

Knauf Insulation A/S

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

Company reg. no. 34 62 26 98

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 28 June 2022.

Neil James Hargreaves
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Knauf Insulation A/S for the financial year 1 January - 31 December 2021.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Værløse, 28 June 2022

Managing Director

Neil James Hargreaves

Board of directors

Mark Gillott

Alexandre Laurent

Neil James Hargreaves

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 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent auditor's report

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

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

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

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.

Independent auditor's report

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 Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 28 June 2022

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

Jacob Helly Juell-Hansen

State Authorised Public Accountant
mne36169

Company information

The company

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

Company reg. no. 34 62 26 98
Established: 27 July 2012
Domicile: Værløse
Financial year: 1 January - 31 December

Board of directors

Mark Gillott
Alexandre Laurent
Neil James Hargeaves

Managing Director

Neil James Hargreaves

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Financial highlights

DKK in thousands.	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income statement:					
Gross profit	17.618	14.380	16.918	8.552	6.617
Profit from operating activities	14.341	10.447	10.832	3.767	2.087
Net financials	-253	-132	-9	-109	-160
Net profit or loss for the year	10.988	8.044	8.353	2.848	1.497
Statement of financial position:					
Balance sheet total	73.697	76.075	61.356	60.447	68.119
Equity	33.189	22.200	14.157	5.803	2.956
Current liabilities other than provision	40.509	53.875	47.199	54.644	65.163
Employees:					
Average number of full-time employees	4	5	6	6	4
Key figures in %:					
Acid test ratio	181,9	141,2	130,0	110,6	104,5
Solvency ratio	45,0	29,2	23,1	9,6	4,3
Return on equity	39,7	44,3	83,7	65,0	67,8

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Acid test ratio
$$\frac{\text{Current assets x 100}}{\text{Short term liabilities other than provisions}}$$

Solvency ratio
$$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity
$$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

Management's review

The principal activities of the company

Like previous years, the principal activities is to operate in the insulation industry as well as other related business.

Development in activities and financial matters

The gross profit for the year totals DKK 17.618 thousand against DKK 14.380 thousand last year. Income or loss from ordinary activities after tax totals DKK 10.988 thousand against DKK 8.044 thousand last year. Management considers the net profit or loss for the year satisfactory.

Special 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 those risk 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.

Environmental issues

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

Events occurring after the end of the financial year

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

Accounting policies

The annual report for Knauf Insulation A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Knauf Verwaltungsgesellschaft KG.

Income statement

Gross profit

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

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

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.

Accounting policies

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

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

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

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

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Fixtures and fittings, tools and equipment	3-5 years

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

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Accounting policies

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Cost of goods comprise acquisition costs plus delivery costs.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. To counter expected losses, writedown is performed to net realisable value. The enterprise will be applying IAS 39 as the basis of interpretation for the recognition of impairment of financial assets, meaning that a loss must be recognised if there are objective indications of accounts receivable being unable to comply with payment obligations.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

According to the rules of joint taxation, Knauf Insulation A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is tax on all temporary difference in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Accounting policies

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2021</u>	<u>2020</u>
Gross profit	17.617.807	14.379.753
1 Staff costs	<u>-3.276.575</u>	<u>-3.933.140</u>
Operating profit	14.341.232	10.446.613
Other financial income	15.571	88.164
2 Other financial expenses	<u>-268.586</u>	<u>-220.327</u>
Pre-tax net profit or loss	14.088.217	10.314.450
3 Tax on net profit or loss for the year	<u>-3.099.867</u>	<u>-2.270.567</u>
4 Net profit or loss for the year	<u>10.988.350</u>	<u>8.043.883</u>

