aalborgportland
CEMENTIR HOLDING

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

Annual Report 2017

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

Date: 13 / 4 2018

(Chairman of the meeting)

Contents

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 neighbouring countries.

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

1,588,000
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.

739,000
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**	**2016**	**2017**
INCOME STATEMENT						
Revenue	0.0	108.1	232.4	245.4	1,730	1,825
Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA)	**0.0**	42.0	80.7	80.1	601	596
EBITDA ratio		*38.9%*	*34.7%*	*32.6%*	*34.7%*	*32.6%*
Earnings before interest and tax (EBIT)	**0.0**	33.9	68.3	61.8	509	460
EBIT ratio		*31.4%*	*29.4%*	*25.2%*	*29.4%*	*25.2%*
Earnings before tax (EBT)	**0.0**	33.1	67.9	63.1	505	469
Profit for the year	**0.0**	25.3	53.3	49.6	412	369
CASH FLOWS						
Cash flows from operating activities (CFFO)	0.0	51.3	89.6	47.4	667	353
Cash flows from investing activities (CFFI) *	0.0	-2.6	-23.3	-36.1	-173	-268
Free cash flow (FCF)	**0.0**	**48.7**	**66.3**	**11.3**	**494**	**84**
Hereof investments in property, plant and equipment	-	-2.6	-21.5	-19.6	-160	-146
BALANCE SHEET						
Total assets	0.1	288.8	354.6	383.0	2,633	2,849
Consolidated shareholders' equity	0.1	73.8	127.4	176.8	949	1,315
Net interest-bearing debt (NIBD)	**0.1**	**30.3**	**-39.1**	**-51.1**	**-291**	**-380**
Working capital (WC)	**0.0**	**4.5**	**-18.1**	**-0.7**	**134**	**-5**
FINANCIAL RATIOS						
Including non-controlling interests' share						
Equity ratio	-	26%	36%	46%	36%	46%
NIBD/EBITDA factor	-	0.7	-0.5	-0.6	-0.5	-0.6
Number of employees at 31 December	**0**	**320**	**333**	**334**	**333**	**334**

The financial ratios have been computed in accordance with the latest version of the Guidelines issued by the Danish Finance Society. Cf. definitions in accounting policies note 25, page 33.

* The financial highlights for 2015 comprise the cement activity in the period from 27 June to 31 December 2015 due to the restructuring carried through in 2015.

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 the newly established 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.

Earnings in 2017 are reflecting the increase in sales volumes to all main markets partly compensating for the increase in energy prices. Sales have also been supported by favourable weather conditions during the winter.

Sales – Domestic and export

Sales increased by 6% in 2017 compared to 2016 due to market growth in Denmark and especially on the export markets.

Export of grey cement was 11% above 2016 level as sales on the main markets, i.e. Norway, Iceland and the Faroe Islands, increased significantly.

Finally, export of white cement increased strongly partially 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.

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
Following the commissioning of a new terminal in Rochefort in the spring of 2017 to ensure better logistic set-up and shorter delivery time to the French customers, sales volumes grew significantly.

Belgium
In conjunction with acquisition of Belgian producer CBR’s white cement market operations, a new sales subsidy was established in Belgium on 1 July 2017 to enhance sales and local presence in Benelux and to strengthen Aalborg Portland’s position as market leader within white cement.

Russia
Due to official requirements of cement re-certification there were no sales in Russia in 2017.

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

A number of established activities are in place in this respect: The customer day under the name Portland Open was held for the fourth consecutive year where the newest findings on relevant subjects were presented by Aalborg Portland's technicians and external peers for more than 100 customers. Furthermore, each year a customer satisfaction survey is carried out by an independent consultancy company which apart from invaluable customer feedback resulted also in 2017 in a very good evaluation of Aalborg Portland from the customers' side.

In addition, a new line of white bagged products was introduced on the European markets in the last quarter of 2017 in order to meet more specialized customer demands.

Finally, also 2017 was characterized by a continued high level of re-investments into the factory in Denmark. This included most notably investment in a new calciner for the grey production line resulting in higher output and boosting capacity for alternative fuel (waste) by 20% thereby ensuring a significant reduction of the environmental footprint.

Society 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 make a strong contribution to realising society's climate goals and therefore invests significantly in continued environmental improvements and industrial symbiosis.

