Building Better Days

CEMBRIT

Annual report 2017

Consolidated accounts

The Annual General Meeting was held 26/4 2018

Chairman of the Annual General Meeting:

Rikke Alsted Houlberg
General Counsel

Entity details

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Cembrit Group A/S
Sohngaardsholmsvej 2, DK-9000 Aalborg

Entity details

Phone:	+45 99 37 22 22
Website:	www.cembrit.com
E-mail:	info@cembrit.com
Central Business Reg. No.:	36477199
Established:	30 December 2014
Registered office:	Aalborg, Denmark
Financial year:	1 Jan – 31 Dec

Board of Directors
Kent Arentoft, Chairman
Denis Viet-Jacobsen
Johan Cervin
Sigge Haraldsson
Jan Warrer

Executive Directors
Jørn Mørkeberg Nielsen
Jacob Moesgård

Company auditors
PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab

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Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Cembrit Group A/S for the financial year 1 January – 31 December 2017.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report should be adopted at the Annual General Meeting.

Copenhagen, 23 April 2018

Executive Board

Jørn Mørkeberg Nielsen
CEO

Jacob Moesgård
CFO

Board of Directors

Kent Arentoft
Chairman

Denis Viet-Jacobsen

Jan Wärret

Johan Olof Cervin

Sigge Lennart Haraldsson

Independent Auditor's Report

To the Shareholders of Cembrit Group A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Cembrit Group A/S for the financial year 1 January to 31 December 2017 comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Cembrit Group A/S for the financial year 1 January to 31 December 2017 comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of

Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Cembrit Group A/S on 30 December 2014 for the financial year 30 December 2014 – 31 December 2015.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Recoverability of the carrying amount of intangible and tangible assets The Group has intangible and tangible assets of DKK 1,134 million as at 31 December 2017, which represents a substantial portion of the Group's total assets. The allocation of goodwill follows the groups reporting of one segment, which must be tested for impairment annually as described in accounting policy note 11 and 14 relating to intangible assets. Management also considered whether there was any objective evidence that intangible and tangible assets are impaired. The determination of recoverable amount, being the higher of value-in-use and fair value less costs of disposal, requires significant judgement on the part of management in identifying and then estimating the recoverable amount for the CGU. Recoverable amounts are based on management's view of key internal value driver inputs and external market conditions such as future development in revenue and earnings growth, operating margins, working capital requirements, and the most appropriate discount rate. Management have applied a Discounted Cash Flow model to assess the value of the CGU. This involves a number of key judgements and estimates in determining the input including:	We evaluated the appropriateness of management's identification of the Group's CGU. We evaluated management's assessment of impairment indicators including the conclusions reached. We checked the mathematical accuracy of management's valuation models and agreed relevant data, including assumptions on timing and future capital and operating expenditure, to the latest budgets and forecasts. We assessed the projected future cash flows, operating margins, working capital and requirements used in the models by understanding the process followed by management to determine these forecasts and agreeing the forecasted information to management approved budgets and forecasts. In order to test the robustness of management's projections and estimates, we compared actual results for 2017 to the 2017 forecasts included in the prior year forecast. We assessed the sensitivity-analysis regarding the main assumptions included in the valuation model. We compared the discount rate used by management in their calculation to our internally developed benchmarks. Our internal benchmarks were determined using our view of various economic indicators.

• Revenue and earnings growth; • Operating margins; • Working capital requirements; and • Discount rate. We focused on the impairment testing of intangible and tangible assets because the process is complex and requires significant management estimates. Refer to note 1 and 14.	
Deferred tax assets including valuation of tax loss carry forwards The Group has recognised deferred tax assets of DKK 86 million as at 31 December 2017. Tax losses primarily relate to the Group's operations in Denmark. Management makes judgement and estimates in determining the valuation of deferred tax assets. Measurement of deferred tax assets are highly judgmental and assumptions may have a significant impact on the measurement. The most significant judgement made by management is the forecast on future earnings and taxable income. This is based on key assumptions regarding growth in revenue and earnings in a 5 year period after fiscal year 2017 based on budget for 2018 and forecasts for 2019-2022. We focused on the valuation of deferred tax assets because the measurement requires significant estimates made by Management. Refer to note 1, 18 and 19.	We checked the mathematical accuracy of management's valuation model and agreed relevant budget data, including assumptions on timing and operating expenditure, to the latest budgets and forecasts. We obtained understanding and evaluated the process of recognizing deferred tax assets including tax losses. We assessed the underlying key assumptions made by management through comparison to 5 year budget and forecasts and discussed basis for assumptions and historical accuracy with management. We tested the tax calculation for compliance with relevant tax regulations within the relevant tax jurisdictions.
Valuation of inventory The Group has recognized inventory of DKK 351 million as at 31 December 2017. The valuation of inventory across the Group is dependent on establishing appropriate valuation controls, including write down controls and judgement and assumptions made by Management in relation to indirect productions costs. The determination of net realizable value, being the sales price less costs of completion and costs incurred to implement the sale and fixed on the basis of the expected sales price, requires significant judgement on the part of management. Furthermore, key judgement made by management in relations to write down of	We checked the mathematical accuracy of management's model for write downs for excess and obsolete inventory and agreed to relevant sales data, including assumptions of expenditures and expected waste costs for being able to utilize the inventory. We evaluated management's assessment of write down indicators for inventory produced at the factory in Hungary including the calculated write downs and conclusions reached. We evaluated and challenged the significant judgements and estimates made by Management in applying the Group's accounting policy in relation to indirect productions costs.

inventory relates to applying a write down model based on inventory days for each item number at inventory. Besides the above, specific write downs relating to quality issues have also been considered regarding the inventory. We focused on the valuation of inventory because the measurement is complex and requires significant estimates made by Management. Write down of obsolete inventory is described in note 16.	

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit 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 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 Group's and the Parent 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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aalborg, 23 April 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CBR No. 33 77 12 31

Mikkel Sthyr
State Authorised Public Accountant
MNE-no.: mne26693

Søren Korgaard-Mollerup
State Authorised Public Accountant
MNE-no.: mne31477

Management Commentary

Market characteristics

Cembrit is a leading European manufacturer and distributor of fibre cement products and offers a wide range of products and solutions for roofing as well as exterior and interior cladding.

Besides delivering building materials, Cembrit provides complete installation systems as well as technical solutions for residential houses, holiday cottages, trade, industry and agricultural buildings, offices as well as public buildings, including for both new build and renovation projects.

Fibre cement is a light, strong and flexible composite building and construction material, where cement is reinforced with cellulose fibres, characterised by several attractive product features, including, low maintenance, high durability and a competitive price level.

The fibre cement product category has historically been taking share as compared to rival building materials products.

The Group operates production facilities in Czech Republic, Finland, Hungary and Poland. In addition to manufacturing facilities, the Group has a number of warehouses in Europe. The Group covers the majority of Western and Eastern Europe through its sales entities or indirect sales.

Cembrit creates first class fibre-cement products. Cembrit’s products and solutions add exciting new design opportunities for moulding attractive, durable settings for people’s lives.

Financial result for 2017

Cembrit Group experienced a strong demand across both markets and product categories in 2017 and increased revenue by 8%. The Group’s operating performance in 2017 showed solid underlying performance, but was negatively impacted primarily by a delay in the ramp-up of the Hungarian production facility. In addition, initiatives relating to supply chain (freight and inventory) and ERP implementation have been delayed.

In Q1 2017 the company refinanced its existing funding by issuing a bond to support the business and its growth initiatives.

The delay in the ramp-up in Hungary and poor supply chain management also resulted in an extraordinarily high inventory level, which put a temporary strain on Cembrit's cash position.

During 2017 the new ERP system has been implemented in the remaining entities, which means all entities (except US and Russia) are on the same ERP system at the end of 2017.

The challenges faced during 2017 were addressed among other things by changes to the executive management team. In May a new Executive Vice President & CFO joined the Group and in October a new President & CEO joined. Furthermore at the end of 2017 an operational review process was initiated to address the Group's weaker than expected operational and financial performance. These initiatives aim at – amongst other things - reducing production complexity in Hungary in order to increase production output and optimising and reducing inventory levels.

Net sales for 2017 amounted to DKK 1,599m (2016: DKK 1,482m).

Operating profit before depreciation (EBITDA) amounted to DKK 40m (2016 DKK 102m), which is not satisfactory and below expectations in the annual report 2016.

Earnings before amortization and impairment of intangible assets (EBITA) amounted to DKK -57m (2016 DKK 7m) and earnings before interest and tax (EBIT) amounted to DKK -73m (2016 DKK -9m) and net profit for the year ended at DKK -187m (2016 DKK -56m).

Investments

Investments in 2017 have been at a lower level than the last couple of years, where investments in the new plant in Hungary took place.

Cash flows

Cash flow from operating activities (CFFO) was DKK -213m (2016 DKK 233m), materially affected increased inventory levels as well as lower EBITDA. In addition to this, cash flow from accounts payables had a negative impact on 2017 due to a very high level end 2016 compared to 2017. Finally, the refinancing has led to increased financial payments.

The Group's cash flow from investment activities (CFFI) amounted to DKK 75m (2016 DKK 161m). One of the biggest investments during 2017 was implementation of the new ERP system.

Debt and financial resources

The solvency ratio end of December 2017 was 22 % (2016 32 %) equalling an equity of DKK 457m (2016 DKK 609m).

Net interest-bearing debt (NIBD) amounted to DKK 853m (2016 DKK 575m). The financial latitude amounted to DKK 92m (2016 DKK 106m) consisting of unutilized credit facilities and available cash.

The increase in net interest-bearing debt is mainly due to increased cash outflow driven by the delay in the ramp-up in the Hungarian production and the increase in the inventory levels.

Own shares
Cembrit Group A/S has in 2017 acquired own shares for an amount of DKK 2m (2016: DKK 0.5m) (nom. value of own shares is DKK 24,670). Own shares are less than 1 % of total share capital.

Events occurring after the balance sheet date
Cembrit's shareholders continue to believe strongly in their investment in Cembrit and fully subscribed for an equity issue of DKK 90 million in January 2018 to maintain healthy liquidity levels while implementing new strategic initiatives. The cash contribution was received by the Company in end-January. In addition, the shareholders have also delegated authority to the Board of Directors to make an additional equity issue of up to DKK 30 million.

In March 2018 the company bonds (EUR 115,000,000) was listed at Nasdaq Stockholm.

No other events have occurred after the balance sheet date.

Expectations to 2018

Based on the market outlook and a number of new initiatives launched, performance is expected to improve in 2018. The Group expects a minor growth in top line driven by both existing and new markets and that there is a potential to improve operating profit and NWC by optimization of the operational set up, general cost savings and inventory reductions.

Research and development activities
Cembrit conducts ongoing research into new raw materials, production techniques and product development. Cembrit wishes to continue and strengthen these activities.

Cembrit plants and Cembrit's products are designed and configured to provide next-generation manufacturing capabilities – combining economies of scale with the individual customisation and variation opportunities from digitally controlled machinery set up. Development activities are striving to make the Cembrit products personalized based on customer's desires. Cembrit is aiming for making the products seamlessly linked in a cost effective, digitally managed design and construction flow configured to provide the exact, as-specified product delivered on site at a prearranged place and time, packaged in factory-customised, ready-for-installation sequence.

Cembrit plan to launch significant new products that fits customer's needs and bring value to their businesses in 2018.

Special Risks
"Identification, mitigation and managing risks are an essential part of our business. Through risk management and internal policies, the Group is minimizing potential threats by closely monitoring exposure to strategic, financial, operational and compliance risks."

General risks – Hazard
The Group's production of fiber cement products is concentrated on five manufacturing facilities producing different products and are exposed to interruptions or disturbances due to, for example, fire, mechanical breakdown, disruption of the Group's IT systems or natural disasters, meaning that production cannot easily be moved to another manufacturing facility in the event of a disruption. Any potential product liability claims may also have a negative impact on the Group's operations, financial position and earnings. The Group's overall exposure to hazard risks are managed through a risk identification process implemented in the Group insurance policy mitigating the potential impact on the Group's earnings.

Strategic risks
The Group operates in a number of geographical markets and on several of these the Group is, among others required to obtain various environmental permits and licenses and certifications for its products. Actual or expected changes in changed standards and regulations, taxation and subsidies for agricultural, homes, residential building and renovation work, could entail a more volatile market affecting the Group's capacity planning, and entail increased future and retroactive product liability.

Being in a highly competitive market and being dependent on a few large customers the Group's business may be affected by fluctuations in the commodity-like raw materials as the Group may be unable to increase its prices to offset these increased costs without suffering reduced volumes, revenues and operating income.

Operational risks
The Group has invested significantly in new production facilities primarily in Hungary in order to increase production capacity and optimize the Group's manufacturing footprint. There is a risk that these investments and actions will not provide the expected improvements due to, for example increased costs due to delays or decreased production quality and that the Group is unable to attract and retain qualified management and technical personal for the plants as the competition for highly trained personal remains intense in the regions in which the Group operates.

The Group's dependency on certain suppliers meeting agreed requirements with respect to, for example, quantity, quality and delivery time may have a negative impact on the Group's earnings if any of the suppliers, by any reason, cannot deliver as agreed.

Some of the manufacturing equipment used by the Group is not standard equipment, which implies that if any of that equipment breaks down and cannot be repaired, it will be difficult to quickly replace such equipment which could lead to lengthy disruptions. Disruptions in any part of the manufacturing chain can have serious repercussions on the entire production process. In turn, such disruptions and the anticipated risk that they could occur, may result in customers using other suppliers. The Group's current five manufacturing facilities manufacture different products, meaning that production cannot easily be shifted to another manufacturing facility in the event of a disruption.

