

Knauf Insulation A/S

c/o Rev og Råd ApS
Bymidten 80
3500 Værløse
Denmark

CVR no. 34 62 26 98

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting on

26 June 2019

Neil James Hargreaves
Chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Knauf Insulation A/S for the financial year 1 January – 31 December 2018.

The annual report has been 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 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, of the results for the year and of the Company's financial position.

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

Værløse, 26 June 2019
Executive Board:

Erik Peter Lennart Isaksson

Board of Directors:

Neil James Hargreaves
Chairman

Alexandre Laurent

Erik Peter Lennart Isaksson

Independent auditor's report

To the shareholder of Knauf Insulation A/S

Opinion

We have audited the financial statements of Knauf Insulation A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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.

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 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

Independent auditor's report

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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 26 June 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant
mne33205

Knauf Insulation A/S
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Management's review

Company details

Knauf Insulation A/S
c/o Rev og Råd ApS
Bymidten 80
3500 Værløse
Denmark

CVR no.:	34 62 26 98
Established:	27 July 2012
Registered office:	Værløse
Financial year:	1 January – 31 December

Board of Directors

Neil James Hargreaves, Chairman
Alexandre Laurent
Erik Peter Lennart Isaksson

Executive Board

Erik Peter Lennart Isaksson

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Gross profit	8,953	6,617	3,995	3,849	4,701
Ordinary operating profit	3,767	2,087	145	237	1,044
Net financial income and expenses	-109	-160	-81	-51	-419
Profit for the year	2,848	1,497	54	123	444
Balance sheet					
Total assets	60,447	68,119	42,089	40,661	19,170
Equity	5,803	2,956	1,459	1,405	1,281
Current liabilities other than provisions	54,644	65,163	40,630	39,256	18,032
Ratios					
Current ratio	110.61%	104.52%	100.49%	97.19%	85.48%
Return on equity	65.02%	67.82%	3.78%	9.20%	34.68%
Other figures					
Average number of full-time employees	6	4	3	3	3

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & Ratios". The financial ratios have been calculated as follows:

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Return on equity

$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Management's review

Operating review

Principal activities

The Company's principal activity is to carry out business within the insulation sector and business related thereto.

Development in activities and financial position

Gross profit for the year amounts to DKK 9 million (2017: DKK 6,6 million). Profit from ordinary activities after tax amounts to DKK 2,8 million (2017: DKK 1,5 million). The balance sheet shows an equity of DKK 5,8 million at 31 December 2018 (31 December 2017: DKK 3 million).

Events after the balance sheet date

No events have occurred after the balance sheet date which would have a material impact on the financial position of the Company.

Outlook

The outlook for next year is positive due to focus on fire safety and energy efficiency within the market where mineral wool is identified as a product group that meets both demands effectively.

Management expect that revenue will continue to grow by approx. 2% during 2019. This goal is considered to be achievable through increased sales volumes of higher value products. In order to drive longer-term sustainable growth, the board also plans to continue investing in initiatives to become the preferred supplier in key customer groups and to strengthen KI's position in growing areas the Danish market.

Particular risks

Operating risks

Amongst the key factors influencing the Company's level of sales are:

- The effect of legislative and regulatory changes concerning carbon reduction and insulation requirements.
- The strength of the construction industry and the wider economy.

Financial risks

The Company's operations also expose it to a variety of financial risks that could include the effects of changes in debt, credit risk, currency risk, liquidity risk and interest rate risk.

The Company's finance department continually monitors circumstances to review these risks and determine where it would be appropriate to use financial instruments to manage them.

The Company's primary exposure is to credit risk and it has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit insurance is held for certain customers.