In 2017, as in previous years, Aalborg Portland achieved environmental goals through innovation and production management. Focus in 2017 was to reduce dust emissions and to increase the usage of non-fossil fuels. This was achieved by the implementation of new calciners design on the grey production line, underlining Aalborg Portland's commitment to investment in environmental friendly solutions.

Furthermore, cement production in Aalborg takes place in symbiosis with city and society. For example, heat from production provides district heating for 29,000 households in Aalborg, and more than 630,000 tonnes of industrial and household wastes are recycled in cement production in resource-efficient partner-ships

Aalborg Portland publishes a detailed annual environmental report. Besides setting out policies and results achieved, the report describes the company's 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 2017" from Cementir Holding, the owner of Aalborg Portland Holding. The report is available at www.cementirholding.it. Aalborg Portland Holding has not prepared a separate policy on human rights.

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 2018 we will continue working to attract female candidates and strengthen our recruitment strategies to ensure that we have female candidates, applying for management positions.

For 2017, the management level of Aalborg Portland A/S consists of 36 males and 8 females.

Aalborg Portland A/S has one female and three male AGM-elected members. The aim of Aalborg Portland A/S is to have at least one female AGM-elected member was achieved in 2016 and is unchanged going forward.

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 0.3m and total payments incl. income tax on profit at EUR 10.1m.

Expectations to 2018

Grey sales volumes in 2018 are expected to increase in line with the general economic growth in Denmark and nearby markets, while the outlook for white export sales are somewhat better mainly driven by continued market growth in USA 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 2018 are however not expected to increase in the same degree as the sales volumes, given expectations of continuous higher energy prices.

Profit and loss account

Revenue in 2017 amounted to EUR 245.4m (2016: EUR 232.4m).

Sales in Denmark and the neighbouring export markets were above expectations.

Operating profit before depreciation (EBITDA ratio) reached 32.6% (2016: 34.7%). This satisfactory level was mainly due to high sales, low fuel costs and also the focus on Operational Excellence and cost optimisation programmes.

Earnings before interest and tax (EBIT) amounted to EUR 61.8m (2016: EUR 68.3m).

Tax on profit for the year amounted to EUR 13.4m (2016: EUR 14.6m), net profit for the year being EUR 49.6m (2016: EUR 53.3m).

Cash flows

Cash flow from operating activities (CFFO) was EUR 47.4m for 2017 (2016: EUR 89.6m).

Cash flow from investment activities (CFFI) amounted to EUR 36.1m (2016: EUR 23.3m).

The year’s investments (CFFI) were funded by cash flow from operations (CFFO). The remainder of the free cash flow (FCF) of EUR 11.3m was primarily used to improve the net financial position.

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 106m with an average life of 10.5 years.

Balance sheet

Non-current assets amounted to EUR 164.0m at 31 December 2017, whereof EUR 135.4m is related to property, plant and equipment.

Current assets amounted to EUR 219.0m, which is mainly related to inventories and receivables.

Shareholders’ equity

Shareholders’ equity amounted to EUR 176.8m at the end of 2017 against EUR 127.4m the year before. The increase in shareholders’ equity is due to the profit for the year.

Equity ratio was 46% at the end of 2017 (36% in 2016).

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-2017 amounted to EUR -0.7m (EUR -18.1m in 2016).

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.

