



Rørdalsvej 44, 9220 Aalborg Øst  
CVR No 36 42 81 12

## Annual Report 2018

The present Annual Report is presented and approved  
at the Annual General Meeting

Date: 12 / 4 2019

(Chairman of the meeting)

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## Profile

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### Aalborg Portland

#### **A leading cement producer in the Nordic region**

Produces grey and white cement at its plant in Aalborg.  
The products are sold in Denmark, USA and European countries.

#### **Grey cement**

is the most important construction material for strengthening infrastructure, building homes and bridges, creating harbours and expanding airports

**1,583,000**

tonnes of grey cement

#### **White cement**

is for solutions ranging from aesthetics to safety - from terrazzo or bathroom tile grouts to highway safety barriers whose whiteness ensures high visibility night and day in all weathers.

**755,000**

tonnes of white cement

#### **Part of the Aalborg Portland Holding Group**

Aalborg Portland A/S, Denmark is part of the Aalborg Portland Holding Group, which is part of the Cementir Group, an international supplier of cement and concrete. Aalborg Portland A/S is included in the Group financial statements for Aalborg Portland Holding A/S, Denmark and Caltagirone S.p.A., Italy.

Cementir Holding S.p.A. has its head office in Rome, is listed on the Italian Stock Exchange in Milan (code CEM) and is part of the listed Caltagirone Group.

## Financial highlights

	EURm					DKKm	
	2014	2015	2016	2017	2018	2017	2018
<b>CONSOLIDATED INCOME STATEMENT</b>							
Revenue	0.0	108.1	232.4	245.4	244.8	1,825	1,825
<b>Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA)</b>	<b>0.0</b>	<b>42.0</b>	<b>80.7</b>	<b>80.1</b>	<b>79.8</b>	596	595
<i>EBITDA ratio</i>		38.9%	34.7%	32.6%	32.6%	32.6%	32.6%
<b>Earnings before interest and tax (EBIT)</b>	<b>0.0</b>	<b>33.9</b>	<b>68.3</b>	<b>61.8</b>	<b>60.3</b>	460	450
<i>EBIT ratio</i>		31.4%	29.4%	25.2%	24.6%	25.2%	24.6%
<b>Earnings before tax (EBT)</b>	<b>0.0</b>	<b>33.1</b>	<b>67.9</b>	<b>63.1</b>	<b>59.3</b>	469	442
<b>Profit for the year</b>	<b>0.0</b>	<b>15.3</b>	<b>53.3</b>	<b>49.6</b>	<b>46.5</b>	369	347
<b>CASH FLOWS</b>							
Cash flows from operating activities (CFFO)	0.0	51.3	89.6	47.4	75.4	353	562
Cash flows from investing activities (CFFI) *	0.0	-2.6	-23.3	-36.1	-18.4	-268	-137
<b>Free cash flow (FCF)</b>	<b>0.0</b>	<b>48.7</b>	<b>66.3</b>	<b>11.3</b>	<b>57.0</b>	<b>85</b>	<b>425</b>
* Hereof investments in intangible assets and property, plant and equipment (excl. assets acquired at acquisition of enterprises in 2016)	0.0	-2.6	-21.5	-19.6	-18.4	-146	-137
<b>BALANCE SHEET</b>							
Total assets	0.1	288.8	354.6	383.0	367.3	2,849	2,742
Consolidated shareholders' equity	0.1	73.8	127.4	176.8	97.6	1,315	729
<b>Net interest-bearing debt (NIBD)</b>	<b>0.1</b>	<b>30.3</b>	<b>-39.1</b>	<b>-51.1</b>	<b>17.4</b>	<b>-380</b>	<b>130</b>
<b>Working capital (WC)</b>	<b>0.0</b>	<b>4.5</b>	<b>-18.1</b>	<b>-0.7</b>	<b>-12.8</b>	<b>-5</b>	<b>-96</b>
<b>FINANCIAL RATIOS</b>							
<b>Including non-controlling interests' share</b>							
Equity ratio	-	26%	36%	46%	27%	46%	27%
NIBD/EBITDA factor	-	0.7	-0.5	-0.6	0.2	-0.6	0.2
<b>Number of employees at 31 December</b>	<b>0</b>	<b>320</b>	<b>333</b>	<b>334</b>	<b>328</b>	<b>334</b>	<b>328</b>

The financial ratios have been computed in accordance with the latest version of Guidelines issued by the Danish Finance Society. Cf. definitions in accounting policies note 25, page 39.

**Based at the Aalborg plant in Denmark, Aalborg Portland develops, produces and distributes grey and white cement. The main markets are Denmark, the North European region and USA.**

**Activities are carried out through Aalborg Portland A/S and its sales subsidiaries Aalborg Portland Íslandi ehf., Aalborg Portland OOO, Russia, Aalborg Portland Polska Sp. z o.o, Aalborg Portland France S.A.S and Aalborg Portland Belgium S.A.**

Aalborg Portland's strategic objective is to maintain its market position in Denmark, to expand its position in neighbouring countries and to consolidate a position as global leader on white cement through customised solutions and competitive prices.

This is achieved by means of ongoing focus on customer requirements including technical services, specialised product development, optimised processes, and investment in continuous development of production facilities and employee resources.

Overall in 2018, Aalborg Portland realised revenue of EUR 244.8m and earnings before depreciation and amortisation (EBITDA) was EUR 79.8m, on par with 2017.

Earnings in 2018 are reflecting the high increase in energy prices, a slowdown in the domestic market compensated by higher productivity and efficiency in production and supply chain.

Export of grey cement was 12% above 2017 level as sales on the main markets, i.e. Norway, Iceland and the Faroe Islands, continued to grow.

Finally, export of white cement increased due to general market growth most notably in USA, and partially due to strategic positioning in France and Benelux resulting in higher market shares. Aalborg Portland continues to be the market leader of white cement in a number of European markets.

In 2018, constant focus on higher operating efficiency and working capital management led to a positive operational cash flow (CFFO) of EUR 75.4m. The cash flow funded the year's investment of EUR 18.4m in improvements, energy savings and environmental projects. The free cash flow after investments (FCF) was EUR 57m. After a dividend distribution of EUR 125m to Aalborg Portland Holding, the net interest-bearing debt amounted to EUR 17.4m against EUR -51.1m (cash position) in 2017.

### **Subsidiaries**

#### *Poland*

Following the positive market development in previous years, sales continued to increase in Poland and surrounding countries which also was reflected in the earnings.

#### *Iceland*

Given an increase in market demand and sales, the result was improved.

#### *France*

The newly established 2017 terminal in Rochefort contribute to higher service levels and is a strong enabler for higher market share and the 2018 sales growth.

#### *Belgium*

The acquisition of Belgian producer CBR's white cement market operations has been successfully integrated in Aalborg Portland Belgium S.A.. This has resulted in significant sales growth of Aalborg White cement and positioned Aalborg Portland as the white cement market leader in the Benelux region.

#### *Russia*

Due to official requirements of cement re-certification and import restrictions there were no sales in Russia in 2018.

### **Continued customer focus**

Together with security and sustainability, customer focus is paramount in Aalborg Portland's long term strategic development as well as in the day to day business.

Our customers have eligible high expectations on timely deliveries, quality and consistency, which we strive to meet at all time. Equally important is our obligation and ability to support customers on any technical issue they might ex-

## Management's review for 2018

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perience, and in a close dialogue to develop new products and services with the goal of enabling better solutions towards the end user.

Several established activities are in place in this respect: The customer day under the name Portland Open was held for the fifth consecutive year where the newest findings on relevant subjects in cement and concrete were presented by Aalborg Portland's technicians and external peers for more than 150 customers. Furthermore, each year a customer satisfaction survey is carried out in domestic and export markets by an independent consultancy company which apart from invaluable customer feedback resulted also in 2018 in a very good score on customer satisfaction.

In 2018 we further intensified our work on new products and packaging. As part of Grøn Beton II project on a concrete with reduced CO<sub>2</sub> footprint Aalborg Portland participated and the results has already led to work on commercialization of a new "greener" cement from Aalborg Portland.

First production from the Aalborg White Solution™, was developed, tested and launched in 2018. The first product which uses the Cementir Holding patented Futurecem™ sustainable binder technology.

Finally, also 2018 was characterized by a continued high level of re-investments into the factory in Denmark. Following the the huge 2017-investment in new calciners the investments in 2018 has focused on improving kiln reliability, increasing usage of alternative fuel and reducing emissions to the environment. Contributing to higher production output and a reduction of the environmental footprint. In 2018 a record-high substitution of 53% of the fossil-fuels was performed on the grey cement kiln.

### Sustainability and social responsibility

Aalborg Portland has a long tradition for socially and environmentally responsible behaviour in the countries in which it operates. Aalborg Portland is committed to making significant contribution to realising society's climate goals and therefore invests substantial amounts in continued environmental improvements and industrial symbiosis.

In 2017, Aalborg Portland's largest production line for grey cement underwent a massive makeover. The investment of EUR 10.7m, has resulted in more stable, more efficient and above all more sustainable cement production. Thus, the Group's ambitions to reduce the consumption of fossil fuels and to source 60% of energy consumption from alternative fuels were already achieved in 2018. This percentage was even exceeded in some periods, approaching 100% on certain days. Work is now continuing on projects aimed at further reducing the use of fossil fuels.

Projects are continuously under way that promote sustainability in both production and use of products and contribute to the circular economy in society.

In 2018, an agreement was signed with Aalborg Forsyning for supply of district cooling to North Jutland's new general hospital, which is scheduled for completion in 2020 and lies in eastern Aalborg just 3 km from the Aalborg Portland plant. Cold water supplied from the deep lake in the company's chalk quarry will be used to provide both comfort cooling and process cooling for the hospital.

In 2018 more than 700,000 tonnes of alternative raw materials and fuels were utilised in cement production in resource-efficient partnerships.

Excess heat from cement production has been used to supply heating to around 20,000 Aalborg households for several years. However, potential exists to supply a further 25,000 households via the district heating network, thereby providing approx. 50% of the City of Aalborg's heat requirement and at the same time contributing significantly to the goal of phasing out the use of fossil fuels at the city's power station by 2028. Aalborg Portland is assisting constructively in the studies of the possibilities for utilising this potential and has pointed out in this context that the necessary investment could be made profitable by adjusting the billing price for the supply of heat and by reducing the tax on excess heat.