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Management's review

Operating review

Environmental matters

The Company puts a great deal of focus on the environment both in production, transport and in advising on utilisation of our product.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2018	2017
Gross profit		8,953,416	6,617,482
Staff costs	2	-5,179,291	-3,282,912
Depreciation, amortisation and impairment		<u>-7,085</u>	<u>-1,247,444</u>
Operating profit		3,767,040	2,087,126
Financial income		51,858	9,484
Financial expenses	3	<u>-160,852</u>	<u>-169,305</u>
Profit before tax		3,658,046	1,927,305
Tax on profit/loss for the year	4	<u>-810,467</u>	<u>-430,231</u>
Profit for the year	5	<u><u>2,847,579</u></u>	<u><u>1,497,074</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Intangible assets	6		
Goodwill		<u>0</u>	<u>0</u>
Property, plant and equipment	7		
Fixtures and fittings, tools and equipment		<u>6,495</u>	<u>13,580</u>
Total fixed assets		<u>6,495</u>	<u>13,580</u>
Current assets			
Inventories			
Finished goods and goods for resale		<u>3,665,400</u>	<u>1,522,835</u>
Receivables			
Trade receivables		33,643,322	37,595,172
Receivables from group entities		1,399,060	116,245
Other receivables		195,096	3,866
Deferred tax asset	8	195,399	389,392
Corporation tax		319,340	905,394
Prepayments	9	<u>175,141</u>	<u>11,162</u>
		<u>35,927,358</u>	<u>39,021,231</u>
Cash at bank and in hand		<u>20,847,941</u>	<u>27,561,048</u>
Total current assets		<u>60,440,699</u>	<u>68,105,114</u>
TOTAL ASSETS		<u><u>60,447,194</u></u>	<u><u>68,118,694</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	<u>31/12 2018</u>	<u>31/12 2017</u>
EQUITY AND LIABILITIES			
Equity			
Contributed capital	10	500,000	500,000
Retained earnings		<u>5,303,379</u>	<u>2,455,800</u>
Total equity		<u>5,803,379</u>	<u>2,955,800</u>
Liabilities			
Current liabilities			
Trade payables		37,196,692	31,226,822
Payables to group entities		14,140,414	14,700,734
Other payables		<u>3,306,709</u>	<u>19,235,338</u>
		<u>54,643,815</u>	<u>65,162,894</u>
Total liabilities		<u>54,643,815</u>	<u>65,162,894</u>
TOTAL EQUITY AND LIABILITIES		<u>60,447,194</u>	<u>68,118,694</u>
Contractual obligations, contingencies, etc.	11		
Related party disclosures	12		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	500,000	2,455,800	2,955,800
Transferred over the profit appropriation	0	2,847,579	2,847,579
Equity at 31 December 2018	500,000	5,303,379	5,803,379

Financial statements 1 January – 31 December

Notes

1 Accounting policies

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

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

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Knauf Verwaltungsgesellschaft KG.

Income statement

Gross Profit

Gross profit comprises revenue, changes in inventories of finished goods, other operating income and external costs.

Revenue is recognised in the income statement provided that delivery and risk of transfer to the buyer have taken place before the end of the year and that the income can be determined reliably and is expected to be received. Revenue is recognised exclusive of VAT and taxes and less any discounts granted in connection with the sale.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses include interest income and expenses and realised and unrealised capital gains and losses on financial assets and liabilities. Financial income and expenses are recognised in the income statement at the amounts concerning the financial year.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Company is subject to Danish legislation on compulsory joint taxation of the parent company and the Danish subsidiaries.

The current Danish corporation tax is allocated amount the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

Balance sheet

Intangible assets

Goodwill

Purchased goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated economic life which is 5 years.

Property, plant and equipment

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

The basis of depreciation is cost less expected residual value after the end of the useful life of the asset.

The cost comprises the acquisition cost and costs directly attributable to the acquisition until the time when the asset is ready for use.

Depreciation is provided on a straight line basis based on an evaluation of the expected useful life:

Fixtures and fittings, tools and equipment	3-5 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Minor assets with an expected useful life of less than 1 year are recognised as costs in income statement in the year of acquisition.

Profit or loss from the sale of property, plant and equipment is measured as the difference between selling price less selling costs and the carrying amount at the date of the sale. Profit or losses are recognised in the income statement as other operating income or other operating expenses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, write down is made to this lower value.