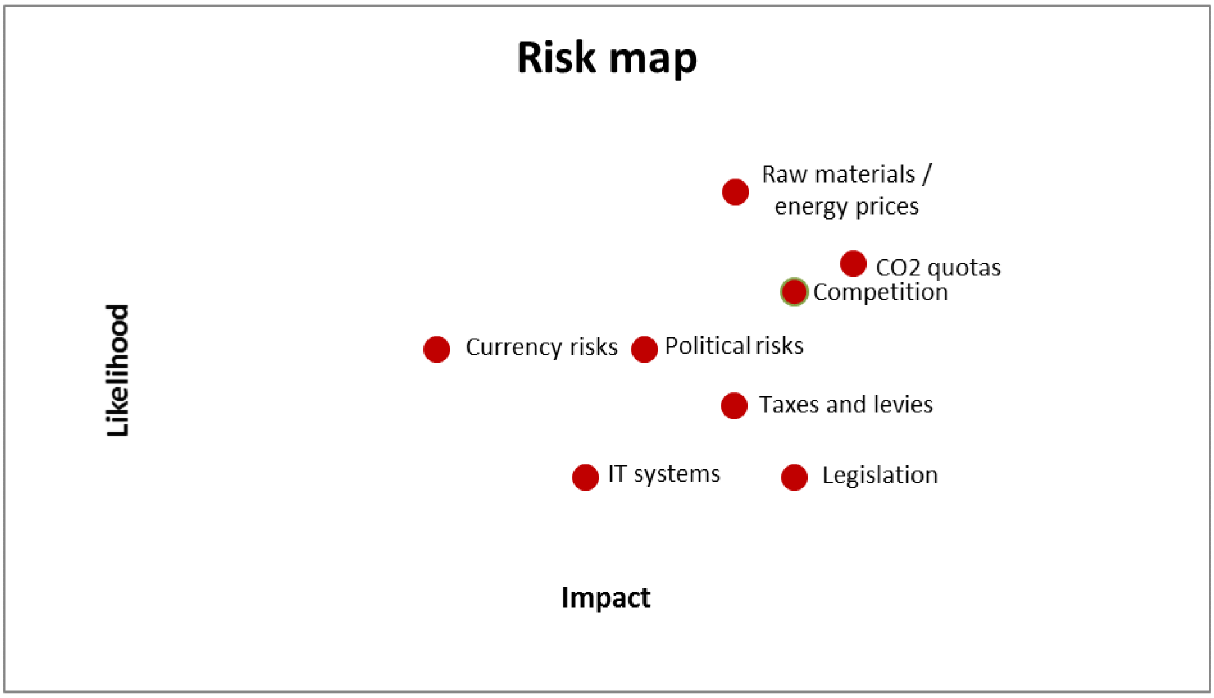
The risk management process is embedded in the management of the business units. The business units together with the corporate and service functions are responsible for identifying, analysing and managing risks and for reporting on progress and initiating control measures. Risk owners are appointed 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.

Critical risks

Risks of particular significance to the Company's activities are illustrated below based on the likelihood of their occurring and their potential impact in that event.



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_2 quotas

The future granting of CO_2 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_2 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 policy 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.

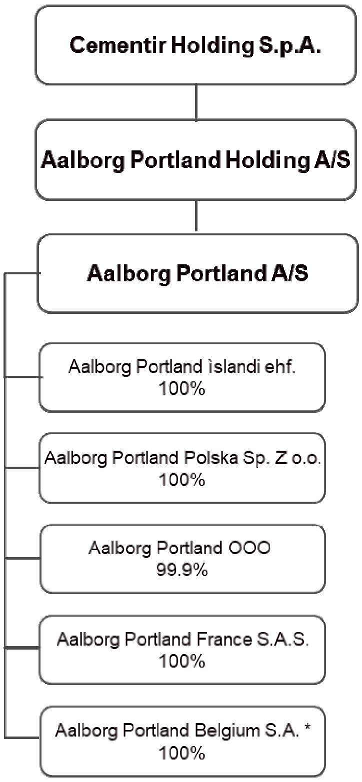
IT systems

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 2017

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

EUR '000

Note		2017	2016
1	Revenue	245,360	232,389
2+3+4+9	Cost of sales	130,020	117,048
	Gross profit	**115,340**	**115,341**
4+9	Sales and distribution costs	36,469	33,294
4+5+9	Administrative expenses	17,744	14,696
6	Other operating income	709	918
	Earnings before interest and tax (EBIT)	**61,836**	**68,269**
7	Financial income	5,143	3,534
7	Financial expenses	3,924	3,909
	Earnings before tax (EBT)	**63,055**	**67,894**
8	Income tax	13,430	14,625
	Profit for the year	**49,625**	**53,269**
	Attributable to:		
	Non-controlling interests	0	0
	Shareholders in Aalborg Portland A/S	49,625	53,269
	To be distributed as follows:		
	Retained earnings	49,625	53,269

Statement of comprehensive income

	2017	2016
Profit for the year	49,625	53,269
Total comprehensive income	**49,625**	**53,269**