Compliance
Cembrit is subject to the risk that employees make decisions or perform acts or omissions that are not consistent with the internal guidelines, laws or regulations. Special risk areas could be violations or non-compliance with e.g. anti-corruption legislation, personal data legislation or Market Abuse Regulation. The Group and employees may be affected by public law sanctions including penalties or fines as well as the negative effect on its financial position due to breach of contract should the Group's internal controls and other measures to insure compliance prove to be insufficient.

Financial risks
Because of its international operations, investments and financing, the Group is exposed to a number of financial risks, not limited to fluctuations in exchange rates and interest rate levels, but also market, liquidity and credit risk. The risks are centrally managed according to fixed financial policies, including the policy approved by the Board of Directors for the Group's use of derivative financial instruments. Please see note 23 for further description of these risks.

Knowledge resources
The Group's future success depends in part on its ability to hire, assimilate and retain highly qualified personnel, particularly the senior management team and key individuals. Competition for highly qualified management and technical personnel remains intense in the industries and regions in which the Group

operates. If the Group is unable to attract and retain members of its senior management team and key employees this could have an adverse effect on the Group's business.

The Group also depends on know-how in its business. The Group emphasizes on the protection of its know-how when working with third parties through non-disclosure agreements, by including restrictions in the employment contracts and through registration of wordmark and trademark in current and strategic markets plus patent registration and protection.

Statutory statement on Social responsibility

(in accordance with section 99a of the Danish Financial Statements Act)

Business model

Cembrit's business model, products, production facilities and sales entities are described in the section "Market characteristics".

Cembrit's mission is to make life easier and better for our customers, colleagues, partners and stakeholders. Cembrit is not only offering multi-capable fibre-cement building products but also valuable know how which helps customers achieving more by using fibre-cement products. Customer service and technical support activities are decentralized to each of Cembrit's national markets.

Cembrit fibre-cement products are completely unaffected by sub-zero temperatures, snow, frosts and thaws, and by rain (even torrential downpours), heat, humidity and direct sunlight. Fibre cement features a high pH value that makes it exceptionally resistant to algae and bacteria attacks and the growth of moss, fungi etc. - even in conditions and climates where this is often considered a problem. Additionally, all Cembrit fibre-cement products are non-combustible, and classified in accordance with the EN 13501-1 standard. It is chemically impossible for them ever to contribute to a fire. A life time analysis of Cembrit's fibre cement products shows high cost-efficiency and low requirement of maintenance, which has a positive long-term impact on the environment compared to other building materials.

From ordering of raw materials, during production process to installation of the finished products Cembrit is focusing on cost efficiency with an eye to environmental impact. We are aiming at reducing transportation by concentrating purchase of local raw materials to the extent possible and direct delivery to the customers.

"SAFETY FIRST". Safety has highest priority. All employees are entitled to a safe and secure workplace where no one is exposed to unnecessary risk. A safety mind-set permeates all activities on production sites, in warehouses etc. Employees are trained to focus on safety and everybody are encouraged to contemplate to improvements.

Environment and climate
The objective of Cembrit is to manufacture fibre-cement products on a commercial basis as efficiently as possible with the least impact on the environment and resources. Cembrit focus on sustainability in the consumption of resources, waste reduction, recycling of e.g. water and some waste products and by optimising transport. Several waste reduction projects were run during 2017 with the aim to reduce both, volume of waste as well as the related costs.

Cembrit strives to cooperate actively with the authorities and stakeholders, in order to avoid possible risks to the environment.

Cembrit adhere to environmental regulatory requirements and keep the related activities of the company in compliance with valid permits. Cembrit encourage staff to environmentally-friendly mode of operation and high focus is paid on using environmentally friendly materials.

Several initiatives are implemented to reduce the environmental impact. Water from production sites is cleaned and waste products are recycled as much as possible.

The environmental-friendly focus is not only an important factor linked to existing production activities but is also affecting decision making when it comes to development of new products.

Cembrit strives to have all manufacturing facilities certified according to ISO 9001, 14001 and OHSAS 18001. Currently all production units hold all certificates, except of the newest production site in Hungary which is currently ISO 9001 certified.

In terms of environment, Cembrit has been following environmental indicators for consumption of energy (split by different fuel types), raw materials (split by types of raw materials), different recycling materials and water compared to how many tons of building materials that have been produced.

The indicators are set in order to follow the development in consumption of materials and energy from an environmental point of view and to follow the impact on the environment when looking at emission and waste. The target for 2018 is an improvement in above mentioned indicators.

The new factory in Hungary is included in 2017 results. As the production was ramping up during 2017, it effected negatively some environmental indicators.

Energy consumption, per ton increased compared to 2016, while other indicators showed the declining trend.

In terms of output from the production, Cembrit has followed indicators for emission to air (CO_2), wastewater, waste (split by recycling, landfill and oil/chemical waste) and packaging types. Output indicators have developed positively in 2017 except of waste parameter. The ramp up in Hungary caused a higher level of waste ratio.

Environmental indicators:

		2014	2015	2016	2017
INPUT					
ENERGY **TOTAL**	MJ/ton	1.436,8	1.445,9	1.512,1	1.553,6
Fuel	MJ/ton	690,6	743,7	785,8	789,5
District heating	MJ/ton	84,4	83,6	82,0	57,2
Electricity	MJ/ton	661,8	618,6	644,3	706,9
RAW MATERIALS	kg/ton	819,2	819,6	835,9	830,7
RECYCLING MATERIALS	kg/ton	41,8	36,8	42,0	34,9
WATER	kg/ton	1.650,0	1.854,1	1.954,1	1.426,3
OUTPUT					
EMISSION TO AIR*		48,5	52,7	55,6	53,5
CO_2	kg/ton	48,5	52,7	55,6	53,5
WASTE WATER	kg/ton	745,0	713,0	930,4	857,5
WASTE	kg/ton	75,4	82,2	70,9	109,4
Recycling	kg/ton	48,4	49,0	54,7	99,1
Incineration	kg/ton	-	-	-	4,9
Landfill	kg/ton	20,5	31,5	14,2	3,5
Oil and chemical waste	kg/ton	6,5	1,7	2,0	1,8
PACKAGING	kg/ton	9,7	11,4	14,3	21,9

*Includes only emissions generated inside the factories

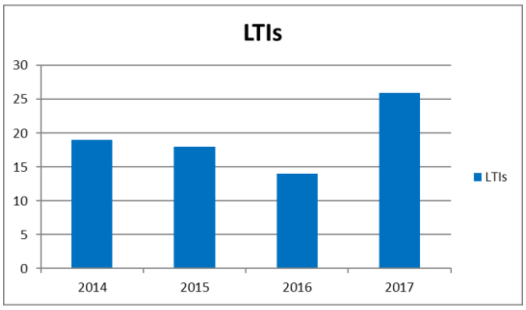
Health and Safety

Production units in the Czech Republic, Poland and Finland maintain their safety systems in accordance with OHSAS 18001.

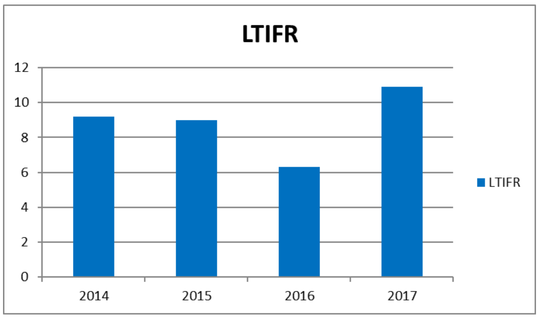
Local working environment policies exist. These policies ensure compliance with local legislation and deals with dust level, temperature level, maximum muscle load, noise level etc.

In terms of safety, Cembrit has been following the below safety indicators:

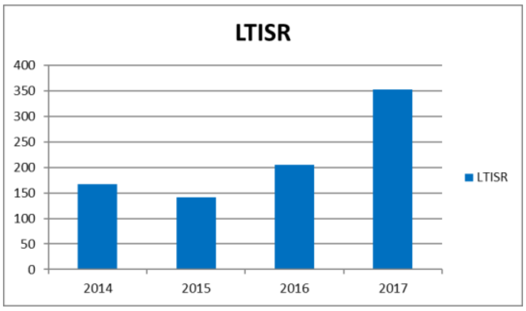
Lost time injuries (injuries where the injured employee was absent for more than 1 day after the injury happened):



Lost time injury frequency rate (number of injuries per 1 million working hours):



Lost time injury severity rate (number of injuries per 1 million working hours):



Cembrit has experienced an increase in the number of LTI's from 2016 to 2017, mainly in Finland and in the Czech Republic, which is unsastisfying. On a positive note, Cembrit has managed to reduce the number of LTI's in Hungary despite a higher number of employees in 2017, compared to 2016.
Severity rate was negatively affected with 1 longer-term injury originating in 2015.

The safety initiatives will continue in 2018 with focus on behaviour of employees.

Code of Conduct
The Cembrit Code of Conduct is a set of principles outlining the expected ethical behaviour of employees and stakeholders doing business with or on behalf of Cembrit.

The Code of Conduct sets the standards in various areas in order to uphold Cembrit's reputation as a company with a high level of integrity and trustworthiness.

In relation to employees, Cembrit strives to create a work environment characterized by mutual trust, teamwork and respect for the individual.

Cembrit considers its employees to be important resources in achieving its goals and gives safety the highest priority; all employees are entitled to a safe and secure workplace where no one is exposed to unnecessary risk. As such Cembrit is committed to giving employees the training and information they need to manage risks in their own work areas.

Furthermore, Cembrit gives the highest priorities to ensure the following for all Cembrit employees

- Respect and Fairness
- Basic employee rights
- Equality and non-discrimination

- Harassment-free working environment
- Respect for data privacy

During 2017 Cembrit has actively promoted its own standards towards the primary business partners introducing the Cembrit Code of Conduct as a part of the basis of contracts when renegotiating contract terms. The process during 2017 was to have all primary suppliers commit to the principles of the Cembrit Code of Conduct or to evaluate if the suppliers own Code of Conduct was compliant. This initiative will be followed up by a Supplier Code of Conduct in 2018 based on the same principles as the Cembrit Code of Conduct.

Human rights and labour
At Cembrit we are strong advocates of the rights of our employees both under the International Bill of Human Rights and the International Labour Organization & fundamental conventions. The following highlights specific areas, where Cembrit's Code of Conduct highlight expectations of business partner performance:

- Respect and Fairness
- Illegal labour
- Basic employee rights
- Equality and non-discrimination
- Harassment-free working environment
- Respect for privacy
- Information security

Cembrit published in 2017 a UK Modern Slavery Statement giving the overview of steps taken to ensure that modern slavery and human trafficking is not taking place within the business of Cembrit or its supply chain. The Statement is supported by the implementation of the Cembrit Human Rights Policy in 2017.

As an important area of focus related to the respect for human rights, Cembrit continually works to protect the right to privacy. In 2017, Cembrit has achieved several significant results regarding the protection of personal data and information security. Through data mapping and internal procedures and processes we have personal data protection and information security across the organisation as well as with the company's suppliers.

Social responsibility
Acting with uncompromising integrity is an important enabler of being successful in today's business environment. Cembrit focus on CSR (Corporate Social Responsibility).

To underline Cembrit's strong focus on corporate behaviour and how we strive to work with customers, suppliers, competitors and other stakeholders a number of new policies was implemented in 2016 as a part of our Group Code of Conduct setting the standards in various areas to uphold Cembrit's reputation as a company with a high level of integrity and trustworthiness. Together with the internal policies specified below the Group Code of Conduct implemented in May 2016 outlined the principles and minimum standards regarding the expected ethical behaviour of employees and stakeholders doing business with or on behalf of Cembrit thereby focusing on Human Rights and Labour, Internal Issues, External Partners and the Environment & External Community.

Anti-bribery Policy
Bribery is a criminal offence. Not only can bribery expose you to personal criminal prosecution, but can also result in legal and reputational issues for Cembrit. Cembrit employees must not engage in any form of bribery, such practices are illegal and unacceptable.

Not only do we explicitly not tolerate bribery within our own organization, but also through business partners undertaking business on our behalf (e.g. distributors, agents, consultants, lobbyists etc.).

Anti-Competition Policy
Competition is an essential element of an effective industry. Any arrangement that restricts competition jeopardises business, and will ultimately harm not only the companies concerned, but also society in general. Anti-competition laws apply in every country where Cembrit conducts business.

Cembrit's recognises that not only can business and reputation be damaged by illegal and anti-competitive behaviour, but there would be potential legal actions for the company and individuals.

Cembrit commits to not engaging in any anti-competitive practices. Cembrit does not tolerate any such actions that would breach these practices.

The practical guidance for anti-competition within Cembrit is never to discuss any potentially sensitive commercial matters under any circumstances. Furthermore, authorisations within Cembrit are in place to avoid unfortunate situations.

In 2017 internal manuals and procedures were introduced to the employees of Cembrit to ensure that all entities within the Group are prepared to support any government inspections and investigations in a professionally and orderly manner.

Conflict of interest Policy
A conflict of interest occurs when an individual's obligations and interests as a trusted employee conflicts with their private interests. Even the mere appearance of a conflict of interest can seriously damage a company's reputation.

It is important that Cembrit conducts business activities in the best interests of the company and that employees do not place their own personal interests ahead of those of Cembrit's business.

Cembrit recognises that employees are entitled to take part in legitimate financial, business and other activities outside of work. To the extent that these other activities might affect (or potentially be perceived by others to affect) their ability to carry out their role effectively at Cembrit, or affect their judgement, objectivity or loyalty to the Group, they must be disclosed, authorised and potentially terminated.

A practical guidance has been made related to investments, relatives and close friends, outside employment and directorships and exchange of non-monetary items. Furthermore, internal approvals in the organisation are accomplished.

These policies implemented back in 2016 created a focus and awareness in the Group of acting in a social responsible way. The contribution from doing business in a social responsible way – both to employees, business partners, customers and other stakeholders - are of great importance to Cembrit.