Balance sheet at 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2021</u>	<u>2020</u>
Current assets			
	Finished goods and goods for resale	1.960.042	1.270.116
	Total inventories	1.960.042	1.270.116
	Trade receivables	37.872.705	40.292.820
	Receivables from subsidiaries	183.259	101.799
5	Deferred tax assets	808	1.077
	Other receivables	0	795
6	Prepayments	31.299	28.233
	Total receivables	38.088.071	40.424.724
	Cash and cash equivalents	33.649.241	34.380.507
	Total current assets	73.697.354	76.075.347
	Total assets	73.697.354	76.075.347

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2021</u>	<u>2020</u>
Equity			
7	Contributed capital	500.000	500.000
	Retained earnings	32.688.802	21.700.452
	Total equity	33.188.802	22.200.452
Liabilities other than provisions			
	Trade payables	27.419.431	43.276.429
	Payables to subsidiaries	8.918.454	5.770.806
	Income tax payable	1.225.628	470.208
	Other payables	2.945.039	4.357.452
	Total short term liabilities other than provisions	40.508.552	53.874.895
	Total liabilities other than provisions	40.508.552	53.874.895
	Total equity and liabilities	73.697.354	76.075.347
8	Contingencies		
9	Related parties		

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2021	500.000	21.700.452	22.200.452
Profit or loss for the year brought forward	0	10.988.350	10.988.350
	500.000	32.688.802	33.188.802

Notes

All amounts in DKK.

	<u>2021</u>	<u>2020</u>
1. Staff costs		
Salaries and wages	3.043.416	3.586.163
Pension costs	217.755	321.134
Other costs for social security	<u>15.404</u>	<u>25.843</u>
	<u>3.276.575</u>	<u>3.933.140</u>
Average number of employees	<u>4</u>	<u>5</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2. Other financial expenses		
Financial costs, group enterprises	216.493	156.827
Other financial costs	<u>52.093</u>	<u>63.500</u>
	<u>268.586</u>	<u>220.327</u>
3. Tax on net profit or loss for the year		
Tax of the results for the year	3.100.628	2.270.208
Adjustment for the year of deferred tax	269	359
Adjustment of tax for previous years	<u>-1.030</u>	<u>0</u>
	<u>3.099.867</u>	<u>2.270.567</u>
4. Proposed appropriation of net profit		
Transferred to retained earnings	<u>10.988.350</u>	<u>8.043.883</u>
Total allocations and transfers	<u>10.988.350</u>	<u>8.043.883</u>

Notes

All amounts in DKK.

	<u>31/12 2021</u>	<u>31/12 2020</u>
5. Deferred tax assets		
Deferred tax assets 1 January 2021	1.077	1.436
Deferred tax of the results for the year	<u>-269</u>	<u>-359</u>
	<u>808</u>	<u>1.077</u>

6. Prepayments

Prepayments	<u>31.299</u>	<u>28.233</u>
	<u>31.299</u>	<u>28.233</u>

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

7. Contributed capital

Contributed capital 1 January 2021	<u>500.000</u>	<u>500.000</u>
	<u>500.000</u>	<u>500.000</u>

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

All shares rank equally.

8. Contingencies

Contingent liabilities

Lease liabilities

Remaining lease obligations at the balance sheet date fall due at DKK 233 thousand within 2 years.

Joint taxation

With KNAUF A/S, company reg. no 54050313 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Notes

All amounts in DKK.

8. Contingencies (continued)

Joint taxation (continued)

The jointly taxed enterprises' total known net liability to the Danish tax authorities emerges from the financial statements of the administration company.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

9. Related parties

Transactions

The company has the following related party transactions:

	<u>2021</u>	<u>2020</u>
Sales of goods to group enterprises	0	55.591
Sales of services to group enterprises	0	609.374
Purchase of goods from group enterprises	87.910.433	90.895.744
Purchase of services from group enterprises	5.236.945	5.418.876
Receivables from group enterprises	183.259	101.799
Payables to group enterprises	8.918.454	5.770.806

Consolidated financial statements

The company is included in the consolidated financial statements of Knauf Verwaltungsgesellschaft KG, Am Bahnhof 7, 97346 Iphofen, Germany