Cash flow statement

EUR '000

	2017	2016
Profit / loss for the period	**49,625**	**53,269**
Reversal of amortisation and depreciation	17,558	15,642
Net financial income / expense	-1,221	375
Gains/losses on disposals	0	-278
Income taxes	13,430	14,609
Change in provisions (current and non-current)	46	48
Operating cash flows before changes in working capital	**79,438**	**83,665**
Increase / decrease Inventories	-9,507	1,275
Increase / decrease Trade receivables	-1,736	-1,212
Increase / decrease Trade payables	-6,404	21,471
Change in non-current/current Other assets/liabilities	411	-1,834
Change in current and deferred taxes	-49	-282
Operating cash flows	**62,153**	**103,083**
Dividends collected	3,416	1,428
Interests collected	207	95
Interests paid	-1,961	-1,578
Other income collected/expenses paid	-1,072	-1,478
Income taxes paid	-15,318	-11,936
Cash flow from operating activities	**47,425**	**89,614**
Investments intangible assets	-14,502	-165
Investments property, plant and equipment and inv. property	-19,588	-21,462
Investment in equity investments and other non-current securities	-2,000	-899
Proceeds from sale of intangible assets	0	53
Proceeds from sale of property, plant and equipment	0	278
Change in non-current financial assets	0	156
Change in current financial assets	0	-1,299
Cash from investing activities	**-36,090**	**-23,338**
Change in non-current financial liabilities	-9,841	-9,166
Change in current financial liabilities	-7,401	-62,522
Dividend distributed	0	51
Other variances of equity	8	-712
Cash flow from financing activities	**-17,234**	**-72,349**
Cash and cash equivalent exchange rate effect	0	455
Net change in cash and cash equivalent	-5,899	-6,073
Cash and cash equivalent opening balance	5,928	11,546
Cash and cash equivalent closing	**29**	**5,928**

Balance sheet

EUR '000

Notes		2017	2016
	ASSETS		
	Goodwill	2,334	2,337
	Other intangible assets	18,188	4,370
	Intangible assets in development	256	576
10	**Intangible assets**	**20,778**	**7,283**
	Land and buildings	30,713	32,078
	Plant and machinery	89,131	84,082
	Property, plant and equipment in development	15,580	16,438
11	**Property, plant and equipment**	**135,424**	**132,598**
	Investments in subsidiaries	7,622	5,632
	Other non-current assets	156	156
12	**Other non-current assets**	**7,778**	**5,788**
	Total non-current assets	**163,980**	**145,669**
14	**Inventories**	**34,838**	**25,331**
15	Trade receivables	12,163	12,751
	Amounts owed by Group enterprises	166,669	159,528
15	Other receivables	4,778	4,635
15	Prepayments	509	724
	Receivables	**184,119**	**177,638**
	Cash funds	**29**	**5,928**
	Total current assets	**218,986**	**208,897**
	TOTAL ASSETS	**382,966**	**354,566**

Balance sheet

EUR '000

Notes	EQUITY AND LIABILITIES	2017	2016
	Shareholders' equity		
	Share capital	13,404	13,404
	Retained earnings	163,401	113,997
	Total shareholders' equity	**176,805**	**127,401**
	Liabilities		
13	Deferred tax liabilities	21,271	20,503
16	Provisions	3,633	3,571
17+19	Credit institutions etc.	96,221	106,062
	Non-current liabilities	**121,125**	**130,136**
17+19	Credit institutions	9,555	9,507
	Trade payables	54,717	61,024
	Amounts owed to Group enterprises	1,643	4,797
	Derivative financial instruments (negative fair value)	0	127
	Joint taxation contribution payable	12,745	15,450
16	Provisions	50	66
18	Other payables	6,326	6,058
	Current liabilities	**85,036**	**97,029**
	Total liabilities	**206,161**	**227,165**
	TOTAL EQUITY AND LIABILITIES	**382,966**	**354,566**

Statement of shareholders' equity

EUR '000

	Share capital	Retained earnings	Total share-holders' equity
Shareholders' equity at 1 January 2017	13,404	113,997	127,401
Comprehensive income in 2017			
Effect of translation to presentation currency	0	-221	-221
Profit for the year (comprehensive income)	0	49,625	49,625
Total comprehensive income	**13,404**	**163,401**	**176,805**
Shareholders' equity at 31 December 2017	**13,404**	**163,401**	**176,805**

	Share capital	Retained earnings	Total share-holders' equity
Shareholders' equity at 1 January 2016	13,404	60,374	73,778
Comprehensive income in 2016			
Effect of translation to presentation currency	0	354	354
Profit for the year (comprehensive income)	0	53,269	53,269
Total comprehensive income	**13,404**	**113,997**	**127,401**
Shareholders' equity at 31 December 2016	**13,404**	**113,997**	**127,401**

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

The share capital in 2016 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.