Special levies are applied in Denmark to which European competitors are exempt and which therefore represent a considerable burden for the Group. The Danish government's decision to phase out the PSO levy over a period of five years from 2017 to 2021 therefore has very great significance for the competitiveness of Danish production companies, including for production of cement in Aalborg. This relaxation has brought conditions more closely into line with those applying to similar production companies elsewhere in Europe. A removal of these levies will encourage long-term investments in new production and promote employment in Denmark.

## Management's review for 2018

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The CO<sub>2</sub> quota allocation after 2020, which is currently being negotiated in the EU, remains a significant element of uncertainty. As Aalborg Portland has substantial export activities outside the EU it is imperative that this is taken into consideration, and in such a way that production and jobs can remain in Denmark. Securing a fair quota allocation and abolishing the NOx levy will create a platform for further investments in Danish production, and thereby safeguard and increase the number of Danish jobs.

Aalborg Portland publishes a detailed annual environmental report. Besides presenting policies and results achieved, the report describes the environmental, energy and health & safety management systems and its certifications.

Aalborg Portland's Statutory Report on Corporate Social Responsibility, cf. Section 99(a) of the Danish Financial Statements Act, can be found in "Sustainability Report 2018" published by Cementir Holding, the owner of Aalborg Portland Holding. The report is available at [www.cementirholding.it](http://www.cementirholding.it).

In accordance with Danish regulations governing the gender composition of management in large companies, cf. Section 139(a) of the Danish Companies Act and Section 99(b) of the Danish Financial Statements Act, the Group's policy on gender equality is being extended to recruitment and promotion, the decisive consideration being to find the best qualified people for all company positions. Focus is placed on increasing the number of female managers to provide for a balanced gender composition.

Increasing the female representatives in the management level remains a priority for Aalborg Portland A/S and during 2019 we will continue working to attract female candidates and strengthen our recruitment strategies to ensure that we have female candidates, applying for management positions.

In 2018, the proportion of female managers in Aalborg Portland A/S constitutes in total 14%.

In the beginning of 2018, Aalborg Portland A/S had one female and three male AGM-elected members. During the year the female member resigned. The aim of Aalborg Portland A/S is to have at least one female AGM-elected member before the end of 2021.

### **Payments to authorities**

In accordance with Danish regulations governing payments to authorities in large companies, cf. Section 99(c) of the Danish Financial Statements Act, Aalborg Portland has direct and indirect tax payments in relation to raw materials for cement production at EUR 1.0m and total payments incl. income tax on profit at EUR 11.3m.

### **Expectations to 2019**

Grey sales volumes in 2019 are expected to increase just below the general economic growth in Denmark and nearby markets, while the outlook for white export sales are better mainly driven by continued market growth and improved positioning in France and Benelux. In line with the long-term strategy, focus will remain on customer satisfaction and increasing competitiveness.

Earnings in 2019 are expected to increase in the same degree as the sales volumes, given expectations on stable energy prices.

### Profit and loss account

Revenue in 2018 amounted to EUR 244.8m (2017: EUR 245.4m).

Sales in Denmark and the European export markets were on par with 2017.

Operating profit before depreciation (EBITDA ratio) reached 32.6% (2017: 32.6%). Energy and fuel cost increases were partly offset by continued focus on Operational Excellence and cost optimisation programmes.

Earnings before interest and tax (EBIT) amounted to EUR 60.3m (2017: EUR 61.8m).

Tax on profit for the year amounted to EUR 12.8m (2017: EUR 13.4m), net profit for the year being EUR 46.5m (2017: EUR 49.6m).

### Cash flows

Cash flow from operating activities (CFFO) was EUR 75.4m for 2018 (2017: EUR 47.4m).

Cash flow from investment activities (CFFI) amounted to EUR -18.4m (2017: EUR -36.1m).

### Debt and financial resources

Aalborg Portland is part of the cash pool held by the parent company, Aalborg Portland Holding A/S. Aalborg Portland has access to funding through the parent company financing facility, and added to this a long-term mortgage loans of EUR 135m with an average life of 11.5 years.

### Balance sheet

Non-current assets amounted to EUR 162.4m at 31 December 2018, whereof EUR 136.2m is related to property, plant and equipment.

Current assets amounted to EUR 204.9m, which is mainly related to inventories and receivables.

### Shareholders' equity

Shareholders' equity amounted to EUR 97.6m at the end of 2018 against EUR 176.8m the year before. The decrease in shareholders' equity is due to dividend.

Equity ratio was 27% at the end of 2018 (46% in 2017).

### Working capital

Working capital, i.e. the capital tied up in debtors and inventories less creditors, was at a low level through focused control and reporting in relation to agreed goals. Keeping down working capital saves on interest expenses and frees up resources for investment etc. Furthermore, as stated, low working capital contributes to an improved return on capital employed (ROCE).

Working capital at end-2018 amounted to EUR -12.8m (EUR -0.7m in 2017).



## Risk management

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Like any other company, Aalborg Portland A/S (the Company) is affected by risks and uncertainties relating to its business activities and works continuously on strengthening risk management. Aalborg Portland is part of the Aalborg Portland Holding Group (the Group). The Group employs a holistic risk management process in which the most critical risks are:

- Market conditions
- Framework conditions
- Environmental impacts
- Organisation
- Financial risks

The Group continuously monitors and addresses both risks and opportunities in its market areas with a view to achieving its strategic objectives.

### Monitoring and control

The Group's risk management is based on a standardised risk process. The assessment of the individual risk factors is based on the likelihood of the risks occurring and their potential impact on earnings, operations and reputation in this event.

The risk management process is embedded in the management of the business units. The business units together with the corporate and service functions are responsible for identifying, analysing and managing risks and for reporting on progress and initiating control measures. Risk owners are appointed specifically for the most significant risks. The individual unit managements are responsible for integration of risk assessments in all major decisions.

The individual risk reports received from the business units are consolidated at Group level. The combined risk report is included in Group management's monitoring and risk management processes. Group management is responsible for ensuring that the overall risk for the Group as a whole is of an acceptable level and that risk management procedures are implemented.

Group management reports periodically or as needed to the Board of Directors, which determines the overall policies and framework for the day-to-day management.



## Risk management

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### Market conditions

#### *Competition*

Loss of major customers and projects may pose a significant risk in relation to the achievement of the Company's objectives. The Group continuously monitors its markets and takes ongoing actions to adapt to and meet the competitive environment and market changes.

#### *Raw materials and energy prices*

The Company uses large quantities of energy in cement manufacture and is therefore sensitive to long-lasting price changes. In order to mitigate this risk the purchase of energy can partly be hedged by establishing contracts for terms up to 24 months.

Access to essential raw materials is ensured through ownership of deposits, extraction licences, long-term contracts and diversity in terms of suppliers. Furthermore, the market for the raw materials which are considered production-critical is carefully monitored. A small number of raw materials are subject to particular uncertainty as regards long-term security of supply, and the Company is working proactively to find appropriate solutions to this issue.

### Framework conditions

#### *Legislation and other regulations*

The Company is subject to regulatory changes by the authorities and organisations in a variety of areas. Non-compliance with recommendations and regulations is often subject to substantial fines and constitutes a potential risk to overall earnings. The Company is committed to conforming with all aspects of competitive legislation, environmental legislation and internal rules regarding fraud. The Group trains relevant personnel in compliance with current requirements on an ongoing basis.

#### *Political risks*

The Group operates globally, including in emerging and growth markets with special political risks. This can have material consequences both for production conditions and sales. The Group pursues active dialogue at all levels with politicians, authorities and interest groups to create a good basis for continued operation and to enable the Group's operations to be adjusted when appropriate.

#### *Taxes and levies*

The Company's production is subject to substantial taxation, particularly in Denmark. Tax represents a material area of risk for the Company as it impacts directly on competitiveness and sales potential. It is particularly difficult to compete on price with cement producers from neighbouring countries that do not have high tax levels like Denmark.

#### *CO<sub>2</sub> quotas*

The future granting of CO<sub>2</sub> quotas to the Group's production units may have substantial financial impact. Ongoing focus is therefore placed by the Group on complying with all requirements relating to the granting of such quotas. The Group also closely monitors EU and national political issues concerning CO<sub>2</sub> quotas in relation to the Group's expected development in the EU area.

### Environmental impacts

The Group's business units and management are very conscious of their environmental role and strive to recognise, manage and counteract relevant risks in this regard. The manufacture of the Group's products consumes raw materials and energy, but the environmental and climate characteristics of these products are very favourable. It is the stated pol-

## Risk management

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icy of the Group to contribute constructively and significantly to achieving society's climate goals, and through the development of its products and production the Group therefore constantly strives to ensure a more environment-friendly and sustainable cement manufacture.

### **Organisation**

#### *Employees and management*

The Company's continued success is dependent on the retention of experienced employees and managers and on the recruitment of new skilled employees and managers to the Group's business units and support functions. Accordingly, the Group attaches importance to providing attractive jobs with good development opportunities for employees and managers.

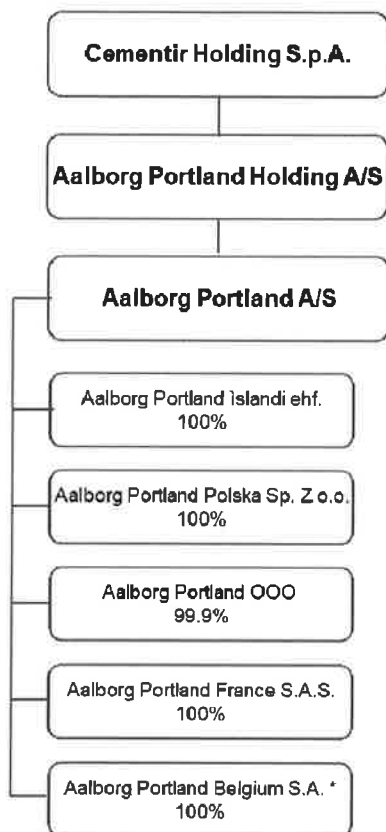
#### *IT systems*

IT systems are used in all parts of the Company's activities, including production, sales and finance. Operational disruption and loss of data and communications would impact the Group negatively. Consequently, IT security and business continuity are accorded high priority, especially in connection with implementation of new systems.