The cost of finished goods and goods for resale comprises the purchase price plus delivery costs.

The net realisable value of inventories is recognised as the market price less completion costs and selling costs, and it is determined taking into account negotiability, obsolescence and the development in expected market price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. In order to meet expected losses, write-down takes is made to net realisable value.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity. Proposed dividend is recognised as a liability at the date of approval by the general meeting.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax. Tax receivable and payable is set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Knauf Insulation A/S has unlimited joint and several liability towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured based on 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

2 Staff costs

DKK	2018	2017
Wages and salaries	3,999,064	2,114,384
Pensions	325,970	182,764
Other social security costs	94,775	28,870
Other staff costs	759,482	956,894
	<u>5,179,291</u>	<u>3,282,912</u>
Average number of full-time employees	<u>6</u>	<u>4</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Financial expenses

Interest expense to group entities	62,784	83,923
Other financial costs	2,414	915
Exchange losses	95,654	84,467
	<u>160,852</u>	<u>169,305</u>

4 Tax on profit/loss for the year

Current tax for the year	616,474	509,606
Deferred tax for the year	193,993	-79,375
	<u>810,467</u>	<u>430,231</u>

5 Proposed profit appropriation

Retained earnings	<u>2,847,579</u>	<u>1,497,074</u>
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Financial statements 1 January – 31 December

Notes

6 Intangible assets

DKK	<u>Goodwill</u>
Cost at 1 January 2018	<u>1,240,358</u>
Cost at 31 December 2018	<u>1,240,358</u>
Amortisation and impairment losses at 1 January 2018	<u>-1,240,358</u>
Amortisation and impairment losses at 31 December 2018	<u>-1,240,358</u>
Carrying amount at 31 December 2018	<u><u>0</u></u>

7 Property, plant and equipment

DKK	<u>Fixtures and fittings, tools and equipment</u>
Cost at 1 January 2018	<u>42,512</u>
Cost at 31 December 2018	<u>42,512</u>
Depreciation and impairment losses at 1 January 2018	<u>-28,932</u>
Depreciation for the year	<u>-7,085</u>
Depreciation and impairment losses at 31 December 2018	<u>-36,017</u>
Carrying amount at 31 December 2018	<u><u>6,495</u></u>

8 Deferred tax asset

DKK	<u>31/12 2018</u>	<u>31/12 2017</u>
Deferred tax asset opening balance	389,392	310,017
Adjustments	<u>-193,993</u>	<u>79,375</u>
Deferred tax asset closing balance	<u><u>195,399</u></u>	<u><u>389,392</u></u>

9 Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Financial statements 1 January – 31 December

Notes

10 Equity

The share capital consists of 500,000 shares of a nominal value of DKK 1 each.

All shares rank equally.

11 Contractual obligations, contingencies, etc.

Joint taxation

As the administrative company, the Company is subject to the Danish joint taxation scheme, and as from the financial year 2012/13, it has unlimited joint and several liability with the other jointly taxed companies for the total corporation tax.

From 1 July 2012, the Company has unlimited joint and several liability with the other jointly taxed companies for withholding taxes, on interest, royalties and dividends.

Any subsequent adjustments of corporation taxes or withholding taxes, etc., may entail changes in the Company's liabilities.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 1,394,756 within 5 years (2017: DKK 1,457,330).

12 Related party disclosures

Control

Related party transactions

DKK	2018	2017
Sales of goods to group enterprises	42,071	81,248
Sales of services to group enterprises	1,399,060	-
Purchase of goods from group enterprises	85,166,250	81,987,247
Purchase of services from group enterprises	6,682,593	5,433,397
Receivables from group enterprises	1,399,060	116,245
Payables to group enterprises	14,140,414	14,700,734

Consolidated financial statements

The Company is included in the consolidated financial statements of:

Knauf Verwaltungsgesellschaft KG, Am Bahnhof 7, 97346 Iphofen, Germany

The consolidated financial statements can be obtained by contacting the Company.