In 2017 a risk assessment process was completed focusing on Cembrit Business Partners. Cembrit performed an annual screening of the main suppliers to identify potential risks and to mitigate such going forward. The screening was done based on criteria of turnover and focuses on suppliers of raw materials and buy-for-resale, to evaluate if the suppliers are compliant with the Cembrit Code of Conduct.

As the next natural step the following policies will be completed in 2018:

- Cembrit Business Partner Policy
- Cembrit Gifts & Entertainment Policy
- Cembrit Supplier Code of Conduct

Statutory statement on the underrepresented gender

(in accordance with section 99b of the Danish Financial Statements Act)

Cembrit´s target is to have balanced gender diversity in all Board of Directors. It is Cembrit's objective that the underrepresented gender must be aligned with the recommendations from the Danish Business Authorities for board members elected at the annual general meeting.

To ensure the diversity in Cembrit in the future, Cembrit focus on the following initiatives:

- Cembrit is a company that always strives to hire or appoint the best qualified people at all levels including executive and board positions. If two or more candidates for a board position are evenly qualified, the person that represents the underrepresented gender will be preferred
- When recruiting candidates for board positions, Cembrit requires that at least one of the candidates represents the underrepresented gender

The current gender ratio in top management, the Board of Directors in Cembrit Group A/S, is five male and zero female and for the Board of Directors in Cembrit Holding A/S the gender ratio is four male and 1 female. As for the Board of Directors in Cembrit A/S, the gender ratio is two male and one female, and for the Board of Directors in Cembrit Logistics A/S the gender ratio is two male and one female – the Chairman being female.

The current gender ratio in the executive board is two male and zero female in both Cembrit Group A/S, Cembrit Holding A/S, Cembrit A/S and Cembrit Logistics A/S.

It is always Cembrit's overall goal to comply with applicable law, which means to reach the targets in the recommendations from the Danish Business Authorities. It is Cembrit's target, to have at least one woman on the Board of Directors in Cembrit Group A/S and Cembrit Holding A/S before 2021. The target was partially reached in 2017, as the Chairman of the Board of Directors in Cembrit Holding A/S is female.

The target has not been achieved for Cembrit Group A/S during 2017.

Consolidated Financial Statements
Group financial highlights

	2015 DKK (000)	2016 DKK (000)	2017 DKK (000)	2017 1) EUR (000)
INCOME STATEMENT				
Revenue	1.371.773	1.481.777	1.599.103	214.974
Gross profit	385.317	426.372	367.281	49.375
Earnings before depreciation, amortisation and impairment (EBITDA)	124.191	102.242	39.626	5.327
Earnings before amortisation and impairment of intangible assets (EBITA)	17.552	6.705	(56.928)	(7.653)
Earnings before interest and tax (EBIT)	9.535	(9.494)	(73.061)	(9.822)
Earnings from financial items, net	(38.362)	(53.331)	(93.904)	(12.624)
Earnings before tax (EBT)	(28.827)	(62.825)	(166.965)	(22.446)
Profit/loss for the year	**(24.756)**	**(56.385)**	**(186.635)**	**(25.090)**
CASH FLOW				
Cash flow from operating activities	73.209	232.695	(212.773)	(28.604)
Cash flow from investing activities	(758.087)	(161.287)	(74.510)	(10.017)
Hereof investments in property, plant and equipment	(153.338)	(123.102)	(38.963)	(5.238)
WORKING CAPITAL	**249.055**	**92.550**	**230.871**	**31.011**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**(551.077)**	**(575.414)**	**(853.394)**	**(114.628)**
BALANCE SHEET				
Intangible assets	133.663	155.771	178.619	23.992
Tangible assets	957.026	990.612	955.630	128.360
Financial assets	83.188	98.867	86.660	11.640
Non-current assets	**1.173.877**	**1.245.250**	**1.220.909**	**163.993**
Current assets	706.633	535.800	617.321	82.919
Total assets	**1.880.510**	**1.781.050**	**1.838.230**	**246.911**
Equity	688.752	609.119	456.958	61.379
Long-term liabilities	597.714	635.218	972.633	130.644
Short-term liabilities	594.044	536.713	408.639	54.888
Total equity and liabilities	**1.880.510**	**1.781.050**	**1.838.230**	**246.911**
PROPOSED DIVIDEND TO SHAREHOLDERS	**0**	**0**	**0**	**0**
DIVIDEND PAID OUT DURING THE YEAR	**0**	**0**	**0**	**0**
FINANCIAL RATIOS				
Gross margin	28,1%	28,8%	23,0%	23,0%
EBITDA margin	9,1%	6,9%	2,5%	2,5%
EBITA margin	1,3%	0,5%	(3,6%)	(3,6%)
EBIT margin	0,7%	(0,6%)	(4,6%)	(4,6%)
EBT margin	(2,1%)	(4,2%)	(10,4%)	(10,4%)
Return on equity	(3,6%)	(8,7%)	(35,0%)	(35,0%)
Equity ratio	36,6%	34,2%	24,9%	24,9%
ROIC (Return on Invested Capital)	3,9%	0,3%	(5,9%)	(5,9%)
Net working capital ratio	18,2%	6,2%	14,4%	14,4%
NOPAT	42.730	3.763	(76.641)	(10.294)
Invested capital	1.107.409	1.157.775	1.302.861	175.000
Number of employees at 31 December, Group	**1.041**	**1.154**	**1.339**	**1.339**
Number of employees in Denmark	93	99	107	107

The financial ratios have been computed in accordance with the guidelines of the Danish Society of Financial Analysts. Please see note 40 for definitions.

1) Income statement and cash flow items are translated at the average EUR exchange rate of 7,438602 and the balance sheet items are translated at the year end EUR exchange rate of 7,4449.

Consolidated income statement

Notes		2017 DKK (000)	2016 DKK (000)
	Revenue	1,599,103	1,481,777
4	Production costs	(1,231,822)	(1,055,405)
	Gross profit	**367,281**	**426,372**
4	Sales and distribution costs	(250,677)	(245,315)
4	Administrative costs	(78,793)	(81,813)
3	Other operating income	4,483	5,748
3	Other operating costs	(2,668)	(2,750)
	Earnings before depreciation, amortisation and impairment (EBITDA)	**39,626**	**102,242**
5	Special non-recurring items	(4,497)	(13,687)
12	Depreciation and impairment of tangible assets	(92,057)	(81,850)
	Earnings before amortisation and impairment of intangible assets (EBITA)	**(56,928)**	**6,705**
11	Amortisation and impairment of intangible assets	(16,133)	(16,199)
6	**Earnings before interest and tax (EBIT)**	**(73,061)**	**(9,494)**
20	Financial income	63,689	28,153
20	Financial costs	(157,593)	(81,484)
	Earnings before tax (EBT)	**(166,965)**	**(62,825)**
18	Tax for the year	(19,670)	6,440
	Profit/loss for the year	**(186,635)**	**(56,385)**

	Profit/loss for the year attributable to:		
	Cembrit Group A/S shareholders' share of profit/loss for the year	(186,635)	(56,385)
		(186,635)	**(56,385)**

Consolidated statement of comprehensive income

Notes		2017 DKK (000)	2016 DKK (000)
	Profit/loss for the year	**(186,635)**	**(56,385)**
	Other comprehensive income for the year		
	Items that can be reclassified to the income statement:		
	Foreign exchange adjustment regarding foreign operations	27,498	(18,445)
	Value adjustments of hedging instruments:		
	Value adjustment for the year	4,804	396
	Value adjustments transferred to revenue	(5,158)	(2,848)
	Value adjustments transferred to production costs	3,223	(3,414)
	Value adjustments transferred to financial income and costs	2,027	0
	Value adjustments transferred to balance sheet items	1,106	(704)
18	Tax on other comprehensive income	(526)	717
	Other comprehensive income for the year after tax	**32,974**	**(24,298)**
	Comprehensive income for the year	**(153,661)**	**(80,683)**
	Comprehensive income for the year attributable to:		
	Cembrit Group A/S shareholders' share of comprehensive income for the year	(153,661)	(80,683)
		(153,661)	**(80,683)**

Consolidated cash flow statement

Notes		2017 DKK (000)	2016 DKK (000)
	Earnings before depreciation, amortisation and impairment (EBITDA)	**39,626**	**102,242**
5	Adjustment special non-recurring items	(4,497)	(13,687)
	Adjustment for profits/(losses) on sale of tangible and intangible assets etc.	3,267	(1,597)
	Adjusted earning before depreciation, amortisation and impairment (EBITDA)	**38,396**	**86,958**
7	Change in provisions	(13,172)	(22,051)
8	Change in working capital	(133,772)	141,272
	Cash flow from operating activities before financial items and tax	**(108,548)**	**206,179**
9	Financial payments received and made	(91,683)	(14,577)
18	Taxes paid	(12,542)	41,093
	Cash flow from operating activities	**(212,773)**	**232,695**
11	Acquisition of intangible assets	(35,596)	(38,081)
12	Acquisition of tangible assets	(38,963)	(123,102)
11	Disposal of intangible assets	0	(5)
12	Disposal of tangible assets	58	236
	Disposal of financial assets	(9)	(335)
	Cash flow from investing activities	**(74,510)**	**(161,287)**
	Capital increase	1,500	664
	Acquisition of treasury shares	0	(415)
	Share-based payment	0	51
	New bank loan/bond issued, yield	850,131	100,000
	Bank loan repaid	(560,646)	(45,000)
	Financial liability, remaining acquisition price	0	(130,230)
	Other financial liabilities	(14,022)	844
	Financial lease	(599)	(490)
	Other	0	(2,545)
10	**Cash flow from financing activities**	**276,364**	**(77,121)**
	Change in cash and cash equivalents	(10,919)	(5,713)
	Cash, cash equivalents and cash pool balance at 1 January 2017	16,975	23,168
	Foreign exchange adjustments	729	(480)
	Cash, cash equivalents and cash pool balance at 31 December 2017	6,785	16,975
	Split of cash and cash equivalents:		
	Cash and cash equivalents, continuing activities	6,785	16,975
	Cash classified as assets held for sale	0	0
		6,785	16,975
22	Total cash and cash equivalents	18,401	16,975
22	Cash pool liabilities	(11,616)	0
		6,785	16,975

The cash flow statement cannot be derived from the published financial information only.

Consolidated balance sheet – Assets

Notes		2017 DKK (000)	2016 DKK (000)
	Goodwill	12.705	12.705
	Development projects	4.698	954
	Consessions, patents, licenses etc.	2.932	2.587
	Customer relations	75.235	78.155
	Other intangible assets	76.944	57.846
	Advanced payments for intangible assets	6.105	3.524
11	**Intangible assets**	**178.619**	**155.771**
	Land and buildings	425.297	408.037
	Plant and machinery	500.864	484.054
	Operating equipment, fixtures and fittings	22.553	22.715
	Tangible assets in course of construction	6.916	75.806
12	**Tangible assets**	**955.630**	**990.612**
13	Other securities and investments	352	342
19	Deferred tax assets	86.308	98.525
	Financial assets	**86.660**	**98.867**
	Total non-current assets	**1.220.909**	**1.245.250**
16	**Inventories**	**350.532**	**271.730**
17	Trade receivables	195.875	210.625
26	Derivative financial instruments	2.644	3.645
	Other receivables	38.852	25.449
	Prepaid expenses	11.017	7.378
	Receivables	**248.388**	**247.097**
	Cash and cash equivalents	**18.401**	**16.973**
	Total current assets	**617.321**	**535.800**
	TOTAL ASSETS	**1.838.230**	**1.781.050**

Consolidated balance sheet – Equity and Liabilities

Notes		2017 DKK (000)	2016 DKK (000)
31	Share capital	41.860	41.761
	Foreign exchange adjustments	19.300	(8.198)
	Value adjustments of hedging transactions	(2.171)	(7.647)
	Non distributable reserves	5.382	3.543
	Retained earnings	392.587	579.660
	Total equity	**456.958**	**609.119**
19	Deferred tax liabilities	65.552	69.476
28	Pension liabilities	339	295
27/28	Other provisions	54.218	55.126
21/22/28	Bond issued / Bank loans	850.131	507.512
21/22/28	Finance lease	551	989
28	Other liabilities	1.842	1.820
	Long-term liabilities	**972.633**	**635.218**
	Pension liabilities	289	220
27	Other provisions	18.360	27.505
21/22	Bank loans and credit facilities	15.857	70.855
21/22	Finance lease	491	648
	Prepayments from customers	634	555
	Trade payables	164.822	234.414
25	Derivative financial instruments	7.410	12.384
	Current tax liabilities	8.412	5.303
29	Other liabilities	192.331	184.607
	Deferred revenue	33	222
	Short-term liabilities	**408.639**	**536.713**
	Total liabilities	**1.381.272**	**1.171.931**
	TOTAL EQUITY AND LIABILITIES	**1.838.230**	**1.781.050**

Statement of changes in equity

DKK (000)	Share capital	Foreign exchange adjustment	Value adjustment of hedging	Non distribu-table reserves	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	**41,761**	**(8,198)**	**(7,647)**	**3,543**	**579,660**	**0**	**609,119**
Comprehensive income for the year							
Profit/loss for the year					(186,635)		**(186,635)**
Other comprehensive income							
Foreign exchange adjustments regarding foreign operations		27,498					**27,498**
Value adjustments of hedging instruments:							
Value adjustments for the year			4,804				**4,804**
Value adjustments transferred to revenue			(5,158)				**(5,158)**
Value adjustments transferred to production costs			3,223				**3,223**
Value adjustments transferred to financial income and costs			2,027				**2,027**
Value adjustments transferred to balance sheet items			1,106				**1,106**
Tax on other comprehensive income*			(526)				**(526)**
Other comprehensive income total	**0**	**27,498**	**5,476**	**0**	**0**	**0**	**32,974**
Comprehensive income for the year	**0**	**27,498**	**5,476**	**0**	**(186,635)**	**0**	**(153,661)**
Capital increase	99				1,562		**1,661**
Acquisition of treasury shares					(2,000)		**(2,000)**
Share-based payment, share options				1,839			**1,839**
Equity at 31 December 2017	**41,860**	**19,300**	**(2,171)**	**5,382**	**392,587**	**0**	**456,958**
Equity at 1 January 2016	**41,722**	**10,247**	**(1,794)**	**2,742**	**635,835**	**0**	**688,752**
Comprehensive income for the year							
Profit/loss for the year					(56,385)		**(56,385)**
Other comprehensive income							
Foreign exchange adjustments regarding foreign operations		(18,445)					**(18,445)**
Value adjustments for the year			396				**396**
Value adjustments transferred to revenue			(2,848)				**(2,848)**
Value adjustments transferred to production costs			(3,414)				**(3,414)**
Value adjustments transferred to balance sheet items			(704)				**(704)**
Tax on other comprehensive income*			717				**717**
Other comprehensive income total	**0**	**(18,445)**	**(5,853)**	**0**	**0**	**0**	**(24,298)**
Comprehensive income for the year	**0**	**(18,445)**	**(5,853)**	**0**	**(56,385)**	**0**	**(80,683)**
Capital increase	39				625		**664**
Acquisition of treasury shares					(415)		**(415)**
Share-based payment, share options				801			**801**
Equity at 31 December 2016	**41,761**	**(8,198)**	**(7,647)**	**3,543**	**579,660**	**0**	**609,119**

Dividends distributed to shareholders in 2017 were DKK 0 (2016: DKK 0)

Proposed dividend for 2017 amounts to DKK 0 per share (2016 DKK 0 per share).