### **Financial risks**

Financial risks, including currency risks, which are of material significance for the Company are described in the notes to the financial statements.

## Group chart



**Aalborg Portland Group, 31 December 2018**

**Ownership:**

Aalborg Portland A/S is a 100% owned subsidiary of Aalborg Portland Holding A/S, which is part of the Cementir Group, an international supplier of cement and concrete.

\* One share owned by Aalborg Portland Holding A/S

Income statement  
Statement of comprehensive income  
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Notes:

- 1 Revenue
- 2 Cost of sales
- 3 Research and development costs
- 4 Staff costs
- 5 Fees to the auditors appointed by the Annual General Meeting
- 6 Other operating income and other operating costs
- 7 Financial income and expenses
- 8 Income tax
- 9 Environmental taxes
- 10 Intangible assets
- 11 Property, plant and equipment
- 12 Other non-current assets
- 13 Deferred tax assets and deferred tax liabilities
- 14 Inventories
- 15 Trade receivables, other receivables and prepayments
- 16 Provisions
- 17 Credit institutions and other borrowings
- 18 Other payables
- 19 Charges and securities
- 20 Contingent liabilities, contractual obligations and contingent assets
- 21 Related party transactions
- 22 Financial risks and financial instruments
- 23 Post-balance sheet events
- 24 Critical accounting policies as well as account estimated and judgements
- 25 Accounting policies

## Income statement

EUR '000

Notes	2018	2017
1 Revenue	244,791	245,360
2+3+4+9 Cost of Sales	131,112	130,020
<b>Gross profit</b>	<b>113,679</b>	<b>115,340</b>
4+9+15 Sales and distribution costs	38,590	36,469
4+5+9 Administrative expenses	16,261	17,744
6 Other operating income	1,519	709
<b>Earnings before interest and tax (EBIT)</b>	<b>60,347</b>	<b>61,836</b>
7 Financial income	2,393	5,143
7 Financial expenses	3,381	3,924
<b>Earnings before tax (EBT)</b>	<b>59,359</b>	<b>63,055</b>
8 Tax on profit for the year	12,828	13,430
<b>Profit for the year</b>	<b>46,531</b>	<b>49,625</b>
Attributable to:		
Non-controlling interests	0	0
Shareholders in Aalborg Portland A/S	46,531	49,625
To be distributed as follows:		
Retained earnings	46,531	49,625

## Statement of comprehensive income

EUR '000

Notes	2018	2017
Profit for the year	46,531	49,625
Items that can be reclassified to the income statement:		
Exchange rate adjustments on translation of foreign currency	-136	0
Changes in fair value of financial instruments	-141	-221
Tax	31	0
<b>Other comprehensive income after tax</b>	<b>-246</b>	<b>-221</b>
<b>Total comprehensive income</b>	<b>46,285</b>	<b>49,404</b>

## Cash flow statement

EUR '000

Notes	2018	2017
<b>Profit/loss for the period</b>	<b>46,531</b>	<b>49,625</b>
Reversal of amortisation and depreciation	19,466	17,558
Net financial income / expense	989	-1,221
Gains/losses on disposals	-4	0
Income taxes	12,828	13,430
Change in provisions (current and non-current)	6	46
<b>Operating cash flows before changes in working capital</b>	<b>79,816</b>	<b>79,438</b>
Increase / decrease inventories	-6,153	-9,507
Increase / decrease trade receivables	2,467	-1,736
Increase / decrease trade payables	15,997	-6,404
Change in non-current/current other assets/liabilities	-4,687	411
Change in current and deferred taxes	-104	-49
<b>Operating cash flows</b>	<b>87,336</b>	<b>62,153</b>
Dividends collected	1,514	3,416
Interests collected	254	207
Interests paid	-2,418	-1,961
Other income collected/expenses paid	-61	-1,072
Income taxes paid	-11,251	-15,318
<b>Cash flow from operating activities</b>	<b>75,374</b>	<b>47,425</b>
Investments intangible assets	-253	-14,502
Investments property, plant and equipment and investment property	-18,150	-19,588
Investments in equity investments and other non-current securities	0	-2,000
Proceeds from sale of intangible assets	11	0
Proceeds from sale of property, plant and equipment	4	0
<b>Cash from investing activities</b>	<b>-18,388</b>	<b>-36,090</b>
Change in non-current financial liabilities	26,607	-9,841
Change in current financial liabilities	42,100	-7,401
Dividend distributed	-125,487	0
Other variances of equity	-235	8
<b>Cash flow from financing activities</b>	<b>-57,015</b>	<b>-17,234</b>
Net change in cash and cash equivalent	-29	-5,899
Cash and cash equivalent opening balance	29	5,928
<b>Cash and cash equivalent closing</b>	<b>0</b>	<b>29</b>

## Balance sheet

EUR '000

Notes	ASSETS	2018	2017
	Goodwill	2,327	2,334
	Other intangible assets	15,974	18,188
	Intangible assets in development	120	256
10	<b>Intangible assets</b>	<b>18,421</b>	<b>20,778</b>
	Land and buildings	28,263	30,713
	Plant and machinery	95,497	89,131
	Property, plant and equipment in development	12,480	15,580
11	<b>Property, plant and equipment</b>	<b>136,240</b>	<b>135,424</b>
	Investments in subsidiaries	7,599	7,622
	Other non-current assets	151	156
12	<b>Other non-current assets</b>	<b>7,750</b>	<b>7,778</b>
	<b>Total non-current assets</b>	<b>162,411</b>	<b>163,980</b>
14	<b>Inventories</b>	<b>40,991</b>	<b>34,838</b>
15	Trade receivables	12,630	12,163
	Amounts owed by Group enterprises	142,569	166,669
15	Other receivables	7,820	4,778
15	Prepayments	846	509
	<b>Receivables</b>	<b>163,865</b>	<b>184,119</b>
	<b>Cash and cash equivalents</b>	<b>0</b>	<b>29</b>
	<b>Total current assets</b>	<b>204,856</b>	<b>218,986</b>
	<b>TOTAL ASSETS</b>	<b>367,267</b>	<b>382,966</b>



## Balance sheet

EUR '000

<b>EQUITY AND LIABILITIES</b>		<u>2018</u>	<u>2017</u>
<b>Notes</b>			
	<b>Shareholder's equity</b>		
	Share capital	13,404	13,404
	Hedge reserve	-110	0
	Retained earnings	<u>84,309</u>	<u>163,401</u>
	<b>Total shareholders' equity</b>	<b><u>97,603</u></b>	<b><u>176,805</u></b>
	<b>Liabilities</b>		
13	Deferred tax liabilities	23,036	21,271
16	Provisions	3,689	3,633
17+19	Credit institutions, etc.	<u>122,827</u>	<u>96,221</u>
	<b>Non-current liabilities</b>	<b><u>149,552</u></b>	<b><u>121,125</u></b>
17+19	Credit institutions, etc.	12,635	9,555
	Trade payables	63,652	54,717
	Amounts owed to Group enterprises	26,310	1,643
16	Provisions	0	50
	Joint taxation contribution payables	12,421	12,745
18	Other payables	<u>5,094</u>	<u>6,326</u>
	<b>Current liabilities</b>	<b><u>120,112</u></b>	<b><u>85,036</u></b>
	<b>Total liabilities</b>	<b><u>269,664</u></b>	<b><u>206,161</u></b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>367,267</u></b>	<b><u>382,966</u></b>

## Statement of shareholders' equity

EUR '000

	Share capital	Hedge reserve	Retained earnings	Total equity
<b>Shareholders' equity at 1 January 2018</b>	<b>13,404</b>	<b>0</b>	<b>163,401</b>	<b>176,805</b>
Effect of translation to presentation currency		0	-136	-136
Changes in fair value of financial instruments		-110	0	-110
Profit for the year (total comprehensive income)			46,531	46,531
Extraordinary paid dividend			-125,487	-125,487
<b>Shareholders' equity at 31 December 2018</b>	<b>13,404</b>	<b>-110</b>	<b>84,309</b>	<b>97,603</b>

	Share capital	Hedge reserve	Retained earnings	Total equity
<b>Shareholders' equity at 1 January 2017</b>	<b>13,404</b>	<b>0</b>	<b>113,997</b>	<b>127,401</b>
Effect of translation to presentation currency			-221	-221
Profit for the year (total comprehensive income)			49,625	49,625
<b>Shareholders' equity at 31 December 2017</b>	<b>13,404</b>	<b>0</b>	<b>163,401</b>	<b>176,805</b>

The share capital in 2018 and 2017 consists of:  
100,000 shares at DKK 1,000

All shares are fully issued and paid up. One share of DKK 1,000 holds one vote.

## Notes

EUR '000

<b>1</b>	<b>Revenue</b>	<u>2018</u>	<u>2017</u>
	<b>Split by product</b>		
	Sale of cement	239,890	239,313
	Other sales*	4,901	6,047
		<u><b>244,791</b></u>	<u><b>245,360</b></u>
	<b>Split by geography</b>		
	Denmark	136,255	140,008
	Other Europe	85,433	77,779
	USA	20,952	22,332
	Other	2,151	5,241
		<u><b>244,791</b></u>	<u><b>245,360</b></u>

All revenue derives from contracts.

\*Other sales mainly include sale of heat etc.

<b>2</b>	<b>Cost of sales</b>		
	Cost of sales amounts to EUR 131.1m (2017: EUR 130.0m). Hereof direct staff costs amount to 20.2m (2017: EUR 19.4m) and use of raw materials amounts to EUR 16.8m (2017: EUR 17.7m).		

<b>3</b>	<b>Research and development costs</b>		
	Research and development costs paid	<u>2,696</u>	<u>2,501</u>
		<u><b>2,696</b></u>	<u><b>2,501</b></u>

<b>4</b>	<b>Staff costs</b>		
	Wages and salaries and other remuneration	27,515	29,445
	Pension costs, defined contribution scheme	2,201	2,159
	Social security costs	340	350
		<u><b>30,056</b></u>	<u><b>31,954</b></u>

Number of employees at 31 December	<u>328</u>	<u>334</u>
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Average number of full-time employees	<u>334</u>	<u>330</u>
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<b>Remuneration of the Board of Directors, the Management and other senior executives</b>			
Salaries and remunerations	1,909	1,997	
Pension contributions	194	212	
	<u><b>2,103</b></u>	<u><b>2,209</b></u>	

Hereof Board of Directors and Management	<u>1,646</u>	<u>1,720</u>
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Remuneration of the Board of directors represents EUR 103k in 2018 (2017: EUR 105k).

