

# Annual report for 2019

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## **Cembrit Holding A/S**

Gasværksvej 24, 1., 9000 Aalborg

CVR no. 18 33 67 74

Adopted at the annual general meeting on 3  
July 2020

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Karsten Riis Andersen  
chairman

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## Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Cembrit Holding A/S for the financial year 1 January - 31 December 2019.

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 company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Aalborg, 3 July 2020

### Executive board

Karsten Riis Andersen  
CEO

Torben Axelsen

### Supervisory board

Jørn Mørkeberg Nielsen  
chairman

Morten Rosager Andersen

Karsten Riis Andersen

Torben Axelsen

Henrik Gaardsøe  
employee representative

Anja Olesen Esbensen  
employee representative

Carsten Ejberg Jensen  
employee representative

## **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 company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019 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 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these 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, we conclude that 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 of management's review.

## **Independent auditor's report**

### **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 the 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.

## Independent auditor's report

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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, 3 July 2020

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31

Jacob F Christiansen  
State Authorised Public Accountant  
MNE no. mne18628

Kristian Højgaard Carlsen  
State Authorised Public Accountant  
MNE no. mne44112

## Company details

### The company

Cembrit Holding A/S  
Gasværksvej 24, 1.  
9000 Aalborg

CVR no.: 18 33 67 74

Reporting period: 1 January - 31 December 2019

Incorporated: 1. January 1995

Domicile: Aalborg

### Supervisory board

Jørn Mørkeberg Nielsen, chairman  
Morten Rosager Andersen  
Karsten Riis Andersen  
Torben Axelsen  
Henrik Gaardsøe, employee representative  
Anja Olesen Esbensen, employee representative  
Carsten Ejberg Jensen, employee representative

### Executive board

Karsten Riis Andersen  
Torben Axelsen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup

## Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2019	2018	2017	2016	2015
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Ordinary operating profit/loss	-44.494	-136.748	-180.313	-120.983	-121.572
Net financials	5.900	9.258	-4.535	-49.570	-50.646
Profit/loss for the year	-8.474	-27.653	-116.210	-54.876	2.700
<b>Balance sheet</b>					
Balance sheet total	1.675.120	1.675.688	1.528.247	1.611.464	1.260.015
Number of employees	47	52	60	50	45
Equity	998.012	1.005.200	1.037.689	205.908	282.925
Investment in property, plant and equipment	3.690	969	3.330	2.460	1.561
<b>Financial ratios</b>					
Solvency ratio	59,6%	60,0%	67,9%	12,8%	22,5%
Return on equity	-0,8%	-2,7%	-18,7%	-22,5%	1,0%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.



## **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's primary activity is to manage shared functions within Group. Furthermore, the company holds the shares in the subsidiaries stated in note 9.

### **Financial review**

Gross profit for 2019 amounted to DKK 24m (2018: Gross loss of DKK 70m). Result for the year was loss of DKK 8m (2018: Loss of DKK 28m).

In the 2018 Annual Report was stated that the performance was expected to improve in 2019. The improvement in performance was based on the market outlook and new initiatives launched. With loss for 2019 of DKK 8m the expectation stated in the 2018 Annual Report has been meet.

### **Outlook**

With COVID-19 the level of uncertainty is high and accurately assessing the impact on our financial performance for 2020 is difficult. If the impact from COVID-19 is less material and the launched initiatives deliver as planned, performance is expected to remain unchanged compared to 2019.

### **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.

### **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. Part of the product development is performed in a branch in the Czech Republic.

## **Management's review**

### **Forward-looking statements**

Statements in the Annual Report 2019 concerning the future reflect the company's current expectations about future events and financial results. Statements concerning the future are naturally subject to uncertainty, and actual results may differ from expected results. COVID-19 has increased the level of uncertainty. Differences may be caused by, but are not limited to, economic and financial market developments, developments in product demand, competitive conditions etc. The company disclaims any liability to update or adjust statements in the Annual Report 2019 about future or possible reasons for differences between actual and anticipated results except where required by legislation.

### **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-to-day work. Cembrit's business is cyclical by nature, When the level of activity in the industry is high, 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.