* For the specification of tax on other comprehensive income, see note 18.

Notes to the consolidated financial statements

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1. Estimates by management

Significant estimates and assessments by Management
The preparation of the Annual Report requires that the Management makes estimates and assumptions, which by definition will seldom equal the actual results, that affect the recognized assets and liabilities, including the disclosures made regarding contingent assets and liabilities, when applying the Groups accounting policies.

Management bases its estimates on historical experience and other assumptions considered relevant at the time. These estimates and assumptions form the basis for the recognized carrying amounts of assets and liabilities and the derived effects on the income statement and other comprehensive income. The actual result may deviate over time.

The estimates made and the underlying assumptions are reconsidered on an ongoing basis.

Management considers the following estimates and assessments and the relevant accounting policies essential for preparing the consolidated financial statement. In the opinion of Management, the result of these estimates and uncertainties are reflected in the Annual Report based on the information available and assumptions made.

Intangible assets/impairment test
Goodwill and other intangible assets of indefinite useful life are tested for impairment at least once a year and when there is an indication of impairment, the first time being before the end of the year of acquisition. The carrying amount of non-current assets are reviewed each year to determine whether there is an indication of impairment. If any such indication exists, the recoverable value of the asset is calculated. Development projects are also tested for impairment at least once a year.

Factors considered material that could trigger an impairment test include the following:

- Changes of R&D project expectations
- Lower-than-predicted sales related to particular technologies in Development projects
- Changes in the economic lives of assets
- Relationship with other intangible assets or property, plant and equipment

In performing the annual impairment test of assets, an assessment is made as to whether the individual units of the Group (cash generating units) to which assets are allocated will be able to generate sufficient positive cash-flow in the future to support the value of the unit concerned.

Management defines the cash-generating units based on the smallest group of identifiable assets which together generate incoming cash flow from continued use of assets and which independent of cash flow from other assets or groups of assets. The definition of the cash generating units is reconsidered once a year.

An estimate is made of the future free net cash flow based on budgets and the strategy from the coming five years and projections for the subsequent years (the terminal value). Significant parameters in this estimate are discount rate, revenue development, EBITA margin, expected investments and growth expectations for the period after the five years.

The recoverable amount is calculated by discounting expected future cash flow. The impairment test is disclosed in note 14.

Deferred tax liabilities and assets
Deferred tax assets are recognized if it is likely that there will be taxable income in the future against which timing differences or tax loss carry forwards may be used. For this purpose, Management estimates the

coming five years earnings based on approved business plans and budgets. Deferred tax is disclosed in note 19.

Warranties, restructuring and other provisions
Provisions are recognized in cases where, due to an event occurring before the balance sheet date, the Group has a legal or constructive obligation which is probable and can be measured reliably.

Management assesses provisions and the likely outcome of pending and probable lawsuits etc. on an ongoing basis. The outcome depends on future events, which are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes Management bases its assessments on external legal assistance and established precedents. Tax provisions are made to cover expected additional future liabilities related to financial year or previous years. Provisions are disclosed in note 27.

Warranties and other provisions are measured on the basis of empirical information covering several years as well as legal opinion which together with estimates by Management of future trends form the basis for warranty provisions and other provisions. In the case of long-term warranties and other provisions, discounting to net present value takes place based on the future cash flow and discount rate expected by Management.

In connection with restructuring, Management reassesses useful life and residual values for non-current assets used in the business undergoing restructuring. The extent and amount of onerous contracts as well as employee and other obligations arising in connection with the restructuring are also estimated.

Commissioning of fixed asset investments
Related to commissioning of fixed asset investments, management assesses the proportion of expenditures that can be attributed to the commissioning phase. This amount is recognised in the carrying amount of the fixed asset. Management bases its assessments on experience, commissioning plans for test runs etc.

Inventory valuation
For 2nd quality inventory the valuation is based on expected future utilisation of the products. Some products can be reprocessed into first quality products and some can be sold at lower than normal sales prices as 2nd quality products. If net realisable value is lower than the costs a write down is made. Net realisable value is the estimated selling price less the estimated costs of reworking, completion and sale of the inventory.

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

Production costs include raw materials, consumables, direct labour costs and production overheads such as maintenance and operation of production plant as well as administration and factory management.

Research and development costs are charged to Production costs in the income statement for the financial year in which they are incurred. Development costs related to certain products or processes are recognized as assets to the extent that such costs are likely to generate future earnings.

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

Administrative costs comprise the costs of administrative staff and management as well as other indirect administrative costs.

2. Segments

Segment reporting

The internal reporting framework used for reporting on revenue and expenses to the General Management Team and the Board of Directors has been established to reflect and report on the global functional responsibility setup at Cembrit. This setup consolidates functions by type, and Management reviews the results of the Group as a whole to assess performance. Thus, there is only one operating segment.

The Group operates primarily on the European Market. The geographical distribution of revenue is based on the country in which the goods are delivered.

Accounting policy

Revenue includes sales of goods and related services, less goods returned and volume and cash discounts. Sales are recognized at the time of risk transfer relating to the goods sold, provided that the revenue can be measured on a reliable basis and payment is expected to be received. A liability is recognized when it is contractually agreed that goods can be returned and this is likely.

	2017 DKK (000)	**2016** DKK (000)
Revenue by geographical area		
Denmark	452,470	446,138
Nordic excl. Denmark	849,690	799,299
West Europe	180,676	163,053
Other	116,267	73,287
	1,599,103	**1,481,777**
Revenue by product group		
Roofing	749,107	727,476
Façade/function boards	614,201	530,016
Other	235,795	224,285
	1,599,103	**1,481,777**
Assets by geographical area		
Denmark	81,202	60,542
Nordic excl. Denmark	255,688	277,594
East Europe	761,970	778,183
Other	35,389	30,064
	1,134,249	**1,146,383**

3. Other operating income and costs

Accounting policy

Other operating income and costs consist of income and costs of secondary importance to the Groups' activities, including rent income, fees, etc. plus profit and loss on disposal of individual assets, which is not considered part of the disposal of a complete operation.

	2017 DKK (000)	2016 DKK (000)
Other operating income		
Rent income	1,115	1,097
Profit on disposal of tangible assets	60	87
Other income	3,308	4,564
	4,483	**5,748**
Other operating costs		
Loss on disposal of tangible assets	(35)	(26)
Other costs	(2,633)	(2,724)
	(2,668)	**(2,750)**
Total other operating income and costs	**1,815**	**2,998**

4. Staff costs

Accounting policy

Staff costs consist of direct wages and salaries, remuneration pension, training, etc. related to the continuing activities that contribute to the Group's production, sales and administration.

The Group in 2015 established a share based incentive program for the former CEO and CFO. The fair value of this warrant program on the grant date is recognized as an employee cost over the period in which the warrants are vested. When established the fair value of the warrant programme was DKK 7.6m. The cost related hereto in 2017 is DKK 1.5m (2016: DKK 0,8m).

The value of the equity settled programs is recognized in Shareholders' equity.

	2017 DKK (000)	2016 DKK (000)
Wages, salaries and fees	218,485	173,033
Contribution plans and other social costs, etc.	47,468	40,283
Other staff costs	19,335	17,316
	285,288	**230,632**
Hereof recognised as IPO in Inventories	-5,005	94
	280,283	**230,726**
The amounts are included in the items:		
Production costs	96,098	64,357
Sales and distribution costs	136,536	121,767
Administrative costs	47,649	44,602
	280,283	**230,726**
Number of employees at 31 December	**1,339**	**1,154**

Remuneration of the Board of Directors and the Key Management*	2017 DKK (000)	2016 DKK (000)
Wages, salaries and fees	7,754	14,474
Contribution plans and other social costs, etc.	188	0
	7,942	**14,474**
Hereof Management	7,022	13,554
Hereof Board of Directors	920	920

**Excluding share-based payment.*

In 2015 Cembrit Group also established a Management Incentive Programme for other key employees. The price for one share was DKK 1,6833 and the warrants were priced by using Monte Carlo Valuation methodology. Each warrant gives the right to purchase one share and the exercise price for the warrants will increase year-on-year with a hurdle rate. The warrants can be exercised when Cembrit Group divests Cembrit Holding if certain IRR threshold are achieved, if not the warrants are worthless and the employees' investment in warrants is lost. If Cembrit Group does not divest Cembrit Holding the warrants can be exercised in June 2022.

The warrant programme contains 43.1 million warrants (2016: 72.8 million warrants).

5. Special non-recurring items

Accounting Policy
Special non-recurring items consist of costs and income of a special nature in relation to the activities of the Group. The cost consists of costs related to M&A activities and restructuring costs. The cost is classified as special non-recurring items in order to give a more true and fair view of the Group's other operational activities.

Special non-recurring items consist of costs and income of a one-off nature in relation to the Group's primary activities.

	2017 DKK (000)	2016 DKK (000)
M&A activities	(4,497)	(2,577)
Restructuring	0	(11,110)
	(4,497)	**(13,687)**

6. Income statement classified by function

Accounting policy
The Group prepares the income statement based on an adapted classification of the costs by function in order to show the earnings before depreciation, amortization and impairment (EBITDA). Depreciation, amortization and impairment of tangible and intangible assets are therefore separated from the individual functions and presented on separate lines.

The table below shows an extract of the income statement adapted to show depreciation, amortisation and impairment classified by function.

	2017 DKK (000)	**2016** DKK (000)
Revenue	1,599,103	1,481,777
Production costs	(1,322,059)	(1,134,075)
Gross profit	**277,044**	**347,702**
Sales and distribution costs	(252,219)	(247,256)
Administrative costs	(95,205)	(99,251)
Other operating income and costs	1,816	2,998
Special non-recurring items	(4,497)	(13,687)
Earnings before interest and tax (EBIT)	**(73,061)**	**(9,494)**
Depreciation, amortization and impairment consist of:		
Impairment and Amortization of intangible assets	(16,133)	(16,199)
Write-down and Depreciation of tangible assets	(92,057)	(81,850)
	(108,190)	**(98,049)**
Depreciation, amortization and impairment are split on:		
Production costs	(90,237)	(78,670)
Sales and distribution costs	(1,542)	(1,941)
Administrative costs	(16,411)	(17,438)
	(108,190)	**(98,049)**

Cash flow statement

Accounting policy
The consolidated cash flow statement is presented according to the indirect method and shows the composition of cash flow divided into operating, investing and financing activities, respectively, and the changes in cash, cash equivalents and cash pool balance during the year.

The cash flow statement is based on earnings before special non-recurring items, depreciation and amortization (EBITDA).

- Cash and cash equivalents consist of cash and bank deposits and cash pool balance is the Group's balance at the reporting date
- Interest-bearing debt items are less interest-bearing receivables
- All other non-interest-bearing receivables and debt items are regarded as working capital

Cash flow from operating activities consists of earnings before special non-recurring items, depreciation and amortization (EBITDA) adjusted for non-cash operating items, changes in working capital and payments in respect of provisions, corporation tax and financial items.

Cash flow from investing activities comprises payments made in connection with the acquisition and disposal of enterprises and activities and the acquisition and disposal of assets and prepayments of assets.

Cash flow from financing activities comprises payments to and contributions from owners as well as the raising and repayment of loans.

The Group's cash and cash equivalents mainly consist of money deposited with banks and the cash pool balance.

