

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 2019

The annual report was submitted and approved by the general meeting on the 21 September 2020.

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 British 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 2019 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 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

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, 21 September 2020

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 2019, 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 2019 and of the results of the company's activities 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 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, 21 September 2020

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income statement:					
Gross profit	16.918	8.552	6.617	3.995	3.849
Profit from ordinary operating activities	10.832	3.767	2.087	145	237
Net financials	-9	-109	-160	-81	-51
Net profit or loss for the year	8.353	2.848	1.497	54	123
Statement of financial position:					
Balance sheet total	61.356	60.447	68.119	42.089	40.661
Equity	14.157	5.803	2.956	1.459	1.405
Current liabilities other than provision	47.199	54.644	65.163	40.630	39.256
Employees:					
Average number of full-time employees	6	6	4	3	3
Key figures in %:					
Acid test ratio	130,0	110,6	104,5	100,5	97,2
Solvency ratio	23,1	9,6	4,3	3,5	3,5
Return on equity	83,7	65,0	67,8	3,8	9,2

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

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 16,9m against DKK 8,6m last year. Income from ordinary activities after tax totals DKK 8,4m against DKK 2,8m 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 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).

Changes in the accounting policies

The item "Staff costs" has been reclassified so that certain types of expenses previously recognised under "Staff costs" will, in the future, be recognised under the item "Other external charges".

The change in classification has no effect on the net profit or loss for the year, nor on the statement of financial position, neither for the current financial year, nor the previous financial year. The comparative figures have been adjusted in accordance with the reclassification.

Except for the above, the accounting policies for the financial statements remain unchanged from last year.

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.

Accounting policies

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.

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

Intangible assets

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 5 years.

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.

Accounting policies

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.

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 face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

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.

Accounting policies

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.

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>2019</u>	<u>2018</u>
Gross profit	16.918.027	8.551.580
1 Staff costs	-6.079.704	-4.777.453
Depreciation and impairment of property, land, and equipment	-6.495	-7.085
Operating profit	10.831.828	3.767.042
Other financial income	134.191	51.858
2 Other financial costs	-143.161	-160.852
Pre-tax net profit or loss	10.822.858	3.658.048
3 Tax on net profit or loss for the year	-2.469.668	-810.467
4 Net profit or loss for the year	8.353.190	2.847.581

Statement of financial position at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2019</u>	<u>2018</u>
Non-current assets		
5 Goodwill	0	0
Total intangible assets	0	0
6 Fixtures and fittings, tools and equipment	0	6.495
Total property, plant, and equipment	0	6.495
Total non-current assets	0	6.495
Current assets		
Finished goods and goods for resale	2.409.710	3.665.400
Total inventories	2.409.710	3.665.400
Trade receivables	21.090.834	33.643.322
Receivables from group enterprises	795.365	1.399.060
7 Deferred tax assets	1.436	195.399
Income tax receivables	24.295	319.340
Other receivables	795	195.096
8 Prepayments and accrued income	25.528	175.141
Total receivables	21.938.253	35.927.358
Cash on hand and demand deposits	37.008.390	20.847.941
Total current assets	61.356.353	60.440.699
Total assets	61.356.353	60.447.194

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Equity			
9	Contributed capital	500.000	500.000
	Retained earnings	13.656.569	5.303.379
	Total equity	<u>14.156.569</u>	<u>5.803.379</u>
Liabilities other than provisions			
	Trade payables	36.378.231	37.196.692
	Payables to group enterprises	6.361.415	14.140.414
	Other payables	4.460.138	3.306.709
	Total short term liabilities other than provisions	<u>47.199.784</u>	<u>54.643.815</u>
	Total liabilities other than provisions	<u>47.199.784</u>	<u>54.643.815</u>
	Total equity and liabilities	<u>61.356.353</u>	<u>60.447.194</u>
10	Contingencies		
11	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 2019	500.000	5.303.379	5.803.379
Profit or loss for the year brought forward	0	8.353.190	8.353.190
	<u>500.000</u>	<u>13.656.569</u>	<u>14.156.569</u>

Notes

All amounts in DKK.

	<u>2019</u>	<u>2018</u>
1. Staff costs		
Salaries and wages	4.888.807	4.356.708
Pension costs	987.217	325.970
Other costs for social security	<u>203.680</u>	<u>94.775</u>
	<u>6.079.704</u>	<u>4.777.453</u>
Average number of employees	<u>6</u>	<u>6</u>
<p>Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.</p>		
2. Other financial costs		
Financial costs, group enterprises	65.820	62.784
Other financial costs	<u>77.341</u>	<u>98.068</u>
	<u>143.161</u>	<u>160.852</u>
3. Tax on net profit or loss for the year		
Tax of the results for the year	2.275.705	616.474
Adjustment for the year of deferred tax	<u>193.963</u>	<u>193.993</u>
	<u>2.469.668</u>	<u>810.467</u>
4. Proposed appropriation of net profit		
Transferred to retained earnings	<u>8.353.190</u>	<u>2.847.581</u>
Total allocations and transfers	<u>8.353.190</u>	<u>2.847.581</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
5. Goodwill		
Cost 1 January 2019	1.240.358	1.240.358
Cost 31 December 2019	<u>1.240.358</u>	<u>1.240.358</u>
Amortisation and writedown 1 January 2019	-1.240.358	-1.240.358
Amortisation and writedown 31 December 2019	<u>-1.240.358</u>	<u>-1.240.358</u>
Carrying amount, 31 December 2019	<u>0</u>	<u>0</u>
6. Fixtures and fittings, tools and equipment		
Cost 1 January 2019	42.512	42.512
Cost 31 December 2019	<u>42.512</u>	<u>42.512</u>
Amortisation and writedown 1 January 2019	-36.017	-28.932
Depreciation for the year	-6.495	-7.085
Amortisation and writedown 31 December 2019	<u>-42.512</u>	<u>-36.017</u>
Carrying amount, 31 December 2019	<u>0</u>	<u>6.495</u>
7. Deferred tax assets		
Deferred tax assets 1 January 2019	195.399	389.392
Deferred tax of the results for the year	-193.963	-193.993
	<u>1.436</u>	<u>195.399</u>
8. Prepayments and accrued income		

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

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
9. Contributed capital		
Contributed capital 1 January 2019	<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.

10. Contingencies

Contingent liabilities

Lease liabilities

Remaining lease obligations at the balance sheet date fall due at DKK 802.136 within 4 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.

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

Notes

All amounts in DKK.

11. Related parties

Transactions

The company has the following related party transactions:

	<u>2019</u>	<u>2018</u>
Sales of goods to group enterprises	42.071	42.071
Sales of services to group enterprises	2.597.592	1.399.060
Purchase of goods from group enterprises	81.696.501	85.166.250
Purchase of services from group enterprises	6.801.134	6.682.593
Receivables from group enterprises	0	1.399.060
Payables to group enterprises	6.361.415	14.140.414

Consolidated financial statements

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