**Pension schemes**

Pension schemes in Aalborg Portland A/S are defined contribution schemes, which do not entail any obligations beyond payment of contributions.

## Notes

EUR '000

<b>5 Fees to the auditors appointed by the Annual General Meeting</b>	<u>2018</u>	<u>2017</u>
Total fees to KPMG are specified as follows:		
Statutory audit	115	111
Other assurance engagements	3	6
Other services	56	14
	<u>174</u>	<u>131</u>
 <b>6 Other operating income and other operating costs</b>		
<b>Other operating income</b>		
Rent income	838	709
Profit on sale of property, plant and equipment	4	0
Sale of scrap, spare parts and consumables	284	0
Other income	393	0
	<u>1,519</u>	<u>709</u>
 <b>7 Financial income and expenses</b>		
<b>Financial income</b>		
Interest, cash funds etc.	1	18
Interest, Group enterprises	253	311
Dividends received from subsidiaries	1,514	3,416
Exchange rate adjustments	625	1,398
	<u>2,393</u>	<u>5,143</u>
 Interest on financial assets measured at amortised cost	<u>254</u>	<u>329</u>
<b>Financial expenses</b>		
Interest, credit institutions etc.	1,288	1,600
Interest, Group enterprises	1,391	632
Losses on derivatives	28	112
Exchange rate adjustments	674	1,580
	<u>3,381</u>	<u>3,924</u>
 Interest on financial obligations measured at amortised cost	<u>2,679</u>	<u>2,232</u>
 <b>8 Income tax</b>		
<b>Income tax</b>		
Current tax on the profit for the year/joint taxation contribution	12,680	13,054
Deferred tax adjustment	156	180
Other adjustments, including previous years	-8	196
	<u>12,828</u>	<u>13,430</u>
 <b>Taxes paid</b>	<u>11,251</u>	<u>15,318</u>
<b>Reconciliation of tax rate</b>		
Tax according to Danish tax rate 22.0%	13,059	13,872
Dividends received from subsidiaries and profits from sales	-333	-752
Other, including adjustments previous years	88	298
	<u>12,828</u>	<u>13,430</u>
 <b>Applicable tax rate for the year</b>	<u>21.6%</u>	<u>21.3%</u>
 <b>Income tax recognised directly as other comprehensive income</b>	<u>0</u>	<u>0</u>
 <b>Total income tax</b>	<u>12,828</u>	<u>13,430</u>

## Notes

EUR '000

### 9 Environmental taxes

	w1	2017
The Company has paid the following direct environmental taxes:		
Sulphur	659	933
NO <sub>x</sub>	1,707	1,773
Electricity	167	167
Waste	455	334
Energy	515	679
Raw materials	715	808
Diesel and fuel oil	2	1
PSO	2,604	2,309
	<b>6,824</b>	<b>7,004</b>

### 10 Intangible assets

	Goodwill	Other intangible assets	Intangible assets in development	Total
Cost at 1 January 2018	2,334	30,689	256	33,279
Exchange rate adjustments	-7	-94	-1	-102
Additions	0	155	98	253
Disposals	0	-39	0	-39
Other adjustments/reclassifications	0	233	-233	0
<b>Cost at 31 December 2018</b>	<b>2,327</b>	<b>30,944</b>	<b>120</b>	<b>33,391</b>
Amortisation and impairment at 1 January 2018	0	12,501	0	12,501
Exchange rate adjustments	0	-42	0	-42
Reversed amortisation on disposals	0	-29	0	-29
Amortisation for the year	0	2,540	0	2,540
<b>Amortisation and impairment at 31 December 2018</b>	<b>0</b>	<b>14,970</b>	<b>0</b>	<b>14,970</b>
<b>Carrying amount at 31 December 2018</b>	<b>2,327</b>	<b>15,974</b>	<b>120</b>	<b>18,421</b>
	Goodwill	Other intangible assets	Intangible assets in development	Total
Cost at 1 January 2017	2,337	15,707	576	18,620
Exchange rate adjustments	-3	-35	-1	-39
Additions	0	14,282	221	14,503
Other adjustments/reclassifications	0	735	-540	195
<b>Cost at 31 December 2017</b>	<b>2,334</b>	<b>30,689</b>	<b>256</b>	<b>33,279</b>
Amortisation and impairment at 1 January 2017	0	11,337	0	11,337
Exchange rate adjustments	0	-16	0	-16
Amortisation for the year	0	1,180	0	1,180
<b>Amortisation and impairment at 31 December 2017</b>	<b>0</b>	<b>12,501</b>	<b>0</b>	<b>12,501</b>
<b>Carrying amount at 31 December 2017</b>	<b>2,334</b>	<b>18,188</b>	<b>256</b>	<b>20,778</b>

Amortisation during the year is included in the following items:

Cost of sales	32	18
Sales and distribution costs	521	272
Administrative expenses	1,987	890
	<b>2,540</b>	<b>1,180</b>

Other intangible assets include software licenses (SAP R/3), quarry rights, CO<sub>2</sub> quotas, customers and development projects.

Except goodwill, all intangible assets have definite useful lives. The management has not identified factors indicating a need for carrying through impairment test of other intangible assets.

The carrying amount of development projects is EUR 0.0m (2017: EUR 0.0m).

Internally generated intangible assets, mainly regarding SAP implementation, amount to EUR 1.1m (2017: EUR 1.3m).

Goodwill is related to cement activity. Due to strong cash flow there is no indication on impairment.

## Notes

EUR '000

### 11 Property, plant and equipment

	Land and buildings	Plant and machinery	Property, plant and equipment in development	Total
Cost at 1 January 2018	112,611	416,117	15,580	544,308
Exchange rate adjustments	-338	-1,288	-41	-1,667
Additions	0	8,683	9,467	18,150
Disposals	0	-38	0	-38
Reclassifications	10	12,516	-12,526	0
<b>Cost at 31 December 2018</b>	<b>112,283</b>	<b>435,990</b>	<b>12,480</b>	<b>560,753</b>
Depreciation and impairment at 1 January 2018	81,898	326,986	0	408,884
Exchange rate adjustments	-250	-1,008	0	-1,258
Reversed depreciation on disposals	0	-38	0	-38
Depreciation for the year	2,372	14,553	0	16,925
<b>Depreciation and impairment at 31 December 2018</b>	<b>84,020</b>	<b>340,493</b>	<b>0</b>	<b>424,513</b>
<b>Carrying amount at 31 December 2018</b>	<b>28,263</b>	<b>95,497</b>	<b>12,480</b>	<b>136,240</b>

	Land and buildings	Plant and machinery	Property, plant and equipment in development	Total
Cost at 1 January 2017	111,694	397,541	16,438	525,673
Exchange rate adjustments	-159	-577	-22	-758
Additions	2	7,696	11,890	19,588
Reclassifications	1,074	11,457	-12,726	-195
<b>Cost at 31 December 2017</b>	<b>112,611</b>	<b>416,117</b>	<b>15,580</b>	<b>544,308</b>
Depreciation and impairment at 1 January 2017	79,616	313,459	0	393,075
Exchange rate adjustments	-114	-454	0	-568
Depreciation for the year	2,396	13,981	0	16,377
<b>Depreciation and impairment at 31 December 2017</b>	<b>81,898</b>	<b>326,986</b>	<b>0</b>	<b>408,884</b>
<b>Carrying amount at 31 December 2017</b>	<b>30,713</b>	<b>89,131</b>	<b>15,580</b>	<b>135,424</b>

	2018	2017
Depreciation during the year is included in the following items:		
Cost of sales	16,588	16,037
Sales and distribution costs	2	2
Administrative expenses	335	338
	<b>16,925</b>	<b>16,377</b>

The Company has signed no essential contracts regarding purchase of property, plant and equipment. No changes are made in significant accounting estimates regarding property, plant and equipment.

## Notes

EUR '000

12 Other non-current assets	Investments in subsidiaries	Other non-current assets	Total
Cost at 1 January 2018	7,622	156	7,778
Exchange rate adjustments	-23	0	-23
Disposals	0	-5	-5
<b>Cost at 31 December 2018</b>	<b>7,599</b>	<b>151</b>	<b>7,750</b>
<b>Carrying amount at 31 December 2018</b>	<b>7,599</b>	<b>151</b>	<b>7,750</b>
	Investments in subsidiaries	Other non-current assets	Total
Cost at 1 January 2017	5,632	156	5,788
Exchange rate adjustments	-10	0	-10
Other	2,000	0	2,000
<b>Cost at 31 December 2017</b>	<b>7,622</b>	<b>156</b>	<b>7,778</b>
<b>Carrying amount at 31 December 2017</b>	<b>7,622</b>	<b>156</b>	<b>7,778</b>

Other non-current assets mainly relate to deposits and loans in both years.

13 Deferred tax assets and deferred tax liabilities	2018	2017
<b>Change in deferred tax in the year</b>		
Deferred tax at 1 January	21,271	20,503
Exchange rate adjustments	-67	-29
Adjustments, previous years via income statement	1,707	617
Adjustment on hedge accounting	-31	0
Movements via income statement	156	180
<b>Deferred tax liabilities at 31 December, net</b>	<b>23,036</b>	<b>21,271</b>
Deferred tax is presented in the balance sheet as follows:		
Deferred tax liabilities	23,036	21,271
<b>Deferred tax liabilities at 31 December, net</b>	<b>23,036</b>	<b>21,271</b>

	Deferred tax liabilities	
	2018	2017
Intangible assets	1,474	1,723
Property, plant and equipment	17,837	16,423
Current assets	3,781	3,235
Provisions	0	-11
Non-current and current liabilities	-56	-99
<b>Deferred tax at 31 December</b>	<b>23,036</b>	<b>21,271</b>

14 Inventories		
Raw materials and consumables	26,161	20,326
Work in progress	6,325	6,374
Finished goods	8,505	8,138
<b>Inventories at 31 December</b>	<b>40,991</b>	<b>34,838</b>

As was the case last year, there are no significant inventories of cement and aggregates carried at net realisable value.