7. Change in provisions

	2017 DKK (000)	**2016** DKK (000)
Pensions and similar obligations	13	27
Warranty	(6,546)	(30,228)
Other provisions	(6,639)	8,150
	(13,172)	**(22,051)**

8. Change in working capital

	2017 DKK (000)	**2016** DKK (000)
Inventories	(75,009)	8,221
Trade receivables	10,951	(10,244)
Trade creditors	(65,797)	103,631
Prepayments	(3,567)	122
Other receivables and other liabilities	(350)	39,542
	(133,772)	**141,272**

9. Financial payments received and made

	2017 DKK (000)	2016 DKK (000)
Financial payments received	2,021	2,485
Financial payments made	(93,704)	(17,062)
	(91,683)	**(14,577)**

10. Development in interest-bearing debt

	Cash, cash equivalent and cash pool	Finance leases due within 1 year	Finance leases due after 1 year	Borrow. Due within 1 year	Borrow. Due after 1 year	Other	Total
Net debt as at 1 Jan	16,975	(648)	(989)	(70,856)	(507,512)	(12,384)	(575,414)
Cash flow	(10,919)	157	442	67,156	(342,620)	0	(285,784)
Foreign exchange adjustments	729	0	(4)	(539)	0	0	186
Other non-cash movements	0	0	0	0	0	7,618	7,618
Net debt as at 31 Dec	6,785	(491)	(551)	(4,239)	(850,132)	(4,766)	(853,394)

Non-current assets and investments

11. Intangible assets

Accounting policy

Goodwill

Goodwill is measured in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. When recognizing goodwill, it is allocated to the cash flow generating units as defined by the Management. The determination of cash generating units complies with the managerial structure and the internal financial control and reporting in the Group.

The carrying value of goodwill is tested for impairment at least once a year together with the other non-current assets in the cash flow generating unit to which the goodwill is allocated, and it is written down to recoverable amount via the income statement if the carrying value exceeds the recoverable amount, this representing the higher of the fair value of the asset less expected disposal costs or value in use. The recoverable amount is determined as the present value of the expected future net cash flows from the cash generating unit to which the goodwill is allocated. Impairment of goodwill is recognized in the income statement on the line Amortization and impairment of intangible assets.

Patents & rights, customer relations and other intangible assets
Other intangible assets with an infinite useful life are measured at cost less accumulated amortization and impairment losses. Other intangible assets primarily consist of ERP and other software applications.

Development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Group can be demonstrated and which are intended to be manufactured, marketed or used, are recognised as development projects. This requires that the cost can be determined and it is sufficiently certain that the future earnings or the net selling price will cover production, sales and administrative costs plus the development costs. Other development costs are recognised in the income statement when the costs are incurred. Development costs consist of salaries and other costs that are directly attributable to development activities.

Amortization of patents, rights, customer relations and other intangible assets is charged over the remaining patent or agreement period or useful life if shorter.

The amortization profile is systematically based on the expected distribution of the assets' future economic benefits. The basis of amortization is reduced by impairment, if any.

Amortization of completed development projects is charged on a straight line basis during their estimated useful life. Development projects are written down for impairment to recoverable amount if lower. Development projects in progress are tested for impairment at least once a year.

Amortization takes place systematically over the estimated useful life of the assets which is as follows:

- Development projects, up to 10 years
- Software applications, up to 10 years
- Patents, rights and other intangible assets, up to 20 years
- Customer relations, up to 15 years

DKK (000)	Goodwill	Development projects	Conses-sions, patents, licenses etc.	Customer relations	Other intangible assets	Advance payments for intangible assets	Total
Cost at 1 January 2017	12,705	972	2,695	93,394	63,321	3,524	176,611
Foreign exchange adjustments			427	1,279	43	44	1,793
Additions		4,520	1,746		26,694	2,636	35,596
Transferred between categories			99			(99)	0
Cost at 31 December 2017	**12,705**	**5,492**	**4,967**	**94,673**	**90,058**	**6,105**	**214,000**
Amortisation and impairment at 1 January 2017	0	(18)	(108)	(15,239)	(5,475)	0	(20,840)
Foreign exchange adjustments			(398)	(1,138)	(37)		(1,573)
Amortizations		(776)	(1,529)	(6,226)	(7,602)		(16,133)
Impairment				3,165			3,165
Amortisation and impairment at 31 December 2017	**0**	**(794)**	**(2,035)**	**(19,438)**	**(13,114)**	**0**	**(35,381)**
Carrying amount at 31 December 2017	**12,705**	**4,698**	**2,932**	**75,235**	**76,944**	**6,105**	**178,619**
Cost at 1 January 2016	12,705	0	4,439	93,396	30,429	565	141,534
Foreign exchange adjustment			(65)	(2)	(30)	231	134
Additions		972	1,294		32,922	2,890	38,078
Disposals			(3,135)				(3,135)
Transferred between categories			162			(162)	0
Cost at 31 December 2016	**12,705**	**972**	**2,695**	**93,394**	**63,321**	**3,524**	**176,611**
Amortisation and impairment at 1 January 2016	0	0	(1,662)	(5,708)	(501)	0	(7,871)
Foreign exchange adjustment			61	10	24		95
Disposals			3,135				3,135
Amortisations		(18)	(1,642)	(6,376)	(4,998)		(13,034)
Impairment				(3,165)			(3,165)
Amortisation and impairment at 31 December 2016	**0**	**(18)**	**(108)**	**(15,239)**	**(5,475)**	**0**	**(20,840)**
Carrying amount at 31 December 2016	**12,705**	**954**	**2,587**	**78,155**	**57,846**	**3,524**	**155,771**

For allocation of amortisation and impairment to production costs, sales and distribution costs and administration costs, see note 6.

The Group's research and development costs totalled DKK 8.1m (2016: DKK 6.6m). Research and development costs not capitalised are included in production costs.

12. Tangible assets

Accounting policy

Land and buildings, production facilities and machinery, operating equipment and tools and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials and direct labour costs.

Depreciation is charged on a straight line basis over the estimated useful life of the assets until they reach the estimated residual value. Estimated useful life is as follows:

- Buildings, 15-50 years
- Plant and machinery, 10-25 years
- Operating equipment and other tools and equipment, 3-5 years
- Land not depreciated

Assets of low acquisition value or short life time are expenses in the income statement in the year of acquisition.

Newly acquired assets and assets of own construction is depreciated from the time they are available for use.

Where acquisition or use of the asset places the Group under an obligation to incur the costs of pulling down or re-establishing the asset, the estimated costs for this purpose are recognized as part of the asset concerned, and are depreciated during the asset's useful life.

Assets held under a finance lease are measured in the balance sheet at fair value or the present value of future lease payments at the time of entering the contract, if lower. In calculating the present value, the internal interest rate of the lease agreement is used as a discounting factor or alternatively the Group’s borrowing rate. Assets held under a finance lease are depreciated like other tangible assets of the Group.

The capitalised residual lease commitment is recognised in the balance sheet as debt whilst the interest component of the lease payment is recognised in the income statement as a financial item. For operating leases, the lease payments are recognized in the income statement on a straight line basis over the lease period.

DKK (000)	Land & buildings	Plant & machinery	Operating equipment, fixtures & fittings	Tangible assets in course of construction	Total
Cost at 1 January 2017	433,189	513,072	22,868	75,806	1,044,935
Foreign exchange adjustment	15,727	36,847	633	603	53,810
Additions	1,220	10,464	3,853	23,426	38,963
Disposals	(364)	(7,445)	(1,407)	0	(9,216)
Transferred between categories	23,934	63,969	3,372	(91,275)	0
Cost at 31 December 2017	**473,706**	**616,907**	**29,319**	**8,560**	**1,128,492**
Depreciation and impairment at 1 January 2017	(25,152)	(29,018)	(153)	0	(54,323)
Foreign exchange adjustment	(6,768)	(28,376)	(506)	0	(35,650)
Disposals	364	7,397	1,407	0	9,168
Depreciation and write-downs	(16,853)	(66,046)	(7,514)	(1,644)	(92,057)
Depreciation and impairment at 31 December 2017	**(48,409)**	**(116,043)**	**(6,766)**	**(1,644)**	**(172,862)**
Carrying amount at 31 December 2017	**425,297**	**500,864**	**22,553**	**6,916**	**955,630**
Hereof asset held under a finance lease	**0**	**779**	**0**	**0**	**779**
Cost at 1 January 2016	382,286	490,764	20,613	129,837	1,023,500
Foreign exchange adjustment	(4,750)	(9,266)	(810)	(824)	(15,650)
Additions	4,164	1,344	5,536	112,052	123,096
Disposals	(1,033)	(76,824)	(8,070)	(84)	(86,011)
Transferred between categories	52,522	107,054	5,599	(165,175)	0
Cost at 31 December 2016	**433,189**	**513,072**	**22,868**	**75,806**	**1,044,935**
Depreciation and impairment at 1 January 2016	(12,366)	(51,240)	(2,868)	0	(66,474)
Foreign exchange adjustment	1,651	5,856	661	80	8,248
Disposals	1,033	76,988	7,732	0	85,753
Depreciation	(15,470)	(60,622)	(5,678)	(80)	(81,850)
Depreciation and impairment at 31 December 2016	**(25,152)**	**(29,018)**	**(153)**	**0**	**(54,323)**
Carrying amount at 31 December 2016	**408,037**	**484,054**	**22,715**	**75,806**	**990,612**
Hereof asset held under a finance lease	**0**	**1,454**	**0**	**0**	**1,454**

Cembrit Group has signed contracts regarding purchase of property, plant and equipment at a value of DKK 4.4m (2016: DKK 3.6m). Borrowing costs capitalized during the period DKK 0.0m (2016: DKK 5.8m).

No changes are made in significant accounting estimates regarding property, plant and equipment.

13. Other securities and investments

Accounting policy
Other securities and investments are stated at fair value where possible. Other securities and investments consist of long-term deposit in France and Ireland.

	2017 DKK (000)	2016 DKK (000)
Cost at 1 January	1,210	875
Additions	10	335
Cost at 31 December	**1,220**	**1,210**
Adjustments 1 January	(868)	(868)
Disposals	0	0
Adjustments 31 December	**(868)**	**(868)**
Carrying amount at 31 December	**352**	**342**

14. Impairment test

Accounting policy
Goodwill is tested for impairment at least once a year and when there is indication of impairment, the first time being before the end of the year of acquisition. The carrying amounts of other Non-current assets are reviewed each year to determine whether there is any indication of impairment. If any such indication exists, the recoverable value of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less expected disposal costs or value in use.

Loss on impairment is recognized if the carrying amount of an asset or a cash generating unit exceeds the recoverable amount of the asset or the cash generating unit. Impairment losses are recognized in the income statement under the same heading as the related amortization and depreciation. Impairment of goodwill is not reversed. Recognition of impairment of other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the recognition of impairment.

Loss on impairment is only reversed to the extent that the new carrying amount of the asset does not exceed the carrying amount the asset would have had after depreciation or amortization if the asset had not been impaired.

Procedure for impairment test
Intangible assets are primarily related to acquisition of enterprises and activities, development projects and software.

Management defines the cash-generating units (CGU) based on the smallest group of identifiable assets which together generate incoming cash flow from continued use of the assets and which are independent of cash flow from other assets or groups of assets. The definition of the cash generating units is reconsidered once a year. Cembrit is evaluated to be one cash-generating unit - if relevant test is done on a lower level.

The recoverable amount of a CGU is based on value in use calculations and is calculated by discounting expected future cash flow.

An estimate is made of the future free net cash flow based on budgets for the coming five years and projections for the subsequent years (the terminal value). Significant parameters in this estimate are discount rate, revenue development for the next five years, EBITA margins, expected investments and growth expectations for the period after the five years.

Annual impairment test
As at 31 December 2017, the carrying amount of goodwill and other intangible assets of indefinite useful life were tested for impairment.

At the annual test, Cembrit is seen as one CGU. The definition of CGUs is based on the certainty by which the carrying amount of the intangible assets can reasonably be allocated and monitored. The level of allocating and monitoring the Group's intangible assets among cash-generating units should also be seen in conjunction with the Group strategy. The impairment test is based on the group structure used in 2017.

Carrying amounts of goodwill and other intangible assets included in the cash-generating unit for impairment test of those assets are specified below:

DKK (000)	Goodwill	Develop-ment projects	Consessions, patents, licenses etc.	Customer relations	Other intangible assets	Advance payments for intangible assets	Total
Cembrit	12,705	4,698	2,932	75,235	76,944	6,105	178,619

Key assumptions	
Investments	See comments below
Annual growth rate in budget 2018-21	2-11%
Annual growth rate in terminal period	1.5%
Discount Rate after tax	12%
Discount Rate before tax	15%
EBIT margin in budget 2018-21	1-11%
EBIT margin in terminal period	10%

Management determines the expected annual growth in the budget period and the expected margins based on historical experience and assumptions of expected market developments. The discount rate has been revised to reflect the latest market assumptions for the risk free rate based on a 10-year Danish government bond, the equity risk premium and the cost of debt.

The long term growth rate for the terminal period is based on the expected growth in the world economy as well as input from current long term inflation swaps. Due to the current low interest rate environment a conservative approach regarding the long term growth rate for the terminal period has been applied. This methodology has been applied to ensure consistency with the level of the risk free rate applied as a basis of the estimation of WACC and the long term growth rate. Based on these factors a long term terminal period growth rate of 1.5 % is applied.

Investments in budget 2018-21 follow the group strategy for investments. For the period after 2021 investments are expected at a level of average yearly depreciations.

A sensitivity analysis has been made of the main assumptions in the impairment test to identify the lowest and/or the highest discount rate and the lowest growth rate for the CGU.

Based on the impairment tests performed 31 December 2017, no impairment will be required.

15. Specification of working capital

Note 16 and 17 show additional specification of selected working capital items. The Group's working capital is specified as follows:

	2017 DKK (000)	**2016** DKK (000)
Inventories	350,532	271,730
Trade receivables	195,875	210,625
Other receivables	31,270	22,615
Prepaid expenses	11,017	7,378
	588,694	**512,348**
Prepayments from customers	(634)	(555)
Trade payables	(164,822)	(234,414)
Other liabilities	(192,333)	(184,607)
Deferred revenue	(34)	(222)
	(357,823)	**(419,798)**
Working capital of the Group	**230,871**	**92,550**

The change in working capital in the above table cannot be reconciled with note 8 Change in working capital.

16. Inventories

Accounting policy

Inventories are measured at cost using the FIFO principle.

In the event that cost of inventories exceeds the expected selling price less completion and selling costs, the inventories are written down to lower net realization value. The net realizable value of inventories is measured as the sales price less costs of completion and costs incurred to implement the sale and are fixed on the basis of the expected sales price.

