KINGSPAN A/S

Mercurvej 12 A, 9530 Støvring

Annual report for 2019

CVR no. 26 06 52 67

Adopted at the annual general meeting on 10 June 2020

chairman: David Kasik

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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 KINGSPAN 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.

Støvring, 10 June 2020

Executive board

Per Baumann Røddik
director

Supervisory board

David McMahon chairman	Jitka Nemcova	David Kasik

KPMG

Independent auditor's report

To the shareholders of Kingspan A/S

Opinion

We have audited the financial statements of Kingspan A/S for the financial year 1 January – 31 December 2019, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are 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 assets, liabilities and 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.

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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the 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 that 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.

KPMG

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

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

— identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

KPMG

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

Aalborg, 10 June 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Steffen S. Hansen State Authorised Public Accountant mne32737	Kristoffer A. Staun State Authorised Public Accountant mne45106

Company details

The company	KINGSPAN A/S Mercurvej 12 A 9530 Støvring	
	CVR no.:	26 06 52 67
	Reporting period:	1 January - 31 December 2019
	Domicile:	Rebild
Supervisory board	David McMahon, chairman Jitka Nemcova David Kasik	
Executive board	Per Baumann Røddik, director	
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Østre Havnegade 18 9000 Aalborg	

Management's review

Business review

The companys main activity is insulation designs and insulated panels for industrial buildings.

Financial review

The company's income statement for the year ended 31 December 2019 shows a profit of DKK 1.436.457, and the balance sheet at 31 December 2019 shows equity of DKK 17.617.166.

Management expects a similar result for financial year 2020.

Profit/loss for the year and the balance sheet total are affected by the fact that the Company has changed its interpretation of leases to which the Company is the lessee.

In the income statement, EBITDA and EBIT for 2019 are affected, whereas profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liability be substantially equal the operating lease costs previously recognised in the income statement.

EBITDA was affected by DKK 386 thousand and EBIT by DKK 18 thousand. In 2019, the Company's liabilities were affected by DKK 1.553 thousand.

The comparative figures for 2018 has not been restated.

Significant events occurring after the end of the financial year

In start of 2020 the outbreak of COVID-19 took place. Management has assessed the impact to the financial statements of the outbreak and no valuation issues on assets were identified. Outbreak has increased uncertainty on outcome for 2020, however Management has retained outlook for 2020.

Income statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Gross profit		**9.477.758**	**9.938.971**
Staff costs	1	-6.678.043	-6.823.518
Profit/loss before amortisation/depreciation and impairment losses		**2.799.715**	**3.115.453**
Depreciation, amortisation and impairment of property, plant and equipment	2	-611.621	-82.658
Profit/loss before net financials		**2.188.094**	**3.032.795**
Financial costs		-321.050	-267.208
Profit/loss before tax		**1.867.044**	**2.765.587**
Tax on profit for the year	3	-430.587	-696.177
Profit/loss for the year		**1.436.457**	**2.069.410**
Retained earnings		1.436.457	2.069.410
		1.436.457	**2.069.410**

Balance sheet 31 December

	Note	2019 DKK	2018 DKK
Assets			
Leased assets		1.544.645	0
Other fixtures and fittings, tools and equipment		667.111	518.543
Fixed assets	4	**2.211.756**	**518.543**
Total non-current assets		**2.211.756**	**518.543**
Raw materials and consumables		354.380	351.751
Stocks		**354.380**	**351.751**
Trade receivables		11.907.960	12.104.106
Receivables from group entities		720.750	1.220.818
Other receivables		47.850	48.295
Deferred tax asset		0	1.117
Prepayments		159.332	234.002
Receivables		**12.835.892**	**13.608.338**
Cash at bank and in hand		**9.127.705**	**6.313.966**
Total current assets		**22.317.977**	**20.274.055**
Total assets		**24.529.733**	**20.792.598**

Balance sheet 31 December

	Note	2019 DKK	2018 DKK
Equity and liabilities			
Share capital		2.000.000	2.000.000
Retained earnings		15.617.166	14.180.709
Equity		**17.617.166**	**16.180.709**
Provision for deferred tax		5.323	0
Total provisions		**5.323**	**0**
Lease obligations		1.170.448	0
Other payables		241.759	0
Total non-current liabilities	5	**1.412.207**	**0**
Other credit institutions		1.110.878	0
Lease obligation	5	382.145	0
Trade payables		324.846	417.559
Corporation tax		240.162	389.096
Other payables	5	3.437.006	3.805.234
Total current liabilities		**5.495.037**	**4.611.889**
Total liabilities		**6.907.244**	**4.611.889**
Total equity and liabilities		**24.529.733**	**20.792.598**
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Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 1 January 2019	2.000.000	14.180.709	16.180.709
Net profit/loss for the year	0	1.436.457	1.436.457
Equity at 31 December 2019	**2.000.000**	**15.617.166**	**17.617.166**

Notes

		2019 DKK	2018 DKK
1	**Staff costs**		
	Wages and salaries	5.866.740	6.107.061
	Pensions	692.943	620.617
	Other social security costs	118.360	95.840
		6.678.043	**6.823.518**
	Average number of employees	11	11
2	**Depreciation, amortisation and impairment of property, plant and equipment**		
	Depreciation tangible assets	611.621	82.658
		611.621	**82.658**
3	**Tax on profit for the year**		
	Current tax for the year	424.162	591.096
	Deferred tax for the year	6.440	17.074
	Adjustment of tax concerning previous years	-15	88.007
		430.587	**696.177**