Write-down of inventories of spare parts amounts to EUR 1.7m (2017: EUR 3.9m). Reversal of write-down recognised in the income statement is EUR -2.1m (2017: EUR 0.1m).

## Notes

EUR '000

### 15 Trade receivables, other receivables and prepayments

	2018	2017
Development in provisions for impairment on trade receivables:		
Provision for impairment losses at 1 January	4	3
Provision for impairment in the year	2	1
<b>Provision for impairment at 31 December</b>	<b>6</b>	<b>4</b>

Other receivables include VAT and other amounts.

Prepayments comprise insurance.

Impairment and write-offs included in the income statement amounts to EUR 0.0m.

### 16 Provisions

Provisions at 1 January	3,683	3,637
Exchange rate adjustment	-11	-5
Additions in the year	67	117
Used in the year	0	-40
Reversal	-50	-26
<b>Provisions at 31 December</b>	<b>3,689</b>	<b>3,683</b>

Recognised in the balance sheet as follows:

Stated as non-current liabilities	3,689	3,633
Stated as current liabilities	0	50
	<b>3,689</b>	<b>3,683</b>

Maturities for other provisions are expected to be:

Falling due within one year	0	50
Falling due between one and five years	1,105	1,108
Falling due after more than five years	2,584	2,525
	<b>3,689</b>	<b>3,683</b>

Provisions mainly include re-establishment of chalk, gravel and clay pits at EUR 1.5m (2017: EUR 1.4m), demolition liabilities for buildings and terminal on rented land at EUR 2.2m (2017: EUR 2.2m) as well as other provisions at EUR 0.0m (2017: EUR 0.1m).

Movements in the year include adjustment of liabilities regarding re-establishment of chalk and clay pits and other provisions.

Provisions for liabilities due after more than five years include liabilities regarding re-establishment of chalk, gravel and clay pits and demolition liabilities for buildings and terminals with no decision made regarding closure.

Costs for re-establishment of chalk, gravel and clay pits are mainly paid when finishing an excavation or when moving out from leases. No considerable payments are expected in 2018.



## Notes

EUR '000

### 17 Credit institutions and other borrowings

Bank borrowings and credits in the Parent Company at 31 December:

	Year of maturity	Fixed/ variable	Carrying amount 2018	Carrying amount 2017
Mortgage loan	2033	Variable	135,462	105,776
			<u>135,462</u>	<u>105,776</u>

Fair value of the mortgage loan amounts to EUR 136.2m (2017: EUR 106.4m). Other fair values do not significantly deviate from the carrying amount.

The fair value corresponds to the nominal outstanding debt.

The Company's debt to credit institutions has been recognised and falls due as follows:

	Non-current borrowings (>1 year)	Current borrowings (0-1 year)	Total	Maturity >5 years
31 December 2018:				
Mortgage loan	122,827	12,635	135,462	72,612
	<u>122,827</u>	<u>12,635</u>	<u>135,462</u>	<u>72,612</u>
Specification of contractual cash flows incl. interest:				
	<u>127,838</u>	<u>13,475</u>	<u>141,313</u>	<u>74,263</u>
31 December 2017:				
Mortgage loan	96,221	9,555	105,776	57,382
	<u>96,221</u>	<u>9,555</u>	<u>105,776</u>	<u>57,382</u>
Specification of contractual cash flows incl. interest:				
Mortgage loan	105,742	10,907	116,649	61,491
	<u>105,742</u>	<u>10,907</u>	<u>116,649</u>	<u>61,491</u>

The maturity analysis is based on all undiscounted cash flows including estimated payment of interest.

Payment of interest is estimated and based on the present market conditions.

Maturity of derivatives is disclosed in note 22.

Other financial liabilities are due within 1 year.

### 18 Other payables

Other current payables include holiday pay liabilities, taxes and public indirect taxes, interest payable and dividends payable to non-controlling interests.

### 19 Charges and securities

	2018		2017	
	Carrying amount of mortgaged assets	Debt regarding mortgaged assets	Carrying amount of mortgaged assets	Debt regarding mortgaged assets
Property, plant and machinery	111,216	135,462	106,541	105,776
	<u>111,216</u>	<u>135,462</u>	<u>106,541</u>	<u>105,776</u>

## Notes

EUR '000

### 20 Contingent liabilities, contractual obligations and contingent assets

#### Contingent liabilities

The Company is involved in a few disputes, lawsuits, etc. of various scopes, including a few tax disputes in some countries. No significant liabilities are considered to be incumbent on the Company in that respect, and the outcome of the disputes is not expected to have significant impact on the Company's financial position beyond what has been recognised in the balance sheet.

In 2018, contractual liabilities are EUR 55.2m (2017: EUR 67.9m).

The Company is taxed jointly with other Danish companies in the Aalborg Portland Holding Group. The Company is jointly and unlimited liable with the other companies in the joint taxation of Danish taxes at source and income taxes within the joint taxation group. Payable income taxes in the joint taxation group amounted to EUR 1.2m at 31 December 2018 (2017: EUR 2.6m). Any subsequent corrections of the taxable income subject to joint taxation could cause a higher liability of the Company.

#### Contractual obligations

	2018	2017
<b>Guarantees</b>		
Performance guarantees	606	608
	<b>606</b>	<b>608</b>
<b>Operating leases</b>		
Aggregate future lease payments under non-cancellable operating leases:		
Falling due within one year	8,041	8,518
Falling due between one and five years	38,972	38,276
Falling due after more than five years	8,221	17,172
	<b>55,234</b>	<b>63,966</b>
<b>Operating lease expenses recognised in the income statement</b>	<b>7,404</b>	<b>8,409</b>

Operating leases are primarily related to ships, silos/terminals and operating equipment. These leases contain no special purchase rights, etc.

The Company has no financial leasing liabilities.

### 21 Related party transactions

Related parties with significant influence in the Aalborg Portland A/S:

- Cementir España S.L., Calle General Yagüe, Num. 13, 28020 Madrid, Spain
- Cementir Holding S.p.A., Corso di Francia, 200, 00191 Rome, Italy
- Caltagirone S.p.A., Via Barberini, 28, 00187 Rome, Italy
- Aalborg Portland Holding A/S, Rørdalsvej 44, 9220 Aalborg Øst

Related parties within Aalborg Portland A/S comprise the enterprises' Board of Directors and Management together with family related to these persons.

Furthermore, related parties comprise enterprises in which the above-mentioned persons have significant interests.

Transactions with Aalborg Portland Holding A/S.:

- Intra-group management and administration agreements and royalties	5,460	5,314
- Financial items, net	1,293	598
- Financial receivable	133,969	152,385
- Financial payable	19,314	1,463

Transactions with other related parties:

- Sale of cement and micro silica	102,140	92,891
- Intercompany purchase of cement and other variable costs, net	27,494	14,487
- Intercompany management, administration agreements and shared service	3,629	3,554
- Financial items, net	155	276
- Trade and financial receivables	8,600	14,284
- Trade and financial payables	6,854	181

Remunerations to the Board of Directors and the Management are presented in note 4.

No losses on loans to or receivables from related parties were recognised, nor provisions made for such in 2018 or 2017.

All transactions were made on terms equivalent to arm's length principles.

## Notes

### 22 Financial risks and financial instruments

#### Risk management policy

As a result of its international operations, investments and financing, the Company is exposed to a number of financial risks, including market risks, liquidity and credit risks.

Market risks	Liquidity risks	Credit risks
Risks that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices.	Risks that the Company will encounter difficulties in meeting obligations associated with financial liabilities.	Risks that a counterparty of a financial instrument is unable to fulfil its obligations and thereby inflict a loss to the Company.

The Group's Finance & Treasury is in charge of the overall risk management in accordance with the principles adopted by the Board of Directors and the Company follows the Group policy. The policy is not to engage in any active speculation in financial risks. The Group's financial management is thereby solely directed towards the management and reduction of financial risks arising directly from the commercial operations, investments and financing.

The Company does not hedge the currency risk between EUR/DKK due to the Danish fixed-exchange-rate policy aimed at the EUR.

Neither in 2018 nor in 2017 the Company has defaulted or breached any loan agreements (covenants).

#### Market risks

Currency risks	Interest rate risks	Raw material price risks
Arise due to purchase and sale transactions as well as financial assets and liabilities in currencies other than the functional currency of the individual Company business.	Refer to the influence of changes in market interest rates on future cash flow relating to the Company's interest-bearing assets and liabilities and the fair value of these.	Refer to the influence of changes in raw material prices, which are not related to currency risks or interest rate risks.

#### Currency risks

Hedging is assessed and taken out in close co-operation with the Italian parent company. For the hedging of currency risks, the Company analyses realised and expected cash flows broken down by currencies.

##### *Risks relating to purchases and sales*

Revenue from the Company's activities and the purchases by this segment are denominated in several currencies. Accordingly, these activities are also exposed to changes in exchange rates.

The Company's currency risks are primarily hedged by the settlement of income and costs in the same currency and by use of derivative financial instruments. Investments in Group enterprises are not hedged.

The Company's most predominant currency exposure regarding the operating results arises from sales and purchases in EUR, USD, GBP, NOK, SEK and PLN. A 10% drop in these currencies (apart from EUR) would, viewed separately, increase EBITDA by EUR 1.9m (NOK amounts to EUR 0.1m, GBP amounts to EUR 1.1m, PLN amounts to EUR 1.2m, USD amounts to EUR -0.5m and SEK amounts to 0.0m), (2017: NOK amounts to EUR 0.1m, GBP amounts to EUR 0.9m, PLN amounts to EUR 1.4m, USD amounts to EUR -0.9m and SEK amounts to 0.0m).

##### *Risks relating to net financing*

The Company's most important net positions at 31 December 2018 relate to payable in USD. If the USD had been 10% down at 31 December 2018, the Company's equity would have been affected negatively by an exchange rate adjustment of EUR 0.5m (2017: EUR 0.2m). Rising exchange rates would have had a similar positive impact on equity.

## Notes

### *Translation risks relating to net investments in subsidiaries*

Hedging of currency risk is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to net assets in foreign subsidiaries are accounted directly in equity.