Write down assessment is performed item by items including:

- Test for slow moving inventory
- Test for aging of inventory
- Assessment of expected marked (pricing and market potential)

Obsolete items are written down to zero and disposed of.

Work-in-progress and Finished goods are recognized at manufacturing cost including materials consumed and labour costs plus an allowance for production overheads. Production overheads include operating costs, maintenance and depreciation of production plant plus administration and factory management.

In the case of finished goods where the cost or the production price exceeds the estimated sales price less completion and selling costs, a loss to such lower net realizable value is recognized.

	2017	**2016**
	DKK (000)	DKK (000)
Raw materials and consumables	52,501	57,038
Semi-finished goods	26,605	65,739
Finished goods and goods for resale	271,426	148,953
Inventories at 31 December	**350,532**	**271,730**
Impairment at 1 January	14,530	2,028
Foreign exchange adjustment	220	(219)
Additions	9,029	12,843
Disposals	(1,274)	(119)
Reversals	(5,663)	(3)
Write down at 31 December	**16,842**	**14,530**

17. Trade and other receivables

Accounting policy

Receivables comprise trade receivables and other receivables.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost. A write down loss is recognized when there is an indication that an individual receivable has been impaired. The assessment of bad debt is carried out for individual receivables and includes:

- Evaluation of the customers' ability to pay
- Ageing of receivable
- Possibility to offset assets against claims
- Access to other securities

The bad debt loss is deducted from the carrying amount of trade receivables and the amount of the loss is recognized in the income statement under sales- and distribution costs.

Specification of changes in write down of trade receivables	**2017** DKK (000)	**2016** DKK (000)
Impairment at 1 January	510	911
Foreign exchange adjustment	(2)	4
Additions	25	88
Reversals	(17)	(473)
Realised	0	(20)
Write down, trade receivables at 31 December	**516**	**510**

Overdue receivables not written-down fall due as follows:

Maturity period:	**2017** DKK (000)	**2016** DKK (000)
Due < 2 month	80,952	3,154
Due 2-6 month	5,398	491
Due 6-12 month	146	163
Due > 12 month	0	74
	86,496	**3,882**

In 2017 other receivables amount to DKKt 41,496 and include corporation taxes receivables (2016: DKKt 29,094).

Tax

18. Tax for the year

Accounting policy

Tax for the year which comprises current tax and the change in deferred tax is recognized in the income statement with the share attributable to the profit/loss of the year, and in the other comprehensive income with the share attributable to items recognised in other comprehensive income. Exchange rate adjustments of deferred tax are included as part of the year's adjustments of deferred tax.

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

	2017 DKK (000)	2016 DKK (000)
Current tax on the profit/loss for the year	(7,651)	(7,209)
Withholding tax	(199)	0
Adjustment of deferred tax	(7,238)	15,150
Adjustment of tax rate on deferred tax	(45)	(109)
Adjustments regarding previous years, deferred taxes	(2,056)	216
Adjustments regarding previous years, current taxes	(1,872)	(1,608)
Other adjustments	(609)	0
Tax for the period	**(19,670)**	**6,440**
Effective tax rate	**-11.8%**	**10.3%**
Reconciliation of tax		
Tax according to Danish tax rate	36,922	13,839
Difference in the tax rates in foreign subsidiaries relative to Danish tax rate	1,741	(209)
Withholding taxes	(199)	0
Non-taxable income and non-deductible costs	(14,240)	(3,958)
Difference in the tax rate between P&L and Balance	(563)	(51)
Non-recogntion of deferred tax	(38,749)	(1,680)
Differences due to adjustment of tax rate	(45)	(109)
Adjustments regarding previous years, deferred tax	(2,056)	216
Adjustments regarding previous years, current tax	(1,872)	(1,608)
Other adjustments	(609)	0
Effective tax	**(19,670)**	**6,440**

Corporate income tax paid in 2017 amounts to DKK 13m (2016: Corporate income tax received DKK 41m).

Tax on other comprehensive income	2017 DKK (000)	2016 DKK (000)
Value adjustments of hedging instruments	(526)	717
	(526)	**717**

19. Deferred tax assets and liabilities

Accounting Policy

Deferred tax is calculated using 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 initial recognition of 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 they are items previously recognized in other comprehensive income.

A deferred tax provision is made to cover retaxation of losses in foreign enterprises if shares in the enterprises concerned are likely to be sold and to cover expected additional future tax liabilities related to financial year or previous years. No deferred tax liabilities regarding investments in subsidiaries are recognized if the shares are unlikely to be sold in the short term.

The tax value of losses that are expected with adequate certainty to be available for utilization against future taxable income in the same legal tax unit and jurisdiction is included in the measurement of deferred tax.

DKK (000)	**2017**							
Deferred tax consists of	**1 Jan**	**Foreign exchange translation**	**Adjust. to previous years**	**Changed tax rate**	**Incl. in other comprehensive income**	**Other**	**Incl. in profit/loss**	**31 Dec**
Intangible assets	(9,396)	(46)		(2)			(5,381)	(14,825)
Tangible assets	(49,747)	(256)		(17)			2,238	(47,782)
Current assets	5,995	152		(1)	(549)	786	(1,474)	4,909
Liabilities	17,332	739	831	(16)	(61)		(4,870)	13,955
Tax loss carry-forward, etc.	64,865	365	(2,887)	(9)	84	(168)	2,249	64,499
Share of tax asset valued at nil	0							0
Net deferred tax assets/(liabilities)	**29,049**	**954**	**(2,056)**	**(45)**	**(526)**	**618**	**(7,238)**	**20,756**

DKK (000)	**2016**							
Deferred tax consists of	**1 Jan**	**Foreign exchange translation**	**Adjust. to previous years**	**Changed tax rate**	**Incl. in other comprehensive income**	**Other**	**Incl. in profit/loss**	**31 Dec**
Intangible assets	(397)	27		(22)		(803)	(8,201)	(9,396)
Tangible assets	(55,672)	11	(58)	(96)		770	5,298	(49,747)
Current assets	32,817	(18)			334	1,036	(28,174)	5,995
Liabilities	(5,014)	(301)	1,135	(4)	383	(1,159)	22,292	17,332
Tax loss carry-forward, etc.	41,805	(11)	(861)	10		10	23,912	64,865
Share of tax asset valued at nil	(26)			3		0	23	0
Net deferred tax assets/(liabilities)	**13,513**	**(292)**	**216**	**(109)**	**717**	**(146)**	**15,150**	**29,049**

Continuing activities	**Deferred Tax Assets** 2017 DKK (000)	**Deferred Tax Liability** 2017 DKK (000)	**Deferred Tax Assets** 2016 DKK (000)	**Deferred Tax Liability** 2016 DKK (000)
Intangible assets	10,144	24,969	13,173	22,569
Tangible assets	17,330	65,112	15,059	64,806
Current assets	5,304	395	6,601	606
Liabilities	17,331	3,376	18,820	1,488
Tax loss carry-forward, etc.	64,499	0	64,865	0
	114,608	**93,852**	**118,518**	**89,469**
Set-off with legal entities and jurisdictions	(28,300)	(28,300)	(19,993)	(19,993)
	86,308	**65,552**	**98,525**	**69,476**

Maturity profile of tax assets not recognized in balance sheet	**2017**	**2016**
	DKK (000)	DKK (000)
Within one year	28,844	0
Between one and five years	0	23,449
After five years	36,557	2,832
	65,401	**26,281**

Deferred tax assets not recognized in the balance sheet consists of	**2017**	**2016**
	DKK (000)	DKK (000)
Temporary differences	(1,937)	0
Tax losses	67,338	26,281
	65,401	**26,281**

The Group's deferred tax assets are recognized to the extent that they are expected to be used in the future.

If companies in the Group have deferred tax liabilities, they are valued independently of the time when the tax, if any, becomes payable.

Tax loss carry-forward relate to Czech, Hungary, Russia and the Danish entities – Cembrit Group A/S, Cembrit Holding A/S and DKCF ApS. If the result of expected future earnings gives a reasonable probability that the losses will be realised in a foreseeable future, the deferred tax asset has been recognized. In all other cases the tax asset has been written-down.

The Groups performance is in line with business plan, where positive taxable income is expected within the next 5 years.

Financial items

20. Financial income and costs

Accounting policy

Financial items comprise interest income and costs, the interest portion of finance leases, realized and unrealized exchange gains and losses on securities, amortisation of loan costs, liabilities and transactions in foreign currency, etc.

Interest income and costs are accrued on the basis of the principal amount and the effective interest rate. The effective interest rate is the discount rate used to discount the anticipated future payments which are related to the financial asset or the financial liability so that the present value of the payments corresponds to the carrying amount of the asset and the liability, respectively.

	2017 DKK (000)	2016 DKK (000)
Financial income		
Interest income from banks and receivables	2,008	2,460
Other financial income	13	25
Interest income from financial assets that is not measured at fair value in the income statement	**2,021**	**2,485**
Foreign exchange gains, realised	19,427	8,751
Foreign exchange gains, unrealised	42,241	16,917
	63,689	**28,153**
Financial costs		
Interest payable on bank loans	(71,408)	(49,240)
Interest payable, other and other financial expenses	(22,296)	(5,727)
Interest expense from financial liabilities that are not measured at fair value in the income statement	**(93,704)**	**(54,967)**
Fair value adjustment of derivative financial instruments	(2,027)	0
Foreign exchange losses, realised	(18,581)	(9,673)
Foreign exchange losses, unrealised	(43,281)	(16,844)
	(157,593)	**(81,484)**

21. Maturity structure of financial liabilities

The maturity profile of financial liabilities specified by time to maturity is specified as follows:

	Contractual liability 2017 DKK (000)	**Liability** 2017 DKK (000)	**Contractual liability** 2016 DKK (000)	**Liability** 2016 DKK (000)
Within one year	64.306	16.346	83.715	71.505
Between one and five years	956.654	850.683	751.802	508.500
After five years	0	0	0	0
Total	**1.020.960**	**867.029**	**835.517**	**580.005**

Financial liabilities include bank loans, bank credit facilities, issued bond and financial lease. Contractual liabilities include expected interest payment in the loan period.

22. Specification of net interest-bearing receivables/(debt)

	Currency	Contractual liability	2017 DKK (000)	Effective interest rate	Maturity structure interest payments < 1 year	1 -5 years	> 5 years
Company bond	EUR	(1.003.170)	(850.132)	5,6%	31%	69%	0%
Lease liabilities	EUR	(1.089)	(1.042)	3,2%	55%	45%	0%
Credit facilities	CZK	(4.332)	(4.239)	2,8%	100%	0%	0%
Other liabilities	DKK	(12.369)	(11.616)	3,0%	100%	0%	0%
Total debt		**(1.020.960)**	**(867.029)**				
Total cash and cash equivalents			**18.401**				
Financial instruments and other fin. receivables			**(4.766)**				
Net interest-bearing receivables/(debt)			**(853.394)**				

Call option related to the company bond is described in note 23.

All other financial liabilities fall due within one year as shown in the Balance Sheet.

According to the leases there are no contingent rentals.

Cash and cash equivalents consist of bank deposits (RCF and external banks).

	Currency	Contractual liability	2016 DKK (000)	Effective interest rate	Maturity structure interest payments < 1 year	1 -5 years	> 5 years
Bank loans and similar credit facilities	DKK	(812.766)	(560.722)	3.8-12.0%	9%	91%	0%
Lease liabilities	EUR	(1.725)	(1.637)	3.0-3.7%	40%	60%	0%
Credit facilities	CZK	(17.838)	(17.646)	2.2%	100%	0%	0%
Other liabilities	DKK	(3.190)	0	3.8%	100%	0%	0%
Total debt		**(835.519)**	**(580.005)**				
Total cash and cash equivalents			**16.975**				
Financial instruments and other fin. receivables			**(12.384)**				
Net interest-bearing receivables/(debt)			**(575.414)**				

All other financial liabilities fall due within one year as shown in the Balance Sheet.

According to the leases there are no contingent rentals.

The Group has entered into a DKK interest rate swap agreement fixing the interest to 0.61% p.a. on DKK 205m related to loan until March 2021.

Cash and cash equivalents consist of bank deposits (RCF and external banks).

23. Financial risks

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

Financial risks

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

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

Most of the Group's financial transactions are carried out through Cembrit Holding in Denmark. By centralising, the Group achieve economies of scale and ensures cost effective management of financial facilities, currency exposure and cash management optimisation. Group finance identifies, evaluates and hedges financial risks in close coordination with the business. Group Finance also acts as financial advisor to business on financial risks.
The Group has not defaulted or breached any loan agreements (covenants) during 2016 and 2017.

Market risks

Currency 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 Group business
Interest rate risks	Refer to the influence of changes in market interest rates on future cash flow relating to the Group's interest-bearing assets and liabilities and the fair value of these
Raw material price risks	Refer to the influence of changes in raw material prices, which are not related to currency risks or interest rate risks

Currency risk
The overall framework for managing currency exposures is recorded in the Group's treasury policy acknowledged by the Board of Directors.

Hedging is accomplished by Group Treasury in Denmark. For the hedging of currency risks, expected cash flows are broken down by currencies.

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

Risks relating to purchases and sales
For sales companies, the main part of both income and costs are settled in the company's functional currency. For the production companies transactions are settled in various currencies, and therefore, these units are exposed to change in exchange rates.

According to the Group's treasury policy, transaction risk is hedged on a continuous 12-18 months rolling basis. Hedging ratio depends on period of the hedging (hedging ratio is higher for next months than for the distant months). The hedging is done at company level.

The Group'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. A 10% drop in the currencies (except for DKK and EUR) included in derivative financial instruments as per 31 December 2017 would, viewed separately, increase the value of financial instruments positively by approximately DKK 6-8m (2016 DKK 5-7m).

