

Knauf Insulation A/S

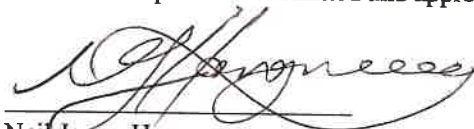
c/o Rev og Råd ApS, Bymidten 80, 3500 Værløse

Company reg. no. 34 62 26 98

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 6 July 2021.



Neil James Hargreaves
Chairman of the meeting

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Notes to users of the English version of this document:

- This document is a translation of a Danish version of the document. In the event of any dispute regarding the interpretation of any part of the document, the Danish version of the document shall prevail.
- 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 report

Today, the board of directors and the managing director have presented the annual report of Knauf Insulation A/S for the financial year 1 January - 31 December 2020 of Knauf Insulation A/S.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

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

Værløse, 6 July 2021

Managing Director

Neil James Hargreaves



Board of directors

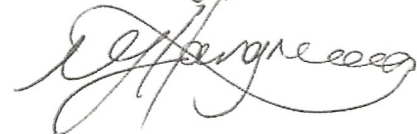
Mark Gillott



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 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 6 July 2021

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 Hargreaves

Managing Director

Neil James Hargreaves

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmegade 45
2100 København Ø

Financial highlights

DKK in thousands.	2020	2019	2018	2017	2016
Income statement:					
Gross profit	14.380	16.918	8.552	6.617	3.995
Profit from operating activities	10.447	10.832	3.767	2.087	145
Net financials	-132	-9	-109	-160	-81
Net profit or loss for the year	8.044	8.353	2.848	1.497	54
Statement of financial position:					
Balance sheet total	76.075	61.356	60.447	68.119	42.089
Equity	22.200	14.157	5.803	2.956	1.459
Current liabilities other than provision	53.875	47.199	54.644	65.163	40.630
Employees:					
Average number of full-time employees	5	6	6	4	3
Key figures in %:					
Acid test ratio	141,2	130,0	110,6	104,5	100,5
Solvency ratio	29,2	23,1	9,6	4,3	3,5
Return on equity	44,3	83,7	65,0	67,8	3,8

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	$\frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$
Solvency ratio	$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$
Return on equity	$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$

Management commentary

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 14.380.000 against DKK 16.918.000 last year. Income from ordinary activities after tax totals DKK 8.044.000 against DKK 8.353.000 last year. Management considers the net profit 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 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.

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 when the useful lives of each individual components differ.

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.

Costs 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 and accrued income

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

Cash on hand and demand deposits

Cash on hand and demand deposits 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.

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 differences 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 of 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 and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Other liabilities other than provisions 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>2020</u>	<u>2019</u>
Gross profit	14.379.753	16.918.027
1 Staff costs	-3.933.140	-6.079.704
Depreciation and impairment of property, land, and equipment	0	-6.495
Operating profit	10.446.613	10.831.828
Other financial income	88.164	134.191
2 Other financial costs	-220.327	-143.161
Pre-tax net profit	10.314.450	10.822.858
3 Tax on net profit or loss for the year	-2.270.567	-2.469.668
4 Net profit for the year	8.043.883	8.353.190

Statement of financial position at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2020</u>	<u>2019</u>
Current assets		
Finished goods and goods for resale	1.270.116	2.409.710
Total inventories	<u>1.270.116</u>	<u>2.409.710</u>
Trade receivables	40.292.820	21.090.834
Receivables from group enterprises	101.799	795.365
5 Deferred tax assets	1.077	1.436
Income tax receivables	0	24.295
Other receivables	795	795
6 Prepayments and accrued income	28.233	25.528
Total receivables	<u>40.424.724</u>	<u>21.938.253</u>
Cash on hand and demand deposits	34.380.507	37.008.390
Total current assets	<u>76.075.347</u>	<u>61.356.353</u>
Total assets	<u>76.075.347</u>	<u>61.356.353</u>

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities	<u>2020</u>	<u>2019</u>
<u>Note</u>		
Equity		
7 Contributed capital	500.000	500.000
Retained earnings	21.700.452	13.656.569
Total equity	<u>22.200.452</u>	<u>14.156.569</u>
Liabilities other than provisions		
Trade payables	43.276.429	36.378.231
Payables to group enterprises	5.770.806	6.361.415
Income tax payable	470.208	0
Other payables	4.357.452	4.460.138
Total short term liabilities other than provisions	<u>53.874.895</u>	<u>47.199.784</u>
Total liabilities other than provisions	<u>53.874.895</u>	<u>47.199.784</u>
Total equity and liabilities	<u>76.075.347</u>	<u>61.356.353</u>
8 Contingencies		
9 Related parties		

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2020	500.000	13.656.569	14.156.569
Profit or loss for the year brought forward	0	8.043.883	8.043.883
	500.000	21.700.452	22.200.452

Notes

All amounts in DKK.

	<u>2020</u>	<u>2019</u>
1. Staff costs		
Salaries and wages	3.586.163	4.888.807
Pension costs	321.134	987.217
Other costs for social security	<u>25.843</u>	<u>203.680</u>
	<u>3.933.140</u>	<u>6.079.704</u>
Average number of employees	<u>5</u>	<u>6</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 costs		
Financial costs, group enterprises	156.827	65.820
Other financial costs	<u>63.500</u>	<u>77.341</u>
	<u>220.327</u>	<u>143.161</u>
3. Tax on net profit or loss for the year		
Tax of the results for the year	2.270.208	2.275.705
Adjustment for the year of deferred tax	<u>359</u>	<u>193.963</u>
	<u>2.270.567</u>	<u>2.469.668</u>
4. Proposed appropriation of net profit		
Transferred to retained earnings	<u>8.043.883</u>	<u>8.353.190</u>
Total allocations and transfers	<u>8.043.883</u>	<u>8.353.190</u>

Notes

All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
5. Deferred tax assets		
Deferred tax assets 1 January 2020	1.436	195.399
Deferred tax of the results for the year	<u>-359</u>	<u>-193.963</u>
	<u>1.077</u>	<u>1.436</u>

6. Prepayments and accrued income

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

7. Contributed capital

Contributed capital 1 January 2020	<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 403 thousand within 3 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.

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

Notes

All amounts in DKK.

8. Contingencies (continued)**Joint taxation (continued)**

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:

	2020	2019
Sales of goods to group enterprises	55.591	42.071
Sales of services to group enterprises	609.374	2.597.592
Purchase of goods from group enterprises	90.895.744	81.696.501
Purchase of services from group enterprises	5.418.876	6.801.134
Receivables from group enterprises	101.799	795.365
Payables to group enterprises	5.770.806	6.361.415

Consolidated financial statements

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

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Jacob Helly Juell-Hansen

Statsautoriseret revisor

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