With regard to investments in foreign enterprises, equity at 31 December 2018 would have been reduced by EUR 1.0m (2017: EUR 1.0m), if the PLN, ISK, EUR and RUB exchange rates had been 10% down on the actual exchange rates.

### *Assumptions of sensitivity analysis*

The sensitivities are stated on the assumption of unchanged sales and price levels and interest levels, and on the assumption of recognised assets and liabilities at 31 December 2018.

### *Forward contracts regarding future transactions*

The Company does not comply with the conditions for taking out hedge accounting of future cash flows from the sale of goods. In terms of the hedging of future investments, the Company assesses in each case whether these comply with the conditions for hedge accounting.

Open forward contracts at 31 December are specified as follows:

#### **2018**

<i>EURm</i>	<b>GBP</b>	<b>Total</b>
Market value - forward contracts	0.0	<b>0.0</b>
Notional principal amount - forward contracts *)	0.0	<b>0.0</b>

#### **2017**

<i>EURm</i>	<b>GBP</b>	<b>Total</b>
Market value - forward contracts	0.1	<b>0.1</b>
Notional principal amount - forward contracts *)	-5.9	<b>-5.9</b>

The forward contracts fall from March 2108 - December 2018.

\*) For forward exchange contracts, positive notional values are purchases of the relevant currency, negative notional values are sales.

### **Interest rate risk**

The Company has exposure to interest rate changes in Denmark. The primary interest-rate exposure is related to fluctuations in CIBOR.

The Company's preferred financing is floating rate loans. The Company's net interest-bearing debt (NIBD) at 31 December 2018 came in at EUR 17.4m, 100% thereof financed by floating rate loans. NIBD at 31 December 2017 represented EUR -51.1m.

With regard to the Company's floating rate loans and cash equivalents, an annual 1% increase in the interest level in proportion to the actual interest rates would, other things being equal, have had an adverse hypothetical impact on the profit before tax of EUR 1.2m (2017: EUR 1.1m) and on equity of EUR 0.9m (2017: EUR 0.9m). A declining interest level would have had a corresponding positive impact on result and equity.

### **Raw material price risks**

The Company uses a number of raw materials in the manufacture of products, which expose the Company to a price risk, i.a. especially different fuels and electricity. The Company enters into annual fixed price contracts for some raw materials. A material part of the price risk on the Company's fuel oil is hedged through swap agreements.

Open swap contract at 31 December, net:

#### **2018**

<i>EURm</i>	<b>Total</b>
Market value - swap contracts	<b>-0.1</b>

The swap contracts fall due in December 2019.

## Notes

### Liquidity risks

Aalborg Portland A/S is included in the Cementir Group's overall management of financial risks.

Aalborg Portland A/S has access to funding through the Cementir Holding facility and also through Aalborg Portland Holding's uncommitted facility in Danske Bank.

The Company is part of the Group's cash pool scheme. The purpose of the cash pool scheme is to optimise cash management and the use of liquidity in the participating companies.

Regarding maturities of the Company's debt, reference is made to note 17.

Based on the expectations for the future operation and the present cash funds, no other significant liquidity risks have been identified.

### Credit risks

The credit risks arise primarily from receivables related to customers, other receivables and cash.

As a consequence of the credit risk policy, credit rating of all major customers and other trading partners is performed before contract formation and hereafter continuously. An efficient credit control is important in the present market. Management of the credit risk is based on internal credit limits, which are based on the customer's and the counterparties' creditworthiness, based on both internal and external credit ratings as well as the experience with the counterparty. If no satisfactory guarantee is obtained when credit rating the customer/counterparty, payment in advance or separate guarantee for the sale, e.g. a bank guarantee, will be required.

The Company takes out credit insurances on a large part of export customers.

Due to the market situation, the Company has in recent years increased the resources used on follow-up on customers, which contributes to early warnings of possible risks. As part of the overall risk management, the credit exposure of customers and counterparties is monitored daily, weekly or monthly based on individual assessments. Historically the Company has had relatively small losses due to customers' or counterparties' inability to pay.

The credit risk limit of financial assets corresponds to the values recognised on the balance sheet.

No individual customer or co-operator poses any material risk to the Company.

Receivables from the Company's activities are attributable to Danish customers and export customers characterised as medium-sized and major customers. The Company is familiar with the Danish customers, who have not been granted long credit lines. Experience shows that export customers pose a low credit risk.

Receivables overdue at 31 December are specified as follows:

*EURm*

	2018	2017
Payment:		
Up to 30 days	3.0	0.3
Between 30 and 90 days	0.4	0.0
More than 90 days	0.0	0.0
	<b>3.4</b>	<b>0.3</b>

The historical loss percentage in the income statement is 0.0%. The Company's trade receivables at 31 December 2018 and 31 December 2017 include no write-downs.

### Management of capital structure

Capital management is assessed and adjusted in close co-operation with the Italian parent company. Aalborg Portland A/S is included in the Cementir Group's overall capital management.

It is the Group's policy that the capital structure and financial gearing shall at all times reflect the Group's activities and risk profile, afford sufficient financial latitude to ensure the Group's creditworthiness, and provide flexibility and room for investments or acquisitions based on the Group strategy.

The distribution of dividends takes place considering the appropriate level of equity and sufficient availability of loan capital to facilitate the Group's ongoing expansion.

## Notes

The financial gearing between net interest-bearing debt and EBITDA is 0.2 at 31 December 2018.

### Specification of financial assets and obligations

<i>EUR '000</i>	Carrying value 2018	Fair value 2018	Carrying value 2017	Fair value 2017
Financial assets measured at fair value in the income statement	0	0	0	0
Financial assets used as hedging instruments, level 2	0	0	78	78
Loans and receivables	164,015	164,015	193,237	193,237
Financial assets available for sale	0	0	0	0
Financial obligations measured at fair value in the income statement	0	0	0	0
Financial obligations used as hedging instruments, level 2	141	141	0	0
Financial obligations measured at amortised cost	235,270	235,406	183,120	183,766

### Methods and assumptions on determination of fair values

In general, fair value corresponds to the carrying value, except for mortgage loans.

Financial instruments related to sale and procurement of goods etc. with a short credit period are measured at fair value corresponding to the carrying value.

Derivative financial instruments are computed on generally accepted valuation methods based on relevant exchange rates.

### 23 Post-balance sheet events

There have been no post-balance sheet events material to this Annual Report which have not been recognised or mentioned.

### 24 Critical accounting policies as well as accounting estimates and judgements

The accounting policies require that when calculating the carrying value of certain assets and liabilities estimates are made of how future events influence the value of recognised assets and liabilities at the balance sheet date. Estimates that have a material influence on the amounts recognised in the annual report.

The estimates applied are based on assumptions deemed reasonable by the Management, but, given the nature of things, are uncertain. Thus, the Company is exposed to risks and uncertainties that may result in variances between actual and estimated results.

The development in the world economy and in the financial markets in the last three years has resulted in considerable changes compared to previous years in respect of some uncertainty in a number of key assumptions within i.a. credit risk, interest level, sales volumes, volatility, etc.

The Management deems that the accounting policies do not include critical aspects.

The following items are subject to major accounting estimates and judgements:

#### **Non-current assets**

Non-current assets are measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the expected useful lives of the assets considering the residual value of the assets. The anticipated useful life and residual value are determined on the basis of past experience and the anticipated future use of the asset in question. The anticipated future use and scrap values may prove impossible to realise, prompting a need for write-down or a loss on the disposal of the assets. The depreciation periods are stated in the section "Accounting policies" in note 25, and non-current assets are stated in notes 10 and 11.

#### **Provisions and contingent liabilities**

Assessment of provisions and contingent liabilities are largely based on estimates and judgements. Description of provisions and contingent assets and contingent liabilities is given in note 16 and 20.

### 25 Accounting policies

The Annual Report 2018 of Aalborg Portland A/S is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

Aalborg Portland A/S official statutory annual report is presented in EUR.

The accounting policies set out below have been used consistently in respect of the financial year. For standards implemented prospectively, comparative information is not restated.

On 6 March 2019, the Board of Directors and the Management approved the annual report for 2018 for the Aalborg Portland Group. The annual report is submitted to the shareholders of Aalborg Portland A/S for approval at the Annual General Meeting on 12 April 2019.

#### Changes in accounting policies

The Company has implemented the financial reporting standards and IFRICs which came into force for the 2018 financial year, including:

- IFRS 9, Financial instruments (issued 2014, effective date 1 January 2018)
- IFRS 15, Revenue from contracts with customers, including amendments and clarifications (issued 2014, 2015 and 2016, respectively, effective date 1 January 2018)

The implementation has not had a significant impact on recognition, measurement or disclosures in the Annual Report 2018 and is not expected to have significant impact on the financial reporting for future periods.

#### IFRS 9, Financial instruments

IFRS 9 has replaced IAS 39, Financial instruments; recognition and measurement.

The most relevant changes compared to current accounting policy are:

- New impairment model based on expected losses rather than on incurred losses
- Hedge accounting requirements are more closely aligned with how the business undertakes risk management activities when hedging financial and nonfinancial risk exposures

Impairment losses for financial assets are accounted for by using a forward-looking expected credit loss approach. The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit/loss and contract assets.

The changed impairment approach has not had a significant impact to the Company and no adjustment to the impairment of trade receivables has been made upon transition.

At the date of initial application the Company did not have any hedge accounting relationships.

The new hedge accounting requirements did not have an impact to the Company.

The Company has implemented IFRS 9 according to the transition provisions. There was no transition effect upon implementation 1 January 2018.

The accounting principles have been changed for 2018.

#### IFRS 15, Revenue from contracts with customers

IFRS 15 introduces a new framework for revenue recognition and measurement.

IFRS 15 has been applied following the modified retrospective approach with any cumulative effects recognised in equity as of 1 January 2018 and with no restatement of comparatives.

Implementation of the standard has resulted in only minor changes to existing accounting practices, mainly relating to extended external disclosure requirements. The implementation has not resulted in any changes to existing revenue recognition practices applied by the Company and accordingly no retrospective adjustment to equity has been made.