EUR '000

1 Revenue

	2017	2016
Sale of cement	239,313	227,156
Other sales *	6,047	5,233
	245,360	**232,389**

* Other sales mainly include sale of heat, etc.

2 Cost of sales

Cost of sales amounts to EUR 130.0m (2016: EUR 117.1m). Hereof direct staff costs amount to EUR 19.4m (2016: EUR 18.5m) and use of raw materials amounts to EUR 17.7m (2016: EUR 15.7m).

3 Research and development costs

	2017	2016
Research and development costs charged to the income statement:		
Research and development costs paid	2,501	2,261
	2,501	**2,261**

4 Staff costs

	2017	2016
Wages and salaries and other remuneration	29,445	26,611
Pension costs, defined contribution schemes	2,159	1,925
Social security costs	350	477
	31,954	**29,013**
Number of employees at 31 December	334	333
Average number of full-time employees	330	328

Remuneration of the Board of Directors, the Management and other senior executives

	2017	2016
Salaries and remunerations	1,997	1,986
Pension contributions	212	54
	2,209	**2,040**
Hereof Board of Directors and Management	1,720	1,446

Remuneration of the Board of Directors represents EUR 105k in 2017 (2016: EUR 91k).

Pension schemes

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

EUR '000

5 Fees to the auditors appointed by the Annual General Meeting

	2017	2016
Total fees to KPMG are specified as follows:		
Statutory audit	111	109
Other assurance engagements	6	9
Other services	14	32
	131	**150**

6 Other operating income and other operating costs

	2017	2016
Other operating income		
Rent income	709	641
Gains from sale of plant and equipment	0	277
	709	**918**

7 Financial income and expenses

	2017	2016
Financial income		
Interest, cash funds etc.	18	49
Interest, Group enterprises	311	50
Dividends received from subsidiaries	3,416	1,428
Exchange rate adjustments	1,398	2,007
	5,143	**3,534**
Interest on financial assets measured at amortised cost	329	99
Financial expenses		
Interest, credit institutions etc.	1,600	1,839
Interest, Group enterprises	632	23
Exchange rate adjustments	1,692	2,047
	3,924	**3,909**
Interest on financial obligations measured at amortised cost	2,232	1,862

EUR '000

8 Income tax

	2017	2016
Income tax		
Current tax on the profit for the year/joint taxation contribution	13,054	15,775
Deferred tax adjustment	180	-980
Other adjustments, including previous years	196	-170
	13,430	**14,625**
Taxes paid	**15,318**	**11,590**
Reconciliation of tax rate		
Tax according to Danish tax rate 22.0%	13,872	15,116
Non-taxable income and non-deductible expenses	12	16
Dividends received from subsidiaries and profits from sales	-752	-314
Other, including adjustments previous years	298	-193
	13,430	**14,625**
Applicable tax rate for the year	**21.3%**	**21.6%**
Income tax recognised directly as other comprehensive income	**0**	**0**
Total income tax	**13,430**	**14,625**

9 Environmental taxes

	2017	2016
The Company has paid the following direct environmental taxes:		
Sulphur	933	809
NO_x	1,773	2,122
Electricity	167	155
Waste	334	259
Energy	679	711
Raw materials	808	761
Diesel and fuel oil	1	1
PSO	2,309	5,182
	7,004	**10,000**

EUR '000

10 Intangible assets

	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
Reclassifications	0	735	-540	195
Cost at 31 December 2017	**2,334**	**30,689**	**256**	**33,279**
Amortisation 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
Amortisation at 31 December 2017	**0**	**12,501**	**0**	**12,501**
Carrying amount at 31 December 2017	**2,334**	**18,188**	**256**	**20,778**

	Goodwill	Other intangible assets	Intangible assets in development	Total
Cost at 1 January 2016	2,329	15,691	456	18,476
Exchange rate adjustments	8	60	2	70
Additions	0	0	165	165
Disposals	0	-91	0	-91
Reclassifications	0	47	-47	0
Cost at 31 December 2016	**2,337**	**15,707**	**576**	**18,620**
Amortisation at 1 January 2016	0	10,435	0	10,435
Exchange rate adjustments	0	40	0	40
Reversed depreciation on disposals	0	-38	0	-38
Amortisation for the year	0	900	0	900
Amortisation at 31 December 2016	**0**	**11,337**	**0**	**11,337**
Carrying amount at 31 December 2016	**2,337**	**4,370**	**576**	**7,283**

Other intangible assets include software licenses (SAP R/3), quarry rights, CO_2 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 (2016: EUR 0.0m).