The Group's most predominant currency exposure regarding the operating results arises from sales and purchases in DKK, EUR, GBP, CZK, PLN, SEK, NOK, JPY and USD. A 10% drop in these exchange rates (apart from DKK and EUR) would, viewed separately, reduce EBITDA by approximately DKK 9.5m (2016 DKK 13.1m). The sensitivity surrounding Group equity is not materially different from the impact on the operating results of the year. Some of the currencies have been quite volatile during 2017, but the currency risk impact has been reduced because of the hedge policy.

Risks relating to receivables and payables
The Group's most important currency risks arising from receivables and payables in foreign currencies at 31 December 2017 relate to the following currencies: DKK, EUR, GBP, SEK, NOK and CZK. If these currencies (apart from DKK and EUR) had been 10% down at 31 December, profit before tax would have been affected by DKK -4.0m (2016 DKK -4.4m). The total effect on equity would be a bit less depending on local tax rules and tax rates. An increase of currencies would have had a similar positive effect on profit before tax and equity.

Translation risks relating to net investments in subsidiaries
The Group income statement and equity are affected by changes in the exchange rates as the closing results of the foreign Group enterprises are translated into Danish kroner at the presentation of the financial statements.

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, Group equity at 31 December 2017 would have been reduced by DKK 52.0m (2016 DKK 51.8m) if the CZK, PLN, GBP, SEK and NOK exchange rates had been 10% down on the actual exchange rates. Other currency risks arising from investments in foreign entities are immaterial.

Forward contracts regarding future transactions
The Group uses forward exchange contracts to hedge currency risks regarding expected future cash flows that meet the criteria for cash flow hedging. The fair value reserve of derivatives is recognised in other comprehensive income until the hedged items are included in the income statement. In addition, unrealised fair value of derivatives is recognised in other receivables and other liabilities.

Interest rate risk
Owing to the Group's investment and financing activities the Group has exposure to interest rate changes in both Denmark and abroad. The primary interest-rate exposure is related to fluctuations in EURIBOR.

Interest rate risks concern the interest-bearing financial assets and liabilities of the Group. The interest-bearing financial assets consist primarily of credit balance in cash pool and cash. The interest-bearing liabilities consist of a revolving credit facility and a company bond issued in 2017.

The Group's net interest-bearing debt (NIBD) at 31 December 2017 came in at DKK 853.4m (2016 DKK 575.4m), 100% (2016 100%) thereof financed by floating rate.

An interest rate swap was entered into in 2015 for the Group's financing at that time. After refinancing in 2017 the interest rate swap is no longer efficient. For 2016 the interest rate swap covered 40% of the NIBD financed by floating rate loans, meaning the interest rate was changed to a fixed rate.

With regard to the Group's floating rate financing, 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 DKK 13.5m (2016 DKK 6.7m) and on equity of DKK 10.5m (2016 DKK 5.3m). A declining interest level would have had a corresponding positive impact on result and equity.

The sensitive stated is based on financial assets and liabilities end of the year.

Raw material price risks
The Group uses a number of raw materials in the manufacture of the Group's products, which expose the Group to a price risk, i.e. especially gas and electricity. The Group enters into annual fixed price contracts for some raw materials.

Liquidity risks
The purpose of the Group's cash management is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal and is able to honour its obligations when due.

The Group manages its short-term liquidity through a cash pool system in various currencies (DKK, EUR, GBP, USD, CAD, CZK, HUF, JPY, NOK, PLN, RUB and SEK).

At Group level, there are on-going assessments and management of liquidity risk by maintaining adequate cash reserves/loan facilities based on follow-up on and forecast of cash flow both short (0 - 3 months) and long term (present year). Liquidity buffers are monitored on a daily basis.

The revolving credit facility and the issued bond matures in 2021. The weighted average maturity is 3.2 years (2016 3.2 years). Terms and conditions for the bond include standard clauses such as change of control, listing failure, financial indebtedness and financial covenants related to incurrence test. The RCF agreements include standard clauses such as financial indebtedness, change of control and one financial covenants.

Call option linked to the company bond:
- 102.75 per cent of the outstanding nominal amount, together with accrued but unpaid interest, if the call option is exercised on or after the date falling 24 months after the first issue date to, but not including, the date falling 30 months after the first issue date;
- 102.06 per cent of the outstanding nominal amount, together with accrued but unpaid interest, if the call option is exercised on or after the date falling 30 months after the first issue date to, but not including, the date falling 36 months after the first issue date;
- 101.38 per cent of the outstanding nominal amount, together with accrued but unpaid interest, if the call option is exercised on or after the date falling 36 months after the first Issue date to, but not including, the date falling 42 months after the first issue date;
- 100.69 per cent of the outstanding nominal amount, together with accrued but unpaid interest, if the call option is exercised on or after the date falling 42 months after the first issue date to, and including, the final redemption date.

The Group's liquidity reserve consists of non-tied-up cash and undrawn credit facilities. The credit facilities consist of revolving credit facility. At the balance sheet date, the Group had at its disposal undrawn loan facilities and cash of DKK 92m (2016 DKK 106m).

Cembrit's shareholders continue to believe strongly in their investment in Cembrit and fully subscribed for an equity issue of DKK 90 million in January 2018 to maintain healthy liquidity levels while implementing new strategic initiatives. The cash contribution was received by the Company in end-January. In addition, the shareholders have also delegated authority to the Board of Directors to make an additional equity issue of up to DKK 30 million.

Credit risks

The Group's credit risks arise primarily from receivables related to customers and other receivables. As a consequence of the Group's credit risk policy, credit rating of all major customers and other trading partners is performed before contract formation and hereafter continuously. Management of the credit risk is based on both internal and external credit ratings as well as the Group's 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. bank guarantee, will be required. Credit insurances are taken out on some customers.

As part of the Group's risk management, the credit exposure of customers and counterparties is monitored daily, weekly or monthly based on individual assessments.

Financial counterparty risk

The use of financial instruments entails the risk that the counterparty may not be able to honour its obligations. The Group minimises this risk by limiting its use of financial counterpart to those with an acceptable credit rating. Financing of the Group is established through issue of bond, which has been listed at Nasdaq in March 2018.

Financial credit risk

The Group's financial assets are mainly managed by Group Finance.

Commercial credit risk
The credit risk incurred from trade receivables is generally managed by continuous credit evaluation of major customers and trading partners. Credit risks on counterparties other than banks are minimised through credit insurances.
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 Group.

Primary markets for the Group are Denmark and United Kingdom counting for almost 50% (2016 50%) of total sales. Receivables in Denmark (10% (2016 23%) of total trade receivables) are attributable to Danish customers who primarily are chains which can be characterised as medium-sized and major customers. The Group is familiar with the Danish customers and experience shows a low risk. Receivables in United Kingdom is counting for 33% (2016 28%) of total trade receivables. Payment structure in UK is more long-winded and old-fashioned compared to Scandinavia. Electronic invoicing and payments are not that widespread. The customers consists of a few large chains and primarily small customers. To reduce sales outstanding in UK, an intensified process has been initiated end of 2017.

Group trade receivables at 31 December 2017 include receivables of DKK 197.3m (2016 DKK 214.5m), which, based on an individual assessment, have been written down to DKK 195.9m (2016 DKK 210.6m). When calculating individual write downs the collaterals received have been taken into account.

Receivables overdue at 31 December are specified in note 17.

Capital management
Group capital management is assessed and adjusted in close co-operation with the owners of the Group. It is the Group's policy that the capital structure and financial gearing of the Group shall at all times reflect the Group's activities and risk profile and provide room for investments based on the Group strategy.

With the equity issue of DKK 90m in January 2018 management finds the gearing sufficient for future operations.

24. Financial instruments

Accounting policy

Derivatives
Derivatives are initially recognized in the balance sheet at cost and subsequently measured according to fair value at the balance sheet date. Positive fair values are only offset against negative fair values if the enterprise is entitled to and intends to make a net settlement of several financial instruments (cash settlement). The fair values of derivatives are measured on the basis of market data and recognized valuation methods.

Changes in the fair value of derivatives that are classified as and fulfil the criteria for hedging of future cash flow (cash flow hedge) are recognized in other comprehensive income until the hedged item is realized. When the item is realized the changes in value are recognized in the same accounting entry as the hedged item.

Derivatives that do not fulfil the criteria for hedge accounting are regarded as trading portfolio and recognized in the balance sheet at fair value on the balance sheet date. Value adjustments are recognized in the income statement as financial items.

Fair value of hedge instruments not qualifying for hedge accounting (economic hedge)
Fair value adjustments recognised in financial items in the income statement amounted to DKK -2m in 2017 (2016 DKK 0m). At 31 December 2017, the fair value of the Group's hedge agreements that are not recognised as hedge accounting amounted to DKK -2m (2016: DKK 0m).

Hedging of forecast transactions (cash flow hedge)
The Group uses forward exchange contracts to hedge currency risks regarding expected future cash flows that meet the criteria for cash flow hedging. The fair value reserve of the derivatives is recognised in other comprehensive income until the hedged items are included in the income statement. In addition, unrealised fair value of derivatives is recognised in other receivables and other liabilities.

	2017	**2016**
	DKK (000)	DKK (000)
Cash flow hedge reserve recognised in other comprehensive income	(4,804)	(396)
Reclassified from other comprehensive income into income statement	829	6,966
Inefficiency reflected in the income statement	0	0

At 31 December 2017, the fair value of the Group's cash flow hedge instruments amounted to DKK -2.7m (2016 DKK -5.6m).

Notional principal amount (DKKm) 2017:

						Sale						
Purchase	**CZK**	**DKK**	**EUR**	**GBP**	**HUF**	**JPY**	**NOK**	**PLN**	**RUB**	**SEK**	**USD**	**Total**
CAD				17								**17**
CZK		129		85				5				**220**
EUR	9			40			78	15	11	117	1	**270**
HUF		53										**53**
JPY	27		1					1				**29**
PLN	2	12		2								**16**
USD	15		7					3				**25**
Total	**53**	**195**	**8**	**143**	**-**	**-**	**78**	**24**	**11**	**117**	**1**	**629**

The forward contracts fall due from January 2018-April 2019.

Notional principal amount (DKKm) 2016:

					Sale						
Purchase	**CZK**	**DKK**	**EUR**	**GBP**	**HUF**	**JPY**	**NOK**	**PLN**	**RUB**	**SEK**	**USD**	**Total**
CAD				16								**16**
CZK		109	2	106		3		5		0		**226**
EUR	10			49		3	83	10	5	87	17	**264**
GBP	6		1									**6**
HUF		26								37		**63**
JPY	23		4					8				**36**
NOK			7									**7**
PLN	2	44	1	16								**63**
RUB			2									**2**
SEK					14							**14**
USD	20		6					7				**32**
Total	**61**	**179**	**21**	**186**	**14**	**6**	**83**	**30**	**5**	**124**	**17**	**726**

The forward contracts fall due from January 2017-March 2018.

Interest rate swap

At 31 December 2017 the market value of the Group's interest rate swap is DKK -2.0m (2016 DKK -3.1m). Loss in 2016 was recognised in the hedging reserve in equity on interest rate swap contract. For 2017 the interest rate swap is no longer efficient and the loss has been recognised in the income statement as financial items.

25. Fair value hierarchy of financial instruments

The table below shows the classification of financial instruments that are measured at fair value, specified in accordance with the fair value hierarchy:

- Quoted prices in an active market for the same type of instrument (level 1)
- Quoted prices in an active market for similar assets or liabilities or other valuation methods, where all significant inputs are based on observable market data (level 2)
- Valuation methods where any significant inputs are not based on observable data (level 3)

2017	**Quoted prices Level 1**	**Observable input Level 2**	**Non-observable input Level 3**	**Total**
Financial assets				
Financial assets measured at fair value via other comprehensive income:				
Derivative financial instruments used to hedge future cash flow	0	2.644	0	2.644
Total financial assets	**0**	**2.644**	**0**	**2.644**
Financial liabilities				
Financial liabilities measured at fair value via other comprehensive income:				
Derivative financial instruments used to hedge future cash flow	0	7.410	0	7.410
Financial obligations measured at amortised cost	0	0	867.029	867.029
Total financial liabilities	**0**	**7.410**	**867.029**	**874.439**

There have been no significant transfers between level 1 and level 2 in 2017.

2016	Quoted prices Level 1	Observable input Level 2	Non-observable input Level 3	Total
Financial assets				
Financial assets measured at fair value via other comprehensive income:				
Derivative financial instruments used to hedge future cash flow	0	3.645	0	3.645
Total financial assets	**0**	**3.645**	**0**	**3.645**
Financial liabilities				
Financial liabilities measured at fair value via other comprehensive income:				
Derivative financial instruments used to hedge future cash flow	0	12.384	0	12.384
Financial obligations measured at amortised cost	0	0	580.005	580.005
Total financial liabilities	**0**	**12.384**	**580.005**	**592.389**

There have been no significant transfers between level 1 and level 2 in 2016.

26. Categories of financial instruments

The carrying amount of financial instruments for each category is specified in the table below:

	2017 DKK (000)	**2016** DKK (000)
Financial assets used as hedging instruments	2.644	3.645
Receivables, cash and cash equivalents	214.276	227.598
Financial obligations used as hedging instrument	7.410	12.384
Financial obligations measured at amortised cost:		
Company bond/bank loan	850.131	560.646
Financial lease	1.042	1.637
RCF and external banks	15.857	17.644
Trade creditors	164.822	234.414

The fair value of financial assets and financial liabilities measured at amortised cost is approximately equal to the carrying amount.

Liabilities

27. Other provisions

Accounting policy

Provisions are recognized when the Group due to an event occurring before or at the balance sheet date has a legal or constructive obligation and it is probable that financial benefits must be waived to settle the obligation. Provisions are measured according to Management’s best estimate of the amount whereby the obligation is expected to be settled.