## Notes

### Forthcoming requirements

IASB has issued several new or amended accounting standards, which are not effective for the financial year 2018. Generally, we expect to implement all new or amended accounting standards and interpretations when they become mandatory and have been endorsed by the EU. The following accounting standards and interpretations are the most relevant for the Group:

- IFRS 16, Leases (issued 2016, effective date 1 January 2019)
- IFRIC 23, Uncertainty over income tax treatment (issued 2017, effective date 1 January 2019)

### IFRS 16, Leases

IFRS 16 will replace IAS 17, Leases and IFRS 16 introduces a changed accounting model for a lessee. Currently lease contracts for a lessee are classified as either operating or finance leases. IFRS 16 will require the majority of operating leases to be recognised as lease assets with a related lease liability, similar to the current accounting of finance leases.

The lease payments, currently accounted for as operating expenses, will be split into an interest cost and a repayment of the lease liability. The lease assets will be depreciated over the term of the lease contract. During 2018 we have performed a detailed impact assessment of IFRS 16 and the implementation is expected to have modest impact on the consolidated financial statements.

We expect a balance sheet increase of EUR 15m due to the recognition of lease assets and liabilities. EBITDA is expected to improve by approximately EUR 3m, and depreciations are expected to increase by slightly less than EUR 3m. We expect a slight improvement of EBIT and a slight increase in financial costs.

The changes have no effect on the underlying cash flows. However, due to the lease payments being split into interest costs and a repayment for the lease liability the presentation in the cash flow statement will change. The change will improve the cash flow from operating activities whereas the cash outflow from financing activities will be negatively impacted.

Lessor accounting under IFRS 16 is mostly unchanged from current accounting under IAS 17, where lessors will continue to classify all leases as either operating or finance leases. We have no material lessor contracts and therefore see no material effect.

We expect to implement IFRS 16 using the modified retrospective approach with a lease asset value equal to the lease liability value upon transition. Consequently, 2018 comparative figures will be reported according to IAS 17 and will not be restated to reflect the numbers according to IFRS 16. Furthermore, we expect to apply the exemptions related to exclusion of low value assets and lease contracts with a contract term of 12 months or less.

### IFRIC 23, Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or levies outside the scope of IAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation i.a. specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- Measuring method to be applied

As set out in the interpretation, we will determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty will be followed.

Uncertain tax positions are measured at the most likely outcome method.

The liability is recognised under income tax liabilities or deferred tax liabilities, depending on how the realization of the tax position will affect the financial statements.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

We will apply the interpretation from its effective date and it is not expected to have a significant impact.

We have established the necessary processes and procedures to obtain information required to apply the interpretation on a timely basis.

### Non-controlling interests

On initial recognition, non-controlling interests are measured at fair value or at the proportionate share of the fair value of the acquired business's identifiable assets, liabilities and contingent liabilities. In the first scenario, goodwill in relation to the non-

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controlling interests' ownership share in the acquired enterprise is thus recognised, while, in the latter scenario, goodwill in relation to non-controlling interests is not recognised. Measurement of non-controlling interests is chosen transaction by transaction and stated in the notes in connection with the description of acquired enterprises.

The effect of transactions with non-controlling interests is taken directly to shareholders' equity. Therefore, no gains or losses are stated in the income statement, and there is no change of the carrying amount of net assets (including goodwill).

### **Foreign currency translation**

For each of the reporting enterprises in the Group, a functional currency is determined. Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies.

Transactions in foreign currencies are on initial recognition translated at the functional currency at the exchange rate of the date of transaction.

Financial assets and liabilities in foreign currencies are translated at the exchange rates at the balance sheet date. Any foreign exchange variances between the rates at the transaction date and the payment date or the balance sheet date, respectively, are stated in the income statement as financial items.

Non-financial assets and liabilities in foreign currencies are stated at the rate of exchange at the date of transaction.

On recognition in the consolidated financial statements of foreign enterprises and associates as well as foreign joint ventures with a functional currency different from the Group's presentation currency, the income statements are translated at the average exchange rates and the balance sheet items are translated at the exchange rates at the balance sheet date. The calculation differences arising from the translation of the income statements of companies abroad at average exchange rates and of their balance sheet items at the rate of exchange on the balance sheet date are taken directly to other comprehensive income.

On full or partial disposal of wholly-owned foreign operations resulting in a loss of control or on repayment of balances which constitute part of the net investment in the foreign operation, the share of the cumulative amount of the exchange differences that is recognised in other comprehensive income relating hereto is reclassified from other comprehensive income to profit for the year together with gain or loss on disposal.

On the disposal of partially owned foreign subsidiaries resulting in a loss of control, the share of the translation reserve in other comprehensive income attributable to non-controlling interests is not transferred to profit or loss.

An average exchange rate is used if it does not significantly deviate from the exchange rate ruling at the transaction date.

The assets and liabilities of a foreign company acquired are translated at the exchange rate at the date of transaction (acquisition date).

### **Derivative financial instruments**

Derivative financial instruments are recognised at the date a derivative contract is entered into and measured in the statement of financial position at fair value. Positive and negative fair values of derivative financial instruments are included as separate line items in the statement of financial position, and set-off of positive and negative values is only made when the Company has the right and the intention to settle several financial instruments net.

The rules for hedge accounting are not applied, and value adjustments of derivative financial instruments are therefore recognised as finance income and finance costs.

## **Income statement**

### **Revenue**

Revenue is recognised in the income statement on delivery and passing of the risk to the buyer and when the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the consideration agreed excl. VAT charged on account of third party. All kinds of discounts are recognised in Revenue.

Trade receivables recognised as services delivered are invoiced to the customer and are not adjusted for any financing components as credit terms are short – typically between 20 to 45 days – and the financing component therefore insignificant.

### **Cost of sales**

Cost of sales comprises costs incurred to generate revenue for the year and development costs which do not meet the criteria

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for capitalisation. This includes raw materials, consumables, CO<sub>2</sub> quotas, direct labour costs and indirect production costs such as maintenance and operation of production plant as well as production plant depreciation, administration and plant management.

### **Sales and distribution costs**

Sales and distribution costs comprise direct distribution and marketing costs, salaries for the sales and marketing functions as well as other indirect costs, including depreciation and amortisation.

### **Administrative expenses**

Administrative expenses comprise the costs of administrative staff and management and other indirect expenses, as well as depreciation and amortisation.

### **Other operating income and costs**

Other operating income and costs comprise items of a secondary nature in relation to the activities of the Group, including certain grants, rentals, fees, etc.

Gains and losses from the disposal of property, plant and equipment which cannot be considered part of the disposal of a complete activity are included in other operating income and costs.

### **Financial items**

Interest income and expenses comprise interest, exchange rate gains and losses regarding transactions denominated in foreign currencies and write-down on securities, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Realised and unrealised gains and losses on derivative financial instruments that are not qualified as hedge accounting are also included.

### **Tax**

Tax for the year comprises current tax and changes in deferred tax.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the financial year and any adjustment of tax for previous years.

Tax related to other comprehensive income is recognised in other comprehensive income.

Deferred tax is recognised and measured according to the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes.

Measurement of deferred tax is based on the tax rules and tax rates applicable in the respective countries at the balance sheet date, which is expected to be valid, when the deferred tax will be reversed as current tax. The effect of changes in the tax rates is stated in the income statement unless it relates to items previously entered directly in Shareholders' equity.

Deferred tax assets, including the value of tax loss carry-forwards, are recognised under Financial assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Aalborg Portland A/S is covered by the Danish rules on compulsory joint taxation of the Group's Danish companies. Enterprises are included in the joint taxation from the date of consolidation into the consolidated financial statements and up to the date when they exit the consolidation.

Aalborg Portland A/S is jointly taxed with the parent company, Aalborg Portland Holding A/S, and all Danish enterprises. The current Danish income tax is allocated by payment of joint taxation contributions between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint tax contributions from companies who have used this loss to reduce their own taxable income.

## **Balance sheet**

### **Intangible assets**

#### **Goodwill**

On initial recognition, goodwill is recognised in the balance sheet at cost as described under "Business combinations". Subsequently goodwill is measured at cost less accumulated impairment. Goodwill is not amortised.

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The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Determination of cash-generating units follows the management structure and internal financial control.

### **Development projects**

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Company is demonstrated, and where the Company intends to complete, market or use the individual project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development projects are measured at cost less accumulated amortisation and impairment. Cost comprises wages and salaries, amortisation and other costs attributable to the Group's development activities.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life from the date when the asset is available for use. The amortisation period is up to 5 years.

### **Other intangible assets**

Other intangible assets, including intangible assets acquired in business combinations, are measured at cost less accumulated amortisation and impairment losses.

Amortisation is made on a straight-line basis over the lower of the useful life and the contract period.

The expected useful lives are:

- Software applications, up to 10 years.
- Customer list up to 25 years.
- Patents, licences and other intangible assets, up to 20 years.
- Leasehold improvements, up to 5 years.

### **CO<sub>2</sub> quotas**

On initial recognition, granted and acquired CO<sub>2</sub> quotas are measured at cost.

The basis for amortisation of CO<sub>2</sub> quotas is stated as cost less scrap value. The scrap value depends on whether the company expects to utilise the quotas or sell them. Amortisation is based on a portfolio view on a straight-line basis.

If the actual emission exceeds the granted and acquired CO<sub>2</sub> quotas, a liability corresponding to the fair value of the CO<sub>2</sub> quotas, which the company has to settle, is recognised.

On disposal of CO<sub>2</sub> quotas the difference between carrying amount and the selling price of excess CO<sub>2</sub> quotas is recognised in the income statement at the date of disposal.

### **Property, plant and equipment**

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

The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs from specific or general lending directly relating to the construction of the individual asset.

Deemed costs for dismantling and disposal of the asset and re-establishment are added to cost if the deemed costs are recognised as a provision. The cost of total assets is split into separate components, which are depreciated separately if the useful lives of the individual components differ.

The cost of finance leases are measured at the lower value of the asset's fair value or at the present value of the future minimum lease payment. When calculating the present value, the internal interest rate of the lease or the Group's alternative borrowing rate is used as discount rate.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The carrying amount of the replaced components are derecognised in the balance sheet and recognised as an expense in the income statement. All costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is charged on a straight-line basis during the estimated useful life of the asset concerned until it reaches the estimated scrap value.