Internally generated intangible assets, mainly regarding SAP implementation, amount to EUR 1.3m (2016: EUR 1.5m).

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

EUR '000

11 Property, plant and equipment

	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
Cost at 31 December 2017	**112,611**	**416,117**	**15,580**	**544,308**
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
Depreciation and impairment at 31 December 2017	**81,898**	**326,986**	**0**	**408,884**
Carrying amount at 31 December 2017	**30,713**	**89,131**	**15,580**	**135,424**

	Land and buildings	Plant and machinery	Property, plant and equipment in development	Total
Cost at 1 January 2016	110,784	385,642	5,931	502,357
Exchange rate adjustments	421	1,477	37	1,935
Additions	273	7,182	14,007	21,462
Disposals	0	-81	0	-81
Reclassifications	216	3,321	-3,537	0
Cost at 31 December 2016	**111,694**	**397,541**	**16,438**	**525,673**
Depreciation and impairment at 1 January 2016	77,059	299,903	0	376,962
Exchange rate adjustments	296	1,156	0	1,452
Reversed depreciation on disposals	0	-81	0	-81
Depreciation for the year	2,261	12,481	0	14,742
Depreciation and impairment at 31 December 2016	**79,616**	**313,459**	**0**	**393,075**
Carrying amount at 31 December 2016	**32,078**	**84,082**	**16,438**	**132,598**

	2017	2016
Depreciation and impairment during the year is included in the following items:		
Cost of sales	16,037	14,414
Sales and distribution costs	2	2
Administrative expenses	338	326
	16,377	**14,742**

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.

EUR '000

12 Other non-current assets

	Investments in subsidiaries	Other non-current assets	Total
Cost at 1 January 2017	5,632	156	5,788
Exchange rate adjustments	-10	0	-10
Additions	2,000	0	2,000
Cost at 31 December 2017	**7,622**	**156**	**7,778**
Write-down 1 January 2017	0	0	0
Write-down 31 December 2017	**0**	**0**	**0**
Carrying amount at 31 December 2017	**7,622**	**156**	**7,778**

	Investments in subsidiaries	Other non-current assets	Total
Cost at 1 January 2016	4,714	156	4,870
Exchange rate adjustments	18	0	18
Additions	900	0	900
Cost at 31 December 2016	**5,632**	**156**	**5,788**
Write-down 1 January 2016	0	0	0
Write-down 31 December 2016	**0**	**0**	**0**
Carrying amount at 31 December 2016	**5,632**	**156**	**5,788**

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

13 Deferred tax assets and deferred tax liabilities

	2017	2016
Change in deferred tax for the year		
Deferred tax liability at 1 January	20,503	20,432
Exchange rate adjustments	-29	77
Adjustments, previous years, via income statement	617	974
Movements via income statement	180	-980
Deferred tax liabilities at 31 December	**21,271**	**20,503**
Deferred tax		
Intangible assets	1,723	1,508
Property, plant and equipment	16,423	16,643
Current assets	3,235	2,682
Non-current and current liabilities	-110	-330
Deferred tax at 31 December	**21,271**	**20,503**

14 Inventories

	2017	2016
Raw materials and consumables	20,326	14,777
Work in progress	6,374	3,569
Finished goods	8,138	6,985
Inventories at 31 December	**34,838**	**25,331**

There are no significant inventories of cement and aggregates carried at net realisable value.

Write-down of inventories of spare parts amounts to EUR 3.9m (2016: EUR 3.8m). Write-down recognised in the income statement is EUR 0.1m (2016: EUR 0.2m).

EUR '000

15 Trade receivables, other receivables and prepayments

	2017	2016
Development in impairment losses on trade receivables:		
Impairment losses at 1 January	3	3
Reversed	1	0
Impairment losses at 31 December	**4**	**3**

All receivables are due within one year.
The carrying amount essentially corresponds to fair value.
No collateral has been received regarding trade receivables.
Other receivables include i.a. energy taxes.
Prepayments comprise prepaid rent and insurance etc.