Notes

4 Fixed assets

	Leased assets	Other fixtures and fittings, tools and equipment
Cost at 1 January 2019	1.930.806	2.214.166
Additions for the year	0	374.028
Disposals for the year	0	-361.362
Cost at 31 December 2019	1.930.806	2.226.832
Impairment losses and depreciation at 1 January 2019	0	1.695.624
Depreciation for the year	386.161	225.459
Reversal of impairment and depreciation of disposed assets	0	-361.362
Impairment losses and depreciation at 31 December 2019	386.161	1.559.721
Carrying amount at 31 December 2019	**1.544.645**	**667.111**

5 Long term debt

Lease obligations

Between 1 and 5 years	1.170.448	0
Non-current portion	1.170.448	0
Within 1 year	382.145	0
	1.552.593	**0**

Other payables

Between 1 and 5 years	241.759	0
Non-current portion	241.759	0
Other short-term other debt	3.437.006	3.805.234
Current portion	3.437.006	3.805.234
	3.678.765	**3.805.234**

Notes

6 Contingencies, etc.

Kingspan A/S is part in an ongoing dispute regarding delivery of panels in 2012

Is it Management's assessment, that the claim is not expected to have any impact on the financial position of Kingspan A/S

The parent company is jointly taxed with its danish group entities. The entities are jointly and severally liable for danish income taxes as well as withholding taxes on dividends, interest and royalties payable by the group of jointly taxed entities. Any subsequent corrections of income taxes and withholding taxes may increase the tax payable by the entities. The group as such is not liable to any third parties.

7 Related parties and ownership structure

Consolidated financial statements

Kingspan A/S is part of consolidated financial statements of Kingspan GmbH, Wesel, Germany, which is the smallest group the Company is included as a subsidiary.

Accounting policies

The annual report of KINGSPAN A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class B entities as well as selected provisions as regards larger entities.

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

The annual report for 2019 is presented in DKK

Changes in accounting policies

IFRS 15

With effect from 1 January 2019, the Company has chosen to rely on IFRS 15 Revenue from contracts with customers as the basis of interpretation when recognising revenue.

In contrast to the previous bases of interpretation contained in IAS 11/18, IFRS 15 contains one overall and comprehensive model for the recognition of revenue. The fundamental principle in IFRS 15 is that the Company is to recognise revenue so it reflects goods or services provided to customers at the amounts to which the Company is expected to be entitled for the provision of these goods or services.

The effect for the Company of using IFRS 15 as the basis of interpretation is that:

- Variable consideration from contracts on which the customer's price may vary if a number of conditions are complied with after performance of the contract is to be recognised as revenue if it is highly likely that changes in estimated variable consideration do not have the outcome that an important part of the amount is to be reversed and thereby will reduce revenue. Accordingly, the Group is to recognise the most probable value of the variable consideration in revenue.

The implementation of IFRS 15 has no impact on recognition and measurement in income statements and balance sheet.

Accounting policies

IFRS 16

With effect from 1 January 2019, the Company has chosen to use IFRS 16 Leases as the basis of interpretation for recognising and measurement of leases to which the Company is the lessee.

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

- Short-term leases with a maximum lease term of 12 months

- Leases for low-value assets.

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

When changing its basis of interpretation, the Company has used the lessee accounting model under IFRS 16 from 1 January 2019 without restatement of comparative figures. The effect of the change as of 1 January 2019 has been recognised directly in equity. The Company has applied the following practical expedients for right-of-use assets and lease liabilities previously accounted for as operating leases:

- Applied a single discount rate to a portfolio of leased assets with reasonably similar characteristics. The incremental borrowing rate applied on transition to IFRS 16 was 1,04%.

- Not recognised leases for which the lease term ends within 12 months from the date of transition.

- Excluded initial direct costs from the measurement of the right-use-assets at 1 January 2019.

- At 1 January 2019, the right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

- Not applied the new lease definition to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

- On 1 January 2019, not separated non-lease components from lease components, but considered them a single lease component.

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

	DKK'000
Operating lease liabilities disclosed at 31 December 2018	1,981
Effect of discounting lease liabilities	-50
Lease liabilities recognised at 1 January 2019	1,931

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

Accounting policies

Accounting policies for leased assets and lease liabilities

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When an assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

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

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

- The value of the index or rate on which the lease payments are based is changed.

- The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.

- The lease term is changed if the option is exercised in order to extend or terminate the lease.

- Estimated residual value guarantee is changed.

- The contract is renegotiated or modified.

Accounting policies

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

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

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

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

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

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.

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.

Recognition and measurement of business combinations

Business combinations of entities under the control of the parent company is accounted at book value and without restatement of comparitive figures.

Accounting policies

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

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.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

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, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Accounting policies

Balance sheet

Fixed assets

Items of land and buildings, 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. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life		Residual value
Other buildings	5	years	0 %
Other fixtures and fittings, tools and equipment	3-7	years	0 %

The useful life and residual value of the company's property, plant and equipment is reassessed annually.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

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

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

Accounting policies

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Income tax and deferred tax

As management company, KINGSPAN A/S is liable for payment of the subsidiaries' corporate income taxes to the tax authorities.

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.

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

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.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

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.

Financial liabilities also include the capitalised residual finance lease commitment.

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.

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.

Accounting policies

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.

Fixed assets acquired in foreign currencies are measured at the exchange rate at the transaction date.