## Income statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> DKK'000	<u>2018</u> DKK'000
<b>Gross profit</b>		<b>24.086</b>	<b>-70.204</b>
Staff costs	3	-40.074	-42.776
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-28.506	-23.768
<b>Profit/loss before net financials</b>		<b>-44.494</b>	<b>-136.748</b>
Income from investments in subsidiaries		30.142	72.106
Financial income	4	70.137	61.133
Financial costs	5	-64.237	-51.875
<b>Profit/loss before tax</b>		<b>-8.452</b>	<b>-55.384</b>
Tax on profit/loss for the year	6	-22	27.731
<b>Profit/loss for the year</b>		<b>-8.474</b>	<b>-27.653</b>
Distribution of profit	7		

## Balance sheet 31 December

	<u>Note</u>	<u>2019</u> DKK'000	<u>2018</u> DKK'000
<b>Assets</b>			
Completed development projects		6.018	5.830
Acquired licenses		81	788
Acquired intangible assets		61.749	79.554
Development projects in progress		<u>7.279</u>	<u>8.402</u>
<b>Intangible assets</b>	<b>8</b>	<b><u>75.127</u></b>	<b><u>94.574</u></b>
Plant and machinery		2.701	3.158
Other fixtures and fittings, tools and equipment		<u>4.875</u>	<u>3.567</u>
<b>Tangible assets</b>	<b>9</b>	<b><u>7.576</u></b>	<b><u>6.725</u></b>
Investments in subsidiaries	10	<u>943.917</u>	<u>924.819</u>
<b>Fixed asset investments</b>		<b><u>943.917</u></b>	<b><u>924.819</u></b>
<b>Total non-current assets</b>		<b><u>1.026.620</u></b>	<b><u>1.026.118</u></b>
Receivables from group enterprises		568.917	569.686
Other receivables		3.730	4.251
Deferred tax asset	13	<u>75.786</u>	<u>75.561</u>
<b>Receivables</b>		<b><u>648.433</u></b>	<b><u>649.498</u></b>
<b>Liquidity</b>		<b><u>67</u></b>	<b><u>72</u></b>
<b>Total current assets</b>		<b><u>648.500</u></b>	<b><u>649.570</u></b>
<b>Total assets</b>		<b><u><u>1.675.120</u></u></b>	<b><u><u>1.675.688</u></u></b>

## Balance sheet 31 December

	<u>Note</u>	<u>2019</u> DKK'000	<u>2018</u> DKK'000
<b>Equity and liabilities</b>			
Share capital		83.000	83.000
Reserve for development expenditure		13.159	11.101
Reserve for current value of hedging		155	-534
Retained earnings		<u>901.698</u>	<u>911.633</u>
<b>Equity</b>	12	<b><u>998.012</u></b>	<b><u>1.005.200</u></b>
Other provisions	14	<u>0</u>	<u>1.914</u>
<b>Total provisions</b>		<b><u>0</u></b>	<b><u>1.914</u></b>
Payables to group enterprises		<u>29.588</u>	<u>58.380</u>
<b>Total non-current liabilities</b>	15	<b><u>29.588</u></b>	<b><u>58.380</u></b>
Payables to group enterprises		642.568	585.538
Other payables		<u>4.952</u>	<u>24.656</u>
<b>Total current liabilities</b>		<b><u>647.520</u></b>	<b><u>610.194</u></b>
<b>Total liabilities</b>		<b><u>677.108</u></b>	<b><u>668.574</u></b>
<b>Total equity and liabilities</b>		<b><u><u>1.675.120</u></u></b>	<b><u><u>1.675.688</u></u></b>
Liquidity	1		
Events occurring after the balance sheet date	16		
Rent and lease liabilities	17		
Contingent liabilities	18		
Financial instruments	19		
Related parties and ownership structure	20		

## Statement of changes in equity

	Share capital	Reserve for development expenditure	Reserve for current value of hedging	Retained earnings	Total
Equity at 1 January 2019	83.000	11.101	-534	911.633	1.005.200
Exchange rate adjustments etc.	0	0	689	597	1.286
Transfers, reserves	0	2.058	0	-2.058	0
Net profit/loss for the year	0	0	0	-8.474	-8.474
<b>Equity at 31 December 2019</b>	<b>83.000</b>	<b>13.159</b>	<b>155</b>	<b>901.698</b>	<b>998.012</b>

## Notes

### 1 Liquidity

The ultimate parent company Cembrit Group A/S has been financed with a EURm 115 bond, which expires in March 2021. Furthermore Cembrit Holding A/S has a DKKm 75 bank credit facility, which most of Cembrit Holding's subsidiaries are included in via a cash-pool setup. The DKKm 75 bank credit facility expires in January 2021. A refinancing of the bond and the bank credit facility is being reviewed to ensure the long-term financing of Cembrit Group and the Cembrit Group companies, including Cembrit A/S. A decision by Cembrit Group A/S Management on the refinancing is expected in the coming months.

### 2 Accounting policies

The annual report of Cembrit Holding A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2019 is presented in DKK'000.

Pursuant to sections 112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared.