16 Provisions

	2017	2016
Provisions at 1 January	3,637	3,590
Exchange rate adjustment	-5	14
Additions during the year	117	107
Disposals/application in the year	-66	-74
Provisions at 31 December	**3,683**	**3,637**
Recognised in the balance sheet as follows:		
Stated as non-current liabilities	3,633	3,571
Stated as current liabilities	50	66
	3,683	**3,637**
Maturities for provisions are expected to be:		
Falling due within one year	50	66
Falling due between one and five years	1,108	1,110
Falling due after more than five years	2,525	2,461
	3,683	**3,637**

Provisions including demolition liabilities for buildings and terminal on rented land amount to EUR 2.2m (2016: EUR 2.2m), re-establishment of chalk and clay pits amounts to EUR 1.4m (2016: EUR 1.4m) and other provisions amount to EUR 0.1m (2016: 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 and clay pits and demolition liabilities for buildings and terminals with no decision made regarding closure.

Costs for re-establishment of chalk and clay pits are mainly paid when finishing an excavation or when moving out from a lease. No considerable costs are expected in 2018.

EUR '000

17 Credit institutions and other borrowings

Bank borrowings and credits at 31 December:

	Year of maturity	Fixed/ variable	Carrying amount 2017	Carrying amount 2016
Mortgage loan	2028	Variabel	105,776	115,569
			105,776	**115,569**

Fair value of mortgage loan amounts to EUR 106.4m (2016: EUR 117.6m). 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 have been recognised and fall due as follows:

	Non-current borrowings (> 1 year)	Current borrowings (0-1 year)	Total	Maturity > 5 years
31 December 2017:				
Mortgage loan	96,221	9,555	105,776	57,382
	96,221	**9,555**	**105,776**	**57,382**
Specification of contractual cash flows incl. interest:				
Mortgage loan	105,742	10,907	116,649	61,491
	105,742	**10,907**	**116,649**	**61,491**
31 December 2016:				
Mortgage loan	106,062	9,507	115,569	71,137
	106,062	**9,507**	**115,569**	**71,137**
Specification of contractual cash flows incl. interest:				
Mortgage loan	117,987	11,599	129,586	70,912
	117,987	**11,599**	**129,586**	**70,912**

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.

EUR '000

19 Charges and securities

	2017		2016	
	Carrying amount of mortgaged assets	Debt regarding mortgaged assets	Carrying amount of mortgaged assets	Debt regarding mortgaged assets
Property, plant and machinery	106,541	105,776	108,487	115,569

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 2017, contractual liabilities, including acquisition of raw materials etc., are EUR 67.9m (2016: EUR 30.9m).

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 2.6m at 31 December 2017. Any subsequent corrections of the taxable income subject to joint taxation could cause a higher liability of the Company.

	2017	2016
Guarantees		
Other guarantees, etc.	608	649
	608	**649**

Operating leases

	2017	2016
Aggregate future lease payments under non-cancellable operating leases:		
Falling due within one year	8,518	9,060
Falling due between one and five years	38,276	15,180
Falling due after more than five years	17,172	6,626
	63,966	**30,866**
Operating lease expenses recognised in the income statement	**8,409**	**7,956**

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.

EUR '000

21 Related party transactions

Related parties with significant influence in 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.

	2017	2016
Transactions with Aalborg Portland Holding A/S:		
- Intra-group management and administration agreements and royalties	5,314	3,752
- Final items, net	598	15
- Financial receivable	152,385	148,614
- Financial payables	1,463	4,503
Transactions with other related parties:		
- Sale of cement and micro silica	92,891	83,701
- Intercompany purchase of cement and other variable costs, net	14,487	166
- Intercompany management, administration agreements and shared service	3,554	3,446
- Financial items, net	276	12
- Trade and financial receivable	14,284	10,913
- Trade and financial payables	181	294

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 2017 or 2016.
All transactions were made on terms equivalent to arm's length principles.

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 2017 nor in 2016 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 1.5m (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), (2016: NOK amounted to EUR 0.1m, GBP amounted to EUR 1.0m, PLN amounted to EUR 1.3m, USD amounted to EUR 0.1m and SEK amounted to EUR 0.1m).

Risks relating to net financing

The Company's most important net positions at 31 December 2017 relate to receivable in GBP. If the GBP had been 10% down at 31 December 2017, the Company's equity would have been affected negatively by an exchange rate adjustment of EUR 0.2m (2016: EUR 0.8m). Rising exchange rates would have had a similar positive impact on equity.

