency and interest rate risks and use of derivative financial instruments

Cembrit Holding A/S uses forward exchange contracts to hedge currency risks regarding expected future cash flow 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 addistion, unrealised fair value of derivatives is recognised in other receivables and other liabilities.

At 31 December 2018, the fair value of the cash flow hedge instruments amounts to DKK 0,3m (2017 DKK -2,7m).

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Notes to the financial statements

16 Currency and interest rate risks and use of derivative financial instruments (continued)

Interest rate risks

At 31 December 2018 the market vaue of the Group's interest rate swap is DKK -1,1m (2017 DKK -2,0m). The interest swap has been recognised in the income statement as financial items due to inefficiency.

Fair values

The fair value of the financial instruments deviates from the value recognised in the Company's balance sheet at 31 December 2018.

17 Related parties

Cembrit Holding A/S' related parties comprise the following:

Significant influence

Related party	Domicile	Basis for significant influence
Cembrit Group A/S	Sohngaardsholmsvej 2, 9000 Aalborg	Parent Company

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Cembrit Group A/S	Sohngaardsholmsvej 2, 9000 Aalborg	www.cembrit.com

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

	DKK'000	2018	2017
18	Appropriation of profit/loss		
	Recommended appropriation of profit/loss		
	Other statutory reserves	3,197	5,907
	Retained earnings/accumulated loss	-30,850	-122,117
		-27,653	-116,210