#### **Basis of recognition and measurement**

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

## Notes

### 2 Accounting policies

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

#### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest 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".



## Notes

### 2 Accounting policies

#### **Income statement**

##### **Gross profit**

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

##### **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 pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

## Notes

### 2 Accounting policies

#### **Amortisation, depreciation and impairment losses**

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	3-10 years
Acquired intangible assets	5-10 years
Acquired licences	3-5 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	10-16 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/loss from investments in subsidiaries**

The proportionate share of the profit/loss for the year of subsidiaries is recognised in the company's income statement according to the equity method and after full elimination of intra-group profits/losses.

Shares of profit/loss after tax are presented as separate line items in the income statement.

## Notes

### 2 Accounting policies

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

#### Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

## Notes

### 2 Accounting policies

#### Balance sheet

##### Intangible assets

###### *Development projects, patents and licences*

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 are identifiable 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.

##### **Tangible assets**

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

## Notes

### 2 Accounting policies

#### 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.

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 tested for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets, respectively. 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 and the value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

#### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

## Notes

### 2 Accounting policies

Receivables for which there is no objective evidence of individual impairment are tested for impairment on a portfolio basis. The portfolios are primarily based on debtors' domicile and credit ratings in accordance with the Company's credit risk management policy. The objective indicators used for portfolios are 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, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

#### Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial 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".

#### Equity

##### 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.

##### Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method in the company's financial statements comprises net revaluation of investments in subsidiaries and associates relative to the cost.

#### Provisions

Provisions comprise expected expenses relating to restructuring, etc. Provisions are recognised when, as a result of a past event, the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

## Notes

### 2 Accounting policies

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 tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

#### Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

#### Financial highlights

Definitions of financial ratios.

Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

## Notes

	2019 DKK'000	2018 DKK'000
<b>3 Staff costs</b>		
Wages and salaries	36.637	38.941
Pensions	2.797	2.974
Other social security costs	640	861
	<u><b>40.074</b></u>	<u><b>42.776</b></u>
 Including remuneration to the Executive and Supervisory Boards		
Executive Board	10.121	8.998
Board of Directors	942	1.120
	<u><b>11.063</b></u>	<u><b>10.118</b></u>
 Average number of employees	<u>47</u>	<u>52</u>
 <b>4 Financial income</b>		
Interest received from subsidiaries	30.694	29.383
Exchange adjustments	39.443	31.750
	<u><b>70.137</b></u>	<u><b>61.133</b></u>
 <b>5 Financial costs</b>		
Financial expenses, group entities	13.646	12.137
Other financial costs	13.592	10.456
Exchange loss	34.450	28.737
Other adjustments of financial expenses	2.549	545
	<u><b>64.237</b></u>	<u><b>51.875</b></u>



## Notes

	2019 DKK'000	2018 DKK'000
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	94	-1.062
Deferred tax for the year	-225	-30.171
Adjustment of tax concerning previous years	153	3.502
	<u>22</u>	<u>-27.731</u>

## 7 Distribution of profit

Transferred to other statutory reserves	0	3.197
Retained earnings	-8.474	-30.850
	<u>-8.474</u>	<u>-27.653</u>

## 8 Intangible assets

	Completed development projects	Acquired licenses	Acquired intangible assets	Development projects in progress	Total
Cost at 1 January 2019	7.962	9.243	163.768	8.402	189.375
Additions for the year	1.874	0	1.896	2.450	6.220
Cost at 31 December 2019	<u>9.836</u>	<u>9.243</u>	<u>165.664</u>	<u>10.852</u>	<u>195.595</u>
Impairment losses and amortisation at 1 January 2019	2.132	8.455	84.214	0	94.801
Amortisation for the year	1.686	707	19.701	3.573	25.667
Impairment losses and amortisation at 31 December 2019	<u>3.818</u>	<u>9.162</u>	<u>103.915</u>	<u>3.573</u>	<u>120.468</u>
<b>Carrying amount at 31 December 2019</b>	<u><b>6.018</b></u>	<u><b>81</b></u>	<u><b>61.749</b></u>	<u><b>7.279</b></u>	<u><b>75.127</b></u>

Development projects consists of improving existing product portfolio with an expected timeframe of 1-5 years.