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 2017 would have been reduced by EUR 1.0m (2016: 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 2017.

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:

2017

EURm	GBP	Total
Market value - forward contracts	0.1	**0.1**
Notional principal amount - forward contracts *)	-5.9	**-5.9**

The forward contracts fall from March 2108 - December 2018.

2016

EURm	GBP	Total
Market value - forward contracts	-0.1	**-0.1**
Notional principal amount - forward contracts *)	-11.2	**-11.2**

The forward contracts fell due from March 2017 - December 2017.

*) 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 2017 came in at EUR -51.1m, 100% thereof financed by floating rate loans. NIBD at 31 December 2016 represented EUR -39.1m.

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 1.1m (2016: EUR 1.2m) and on equity of EUR 0.9m (2016: 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.

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	2017	2016
Payment:		
Up to 30 days	0.3	0.5
Between 30 and 90 days	0.0	0.0
More than 90 days	0.0	0.0
	0.3	**0.5**

The Company's trade receivables at 31 December 2017 and 31 December 2016 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.

The financial gearing between net interest-bearing debt and EBITDA is -0.6 at 31 December 2017.

Specification of financial assets and obligations

EUR '000	Carrying value 2017	Fair value 2017	Carrying value 2016	Fair value 2016
Financial assets measured at fair value in the income statement	0	0	0	0
Financial assets used as hedging instruments, level 2	78	78	0	0
Loans and receivables	193,237	193,237	183,723	183,723
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	0	0	126	126
Financial obligations measured at amortised cost	183,120	183,766	194,126	195,070

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 polices 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 2017 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 7 March 2018, the Board of Directors and the Management approved the annual report for 2017 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 13 April 2018.

Changes in accounting policies

The Company has implemented the financial reporting standards and IFRICs which came into force for the 2017 financial year. The new standards and IFRICs did not affect recognition and measurement of assets and liabilities in the 2017 financial year.

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-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.

Cost of sales
Cost of sales comprises costs incurred to generate revenue for the year and development costs which do not meet the criteria for capitalisation. This includes raw materials, consumables, CO_2 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.

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_2 quotas
On initial recognition, granted and acquired CO_2 quotas are measured at cost.

The basis for amortisation of CO_2 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_2 quotas, a liability corresponding to the fair value of the CO_2 quotas, which the company has to settle, is recognised.

On disposal of CO_2 quotas the difference between carrying amount and the selling price of excess CO_2 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.

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.

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.

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.

Financial ratios

EBITDA ratio	Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA) / Revenue
EBIT ratio	Earnings before interest and tax (EBIT) / 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	Shareholders' equity / Total assets
Return on equity	Profit / Average shareholders' equity
Net interest-bearing debt (NIBD)	Interest-bearing liabilities less interest-bearing assets
Working capital	Inventories, receivables and trade payables.

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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017.

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, 7 March 2018

Executive Board

Piero Corpina
CEO

Michael Lundgaard Thomsen
Managing Director

Henning Bæk
Executive Vice President, CFO

Board of Directors

Søren Vinther
Chairman

Piero Corpina

Mille Tram Lux

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 2017 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 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.

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, 7 March 2018

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Henrik O. Larsen	Steffen S. Hansen
State Authorised Public Accountant	*State Authorised Public Accountant*
MNE-NO. 15839	MNE-NO. 32737

Board of Directors

Søren Vinther, *Chairman*
Marco Maria Bianconi, *Vice Chairman*
Piero Corpina
Mille Tram Lux
Morten Børglum *
Ernst Aage Jensen *

* Elected by the employees

Executive Board

Piero Corpina, *CEO*
Michael Lundgaard Thomsen, *Managing Director*
Henning Bæk, *Executive Vice President, CFO*

Companies in the Group

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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
13 April 2018 at
Islands Brygge 43, Copenhagen.

			Nominal share capital (in 000)	Direct holding *
Aalborg Portland A/S	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	10,010	100.0%
Aalborg Portland Belgium S.A.	Belgium	EUR	500	100.0%

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

Aalborg Portland Group

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Internet: www.aalborgportland.dk

Søren Vinther,
Chairman of the Board of Directors

Executive Board:
Piero Corpina, *CEO, Nordic & Baltic*
Michael Lundgaard Thomsen, *Managing Director*
Henning Bæk, *Executive Vice President, CFO*

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Alexey Tomashevskiy, *Managing Director*