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Estimated useful lives are as follows:

- Buildings and improvements of land, 5-50 years
- Main machinery, 25 years
- Other plant and machinery, 3-20 years

Newly acquired assets and assets of own construction are depreciated from the time they come into use. Land is not depreciated, unless it is used for raw material extraction after individual assessment.

The basis of depreciation is calculated on the basis of the scrap value less impairment losses. The scrap value is determined at the acquisition date and reassessed annually. If the scrap value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the scrap value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, sales and distribution costs and administrative expenses to the extent that depreciation is not included in the cost of self-constructed assets.

### **Other non-current assets**

Other non-current assets mainly relate to deposits and loans which are measured at amortised cost. Amortisation for the year is stated in the income statement.

### **Impairment of non-current assets**

Goodwill is subject to annual impairment tests, initially before the end of the acquisition year.

The carrying amount of goodwill is tested together with the other non-current assets of the cash-generating unit or group of cash-generating units to which goodwill is allocated. The assets of the cash-generating units are written down to the recoverable amount in profit or loss if the carrying amount is higher. The recoverable amount of a CGU is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which goodwill is allocated. However, impairment losses on goodwill are recognised as other operating costs in the income statement.

The carrying amount of other non-current assets, except for goodwill, investment properties and financial assets measured at fair value, is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit.

Amortisation and depreciation of intangible assets and property, plant and equipment are recognised in the same item as the related amortisation and depreciation. However, impairment losses on goodwill are recognised in a separate line item in the income statement.

### **Inventories**

Raw materials and consumables are measured at cost. Cost is computed according to the weighted average cost method.

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

The cost of work in progress and finished goods comprise direct production costs with addition of indirect production costs. Indirect production costs include operating costs, maintenance and depreciation of production plant and plant management.

If the net realisable value is lower than cost, write-down is made to this lower value.

### **Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is an objective indication of an impairment loss. In such cases, write-down is made individually for each specific receivable.

Write-down is stated as the difference between the carrying amount and the present value of the expected cash flow, including the net realisable value of any received collaterals. The effective interest rate used at the time of initial recognition is used as the discount rate for the individual receivable or portfolio.

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### Equity

Dividends are recognised as debt at the time of approval at the annual general meeting (time of declaration). Dividends which are proposed for distribution are therefore stated separately in the shareholders' equity.

Reserves relating to foreign exchange adjustments in the consolidated financial statements comprise currency translation differences arising from the translation of the financial statements of foreign entities from their functional currencies to the presentation currency of the Company (EUR) and foreign exchange adjustments of assets and liabilities considered to be part of the Group's net investment in foreign operations.

On full or partial realisation of net investments, exchange differences are recognised in the income statement.

### Provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of expected future costs. The present value of costs is recognised in the income statement for the tangible assets concerned and is amortised together with these assets over the useful lives or according to the production method.

Provisions are measured as the best estimate of the expenses required to settle the obligation at the balance sheet date.

### Financial liabilities

Amounts owed to credit institutions are recognised when raising the loan at fair value less transaction costs. Subsequent measurement is made at amortised cost so that the difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

The capitalised remaining lease liability of finance leases is also recognised in financial liabilities, measured at amortised cost.

Other financial liabilities are measured at amortised cost.

### Leases

Lease commitments are classified as finance or operating leases.

A lease is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership. All other leases are classified as operating leases.

The accounting for finance leases and the related liabilities are described in the paragraphs concerning tangible assets and financial liabilities, respectively.

Lease payments regarding operating leasing are expensed on a straight-line basis over the lease term.

### Cash flow statement

The cash flow statement is presented according to the indirect method and shows the composition of the cash flow divided into operating, investing and financing activities, respectively, and the cash funds at the beginning and end of the year.

In the statement of working capital/loans a distinction is made between interest-bearing and non-interest-bearing items plus cash funds.

Cash funds consist of cash in hand and bank deposits.

Loans represent total interest-bearing debt items less interest-bearing receivables. Formation of finance leases are considered as non-cash transactions

All other non-interest-bearing receivables and debt items are regarded as working capital.

*Cash flows from operating activities* are stated as Profit for the year (EAT) adjusted for non-cash operating items, changes in working capital, financial items and paid tax.

*Cash flows from investing activities* comprise payments made in connection with the acquisition and disposal of enterprises and activities and the acquisition and disposal of non-current assets.

*Cash flows from financing activities* comprise payments to and contributions from owners as well as the raising and repayment of loans.

## Notes

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### **Omission of consolidated financial statements**

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Aalborg Portland A/S and group entities are included in the consolidated financial statements of Aalborg Portland Holding A/S, Rørdalsvej 44, 9220 Aalborg Øst, Denmark, CVR no. 14 24 44 41.

### **Segment reporting**

Aalborg Portland A/S is not a listed company and therefore no segment reporting is made according to IFRS 8.

### **Forthcoming requirements**

A number of new financial reporting standards, which are not compulsory for the Company in 2017, have been released. The adopted, non-effective standards and interpretations are implemented as they become mandatory for the Company.

The implementation of IFRS 9 and IFRS 15 will not apply from 1 January 2018 and will not affect recognition and measurement.

IFRS 16 will apply from 1 January 2019. The new standard eliminates the difference in the financial and operating lease accounting. The Company is currently assessing the impact from IFRS 16. The Company has several operating leases on trucks and land. In addition, the Company also has a few contracts on vessels.

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### Financial ratios

EBITDA ratio	<u>Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA)</u> Revenue
EBIT ratio	<u>Earnings before interest and tax (EBIT)</u> Revenue
NOPAT	Net Operating Profit After Tax Earnings before interest and tax (EBIT) x (1 – effective tax rate)
Capital employed	Intangible assets + tangible assets + working capital
Equity ratio	<u>Shareholders' equity</u> Total assets
Return on equity	<u>Profit</u> Average shareholders' equity
Net interest-bearing debt (NIBD)	Interest-bearing liabilities less interest-bearing assets
Working capital	Inventories, receivables and trade payables.



## Signatures

### 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 Aalborg Portland A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

In our opinion, the financial statements give a true and fair view of the Company's as-sets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows 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 activities 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.

Copenhagen, 6 March 2019


#### Executive Board



Søren Holm Christensen  
CEO



Michael Lundgaard Thomsen  
Managing Director



Henning Bæk  
Executive Vice President, CFO

#### Board of Directors



Bjarne Moltke Hansen  
Chairman



Søren Holm Christensen



Marco Maria Bianconi  
Vice Chairman



Morten Børglum



Ernst Aage Jensen



### Independent auditors' report

To the shareholders of Aalborg Portland A/S

#### Opinion

We have audited the financial statements of Aalborg Portland A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

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 and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

#### 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 International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements 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 financial statement users made on the basis of these financial statements.

## Signatures



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

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

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

### Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 6 March 2019

### KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Henrik O. Larsen

State Authorised Public Accountant

MNE-NO. 15839

Steffen S. Hansen

State Authorised Public Accountant

MNE-NO. 32737

### **Board of Directors**

Bjarne Moltke Hansen, *Chairman*

Marco Maria Bianconi, *Vice Chairman*

Søren Holm Christensen

Morten Børglum \*

Ernst Aage Jensen \*

\* Elected by the employees

### **Executive Board**

Søren Holm Christensen, *CEO*

Michael Lundgaard Thomsen, *Managing Director*

Henning Bæk, *Executive Vice President, CFO*

## Companies in the Group

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### The Company

Aalborg Portland A/S  
 Rørdalsvej 44  
 9220 Aalborg Øst  
 Denmark  
 Tel. +45 98 16 77 77  
 E-mail: cement@aalborgportland.com  
 Internet: www.aalborgportland.com  
 CVR No 36 42 81 12

### Owners

Aalborg Portland A/S is 100% owned by Aalborg Portland Holding A/S.  
 Aalborg Portland Holding A/S is included in the Group financial statements for Cementir Holding S.p.A., Italy and Caltagirone S.p.A., Italy.

### Annual General Meeting

12 April 2019 at  
 Islands Brygge 43, Copenhagen.

	Nominal share capital (in 000)	Direct holding *
<b>Aalborg Portland A/S</b>	Denmark DKK 100,000	-
Aalborg Portland Íslandi ehf.	Iceland ISK 303,000	100.0%
Aalborg Portland Polska Sp. z o.o.	Poland PLN 100	100.0%
Aalborg Portland OOO	Russia RUB 14,700	100.0%
Aalborg Portland France S.A.S.	France EUR 10	100.0%
Aalborg Portland Belgium S.A.	Belgium EUR 500	100.0%

\* Ownershare is stated as direct holding of the superjacent enterprise.

## Addresses

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### **Aalborg Portland Group**

#### **Aalborg Portland A/S**

Rørdalsvej 44  
9220 Aalborg Øst  
Denmark  
Tel. +45 98 16 77 77  
E-mail: [cement@aalborgportland.com](mailto:cement@aalborgportland.com)  
Internet: [www.aalborgportland.dk](http://www.aalborgportland.dk)

Bjarne Moltke Hansen,  
*Chairman of the Board of Directors*

#### Executive Board:

Søren Holm Christensen, *CEO, Nordic & Baltic*  
Michael Lundgaard Thomsen, *Managing Director*  
Henning Bæk, *Executive Vice President, CFO*

#### **Aalborg Portland Polska Sp. z o.o.**

Ul. Targowa 24  
03-733 Warsaw  
Poland  
Tel. +48 22 460 88 70+1  
Tomasz Stasiak, *Managing Director*

#### **Aalborg Portland Íslandi ehf.**

Bæjarlind 4  
201 Kópavogi  
Iceland  
Tel. +354 545 4800  
Magnús Eyjólfsson, *Managing Director*

#### **Aalborg Portland France S.A.S.**

3 rue de Téhéran  
75008 Paris  
France  
Tel. +33 671 388 249  
Jean-Fabien Criquioche, *Managing Director*

#### **Aalborg Portland Belgium S.A.**

Noorderlaan 147, Atlantic House  
2030 Antwerp  
Belgium  
Tel. +32 472 86 47 29  
Frank Brandt, *General Manager*

#### **Aalborg Portland OOO**

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premise 317  
Kingisepp district, town Kingisepp  
188480, Leningrad region  
Russia  
Tel. +7 812 346 74 14  
Alexey Tomashevskiy, *Managing Director*