## Notes

### 9 Tangible assets

	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	6.001	12.047	18.048
Additions for the year	0	3.690	3.690
Cost at 31 December 2019	<u>6.001</u>	<u>15.737</u>	<u>21.738</u>
Impairment losses and depreciation at 1 January 2019	2.843	8.480	11.323
Depreciation for the year	<u>457</u>	<u>2.382</u>	<u>2.839</u>
Impairment losses and depreciation at 31 December 2019	<u>3.300</u>	<u>10.862</u>	<u>14.162</u>
<b>Carrying amount at 31 December 2019</b>	<b><u>2.701</u></b>	<b><u>4.875</u></b>	<b><u>7.576</u></b>

## Notes

	<u>2019</u> DKK'000	<u>2018</u> DKK'000
<b>10 Investments in subsidiaries</b>		
Cost at 1 January 2019	1.267.199	1.267.199
Additions for the year	<u>2.022</u>	<u>0</u>
Cost at 31 December 2019	<u>1.269.221</u>	<u>1.267.199</u>
Revaluations at 1 January 2019	-342.380	-361.444
Received dividend	-14.363	-48.206
Revaluations for the year, net	30.142	72.106
Other equity movements, net	<u>1.297</u>	<u>-4.836</u>
Revaluations at 31 December 2019	<u>-325.304</u>	<u>-342.380</u>
<b>Carrying amount at 31 December 2019</b>	<b><u><u>943.917</u></u></b>	<b><u><u>924.819</u></u></b>

## Notes

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest
Cembrit A/S	Denmark	100%
Cembrit Logistics A/S	Denmark	100%
Cembrit a.s.	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 GmbH	Germany	100%
Cembrit BV	Netherlands	100%

### 11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, DKK 866 thousand, leases DKK 48 thousand, and other prepayments DKK 912 thousand.

### 12 Equity

The share capital consists of:

	Nominal value
1 A shares of DKK'000 83.000	83.000
	<b>83.000</b>

## Notes

	2019 DKK'000	2018 DKK'000
<b>13 Provision for deferred tax</b>		
Intangible assets	7.502	11.780
Property, plant and equipment	-4.562	-4.749
Liabilities	0	1.090
Tax loss carry-forward	-78.726	-83.682
Transferred to deferred tax asset	75.786	75.561
	<u>0</u>	<u>0</u>
<b>Deferred tax asset</b>		
Calculated tax asset	75.786	75.561
<b>Carrying amount</b>	<u>75.786</u>	<u>75.561</u>

Based on current budgets we expect the tax value of losses to be available for utilization against future taxable income within the next 5 years.

## 14 Other provisions

Balance at beginning of year at 1 January 2019	1.914	1.914
Applied in the year	-1.914	0
<b>Balance at 31 December 2019</b>	<u>0</u>	<u>1.914</u>

The provisions are related to restructuring.

## 15 Long term debt

	Debt at 1 January 2019	Debt at 31 December 2019	Instalment next year	Debt outstanding after 5 years
Payables to group enterprises	58.380	29.588	0	0
	<u>58.380</u>	<u>29.588</u>	<u>0</u>	<u>0</u>

## Notes

### 16 Events occurring after the balance sheet date

The latest development to COV-19 has increased the uncertainty and given the rapid day-to-day developments in many countries, we are currently unable to assess the magnitude of the impact on our financials.

Beside COV-19 as stated above no events has occurred after the balance sheet date that will have a material impact on the financial position.

	<u>2019</u> DKK'000	<u>2018</u> DKK'000
<b>17 Rent and lease liabilities</b>		
<b>Rent and lease liabilities</b>		
Operating lease liabilities.		
Total future lease payments:		
Within 1 year	3.544	3.229
Between 1 and 5 years	10.984	2.046
After 5 years	<u>4.787</u>	<u>0</u>
	<u><b>19.315</b></u>	<u><b>5.275</b></u>

### 18 Contingent liabilities

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.

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

## Notes

### 19 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 addition, unrealised fair value of derivatives is recognised in other receivables and other liabilities.

At 31 December 2019, the fair value of the cash flow hedge instruments amounts to DKK - 5,6m (2018 DKK 0,3m) recognized under other receivables or other payables.

Interest rate risks

At 31 December 2019 the market value of the Group's interest rate swap is DKK -0,4m (2018 DKK - 1,1m). The interest swap has been recognised in the income statement as financial expense 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 2019.

### 20 Related parties and ownership structure

#### Controlling interest

Cembrit Group A/S, Parent Company  
Gasværksvej 24, 1.  
9000 Aalborg

Xilos Co-Investment No. 1 Separate Limited Partnership, ultimate parent  
11-15 Seaton Place, St. Helier, Jersey  
JE4 0QH Channel Islands  
Great Britain

#### 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.

## Notes

### 20 Related parties and ownership structure (continued)

#### Consolidated financial statements

The company is reflected in the group report as the parent company Cembrit Group A/S

The group report can be obtained at the following address:

Gasværksvej 24, 1.  
9000 Aalborg

[www.cembrit.com](http://www.cembrit.com)