Provisions for warranty claims are estimated on project-by-project basis based on historical realized cost related to claims in the past. The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subcontractors.

Provisions regarding disputes and lawsuits are based on management assessment of the likely outcome settling of the cases based on the information on hand at the end of the year.

Provisions for restructuring costs are provided for as Other provisions based on management's best estimate. Provision is only made for liabilities deriving from restructuring that has been decided at the balance sheet date in accordance with a specific plan and provided the parties involved have been informed about the overall plan.

Provisions consist of:

- Estimated warranty claims in respect of goods or services already delivered
- Restructuring
- Guarantees and liabilities resulting from disposal of enterprises and activities (included in Other)
- Provisions for losses resulting from disputes and lawsuits (included in Other)

2017

DKK (000)	Warranties	Other	Total
Provisions at 1 January 2017	57,781	24,850	82,631
Exchange rate and other adjustments	2,309	822	3,131
Provision for the year	11,065	5,568	16,633
Used during the year	(16,964)	(12,168)	(29,132)
Reversals	(647)	(38)	(685)
Provisions at 31 December 2017	**53,544**	**19,034**	**72,578**
The maturity of provisions is specified as follows:			
Short-term liabilities			18,360
Long-term liabilities			54,218
			72,578

2016

DKK (000)	Warranties	Other	Total
Provisions at 1 January 2016	88,657	17,379	106,036
Exchange rate and other adjustments	(648)	(679)	(1,327)
Provision for the year	12,038	11,423	23,461
Used during the year	(33,634)	(3,087)	(36,721)
Reversals	(8,632)	(186)	(8,818)
Provisions at 31 December 2016	**57,781**	**24,850**	**82,631**
The maturity of provisions is specified as follows:			
Short-term liabilities			27,505
Long-term liabilities			55,126
			82,631

The year's movements (both 2016 and 2017) mainly consist of changes in warranty liabilities and other contract risks. To facilitate the process of ongoing claims, the Group does not disclose project/claim-specific information.

28. Long-term liabilities

The table below shows long-term liabilities divided into liabilities within one to five years and liabilities where time to maturity is more than five years.

	2017 DKK (000)	2016 DKK (000)
Maturity structure of long-term liabilities:		
Deferred tax liability	65,552	69,476
Other provisions	31,439	32,889
Pension liabilities	339	295
Bank loans	850,131	507,512
Finance Lease	551	989
Other liabilities	1,842	1,820
Within one to five years	**949,854**	**612,981**
Other provisions	22,779	22,237
After five years	**22,779**	**22,237**
	972,633	**635,218**

Other liabilities
Other long-term liabilities consist of employee liabilities such as length of service liabilities and bonuses.

29. Other liabilities

Other short-term liabilities include due holiday pay, public taxes, bonuses etc.

30. Contractual liabilities and contingent liabilities

The Group leases properties and operating equipment under operating leases. These leases contain no special purchase rights, etc.

	2017 DKK (000)	2016 DKK (000)
Minimum rent and operating lease commitments:		
Maturity within one year	33,007	23,229
Maturity between one and five years	39,038	32,800
Maturity after five years	9,870	353
	81,915	**56,382**
Guarantees	420	174
	420	**174**
Operating lease expenses recognised in the income statement	38,708	31,323

Guarantees relate to a guarantee towards Customs & Excise for VAT deferment account in UK.

At 31 December 2017, the Group has contractual obligations, including acquisition of raw materials etc. of DKK 4.4m (2016: DKK 3.6m.)

Furthermore, the Group is from time to time involved in disputes that are normal for its business. The outcome of the disputes is not expected to have significant impact on the Group's financial position.

The Group's Danish enterprises are jointly and severally liable for Danish taxes at source and income taxes.

Equity

Accounting policy

Dividend
Dividend is allocated in the financial statements at the time when it is decided at the Annual General Meeting, the company thereby having incurred a liability. The dividend, which is proposed for distribution, is stated separately in the equity.

Foreign exchange adjustments
Reserve for foreign exchange adjustments comprises exchange rate differences arising during the translation of the financial statements for entities with a functional currency other than Danish kroner, foreign exchange adjustments regarding assets and liabilities which account for a portion of the Group's net investment in such entities, and foreign exchange adjustments regarding hedging transactions which hedge the Group's net investment in such entities. On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement in the same item as the gain/loss.

Value adjustments regarding hedging transactions

Fair value adjustments comprise changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised.

31. Share capital

	Nominal value	
	2017	**2016**
	DKK (000)	DKK (000)
1 January	41,761	41,722
Capital increase during the year	99	39
31 December	**41,860**	**41,761**

The Share Capital consists of 41,859,715 shares at DKK 1.

Dividend distributed to the shareholders in 2017 was DKK 0.0m (2016: DKK 0.0m).

Other notes

32. Charged assets

At the end of December 2017 shares in some of the subsidiaries in the Group have been put up as collateral for the bank loan. Book value of the equity 31 December 2017 in these subsidiaries was 198m (2016 DKK 922m).

33. Fee to parent company auditors appointed at the Annual General Meeting including network auditors

In addition to statutory auditing, the Group auditors appointed at the Annual General Meeting, provides audit opinions and other consultancy services to the Group.

	2017	2016
	DKK (000)	DKK (000)
Statutory audit	1,702	1,774
Other assurance engagements	66	54
Tax and VAT consultancy	731	250
Other services	786	639
	3,285	2,717

After Cembrit Group A/S' status as EU PIE Company the 15 March 2018, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has not provided other services than statutory audits.

34. Related parties transactions

Related parties with significant influence consist of the Group's Board of Directors and Executive Management plus close relatives of these persons. Related parties also include companies on which these persons exert considerable influence.

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

No losses on loans or receivables from related parties were recognised, nor provisions made for such in 2017 or 2016.

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

35. Events occurring after the balance sheet date

Cembrit's shareholders continue to believe strongly in their investment in Cembrit and fully subscribed for an equity issue of DKK 90 million in January 2018 to maintain healthy liquidity levels while implementing new strategic initiatives. The cash contribution was received by the Company in end-January. In addition, the shareholders have also delegated authority to the Board of Directors to make an additional equity issue of up to DKK 30 million.

In March 2018 the company bonds (EUR 115,000,000) was listed at Nasdaq Stockholm.

No other events have occurred after the balance sheet date.

36. Shareholders

The following shareholders have reported a participating interest that exceeds 5 % of the share capital:

- Xilos Dakota Separate Limited Partnership
- Xilos Co-Investment No. 1 Separate Limited Partnership

37. Accounting policies

This note sets out the Group´s accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one financial statement item, the policy is described in the note to which it relates.

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports in the executive order on the application of IFRS issued by the Danish Commerce and Companies Agency with reference to the Danish Financial Statements Act for reporting class D.

The Annual Report is presented in Danish kroner (DKK) which is the presentation currency of the activities of the Group and the functional currency of the parent company.

Implementation of new and changed standards and interpretations
The Annual Report for 2017 is presented in conformity with the new and revised standards (IFRS/IAS) and new interpretations (IFRIC) approved by the EU, which apply to financial years beginning on 1 January 2017 or later. The implementation of new and revised standards and interpretations has not had material impact on the financial reporting for 2017.

Consolidated financial statements
The consolidated financial statements comprise the parent company, Cembrit Group A/S and all enterprises in which the Group holds the majority of the voting rights or in which the Group in some other way holds control. The consolidated financial statements are based on the financial statements of the parent company and the individual subsidiaries which are recognized in accordance with the Group accounting policies. All items of a uniform nature are added together, while intercompany income, costs, balances and shareholdings are eliminated. Unrealized gains and losses on transactions between consolidated enterprises are also eliminated.

The items in the financial statements of subsidiaries are included one hundred per cent in the consolidated financial statements. There are no minority interests.

Translation of foreign currency
The functional currency is determined for each of the reporting enterprises. The functional currency is the currency primarily used by the individual reporting enterprises in connection with day-to-day operations. Transactions in another currency than the functional currency are transactions in foreign currency.

Transactions in another currency than Cembrit Group A/S' functional currency are translated at the exchange rate of the day of transaction. Financial assets and liabilities in foreign currency are translated at the exchange rates prevailing at the balance sheet date. Any foreign exchange differences between the rates prevailing at the date of the transaction and the payment date or the balance sheet date, as the case may be, are recognized in the income statement as financial items.

Non-monetary assets and liabilities in foreign currency are recognized at the rate of exchange prevailing at the date of the transaction. Non-monetary items that are measured at fair value (shares) are translated at the exchange rate prevailing at the date of the latest fair value adjustment.

The income statements of foreign subsidiaries with a functional currency that differs from Danish kroner are translated at average exchange rates while their balance sheet items are translated at the exchange rates quoted at the balance sheet date. The differences deriving from the translation of the income statements of foreign business units at average exchange rates and of their balance sheet items at the rate of exchange at the balance sheet date are adjusted in the equity.

The foreign exchange adjustment of receivables from or debt to subsidiaries that are considered part of the parent company's total investment in the subsidiary concerned, is recognized in the statement of comprehensive income in the consolidated financial statements.

The adjusted financial statements are translated at the exchange rate quoted on the balance sheet date.

Group financial highlights
Financial highlights and key ratios are defined and calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2015".

EBITDA (Earnings before depreciation, amortization and impairment) is defined as the operating income (EBIT) with addition of the year's amortization, depreciation and impairment of intangible and tangible assets.

The working capital cannot be directly derived from the published balance sheet figures. The principal items included in the calculation of working capital are: Inventories, Trade receivables, Other receivables (exclusive of interest-bearing items), repayments from customers, Trade payables, and Other liabilities (exclusive of interest-bearing items).

38. New standards, amendments and interpretations not yet effective

Implementation of new standards, amendments and interpretations
Cembrit Group A/S has implemented the following amendments or new standards (IFRS) for financial year 2017:

- *IAS 7, Statement of cash flows:* Additional disclosures on reconciliation of financial liabilities required. Interest-bearing debt to be reconciled from beginning to end of period.
- *IAS 12, Income taxes*: Clarifies when a difference is considered a temporary difference in respect of tax assets related to financial assets that are measured at fair value. When an enterprise has acquired a receivable which is treated as available for sale and, consequently, is measured at fair value through other comprehensive income, a subsequent decline in the fair value of the receivable will result in a temporary difference between the carrying amount and the tax base, on which deferred tax is to be calculated.
- *Annual improvements (2014-2016):* The annual improvements imply a minor clarification:
    - *IFRS 12, Disclosure of interests in other entities:* Clarification of the disclosure requirements for ownership interests in IFRS 12 also being applicable when the interests are classified as held for sale, held for distribution or as discontinued operations under IFRS 5, whereas other disclosure requirements have been exempted.

Cembrit Group A/S has assessed the effect of the new standards, amendments and interpretations. Cembrit Group A/S has concluded that all standards, amendments and interpretations effective for financial years beginning on or after 1 January 2017 are either not relevant to the Cembrit Group or have no significant effect on the Financial Statements of the Cembrit Group.

New standards, amendments and interpretations adopted but not yet effective
The following new standards, amendments and interpretations of relevance to the Cembrit Group have been adopted by the IASB and adopted by the EU. The standards are not yet effective and will therefore not be implemented in the Annual Reports until they take effect.

IFRS 9, Financial instruments: The standard introduces an expected loss model for impairment losses on loans and receivables. As an overriding main rule, this new model will imply larger impairment losses than those incurred under IAS 39. The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Fair value changes to financial liabilities which are attributable to the fair value and which arise from changes in own credit risks must be recognised in other comprehensive income. Simplified rules on hedge accounting are introduced.

The standard will be effective for financial years beginning on or after 1 January 2018.

- *IFRS 15, Revenue from contracts with customers*: A new standard on revenue recognition that replaces IAS 11 and IAS 18 among others. The standard may potentially affect revenue recognition in a number of areas, including:
  - The timing of revenue recognition
  - Recognition of variable consideration
  - Allocation of revenue from multi-element arrangements
  - Recognition of revenue from licence rights
  - Incremental costs of obtaining the contract

  The standard also includes a large number of new disclosure requirements.

  IFRS 15, Revenue from contracts with customers: Clarifications of IFRS 15 concerning the identification of performance obligations, principal versus agent considerations and licence considerations as well as changes to the transition rules.

  IFRS 15 and the clarifications will be effective for financial years beginning on or after 1 January 2018.

- *IFRS 16, Leases:* Going forward, the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets. It must furthermore be considered whether the agreement is a lease or a service arrangement.

  The current rules remain largely unchanged for the lessor. Consequently, leases are still to be classified as finance leases and operating leases.

  The standard will be effective for financial years beginning on or after 1 January 2019.

Cembrit Group A/S has assessed that the standards IFRS 9 and IFRS 15 do not have material impact on the consolidated financial statements.

Cembrit Group A/S is assessing the effect on implementing IFRS 16 “Leases” at the moment and therefore the effect cannot be determined at this times.

The IASB has issued the following new standards, amendments and new interpretations which could be relevant to Cembrit Group A/S, but which have not yet been adopted by the EU:

- *IFRS 2, Share-based payment:* The amendment comprises the following three issues:
  - Vesting conditions for cash-settled share-based payment schemes should be treated under the same rules as used for equity-settled share-based payment schemes.
  - If a share-based payment scheme provides an option for the enterprise to withhold some of the equity instruments for the payment of any tax at source payable by the recipient, such schemes are to be treated as equity-settled share-based schemes.

    - Rules on the accounting treatment of modifications of a cash-settled share-based payment scheme which is changed to an equity-settled share-based payment scheme.

  The amendment will be effective for financial years beginning on or after 1 January 2018.

- *IFRS 9, Financial instruments*: A minor amendment concerning the classification of receivables in situations where a borrower has a prepayment option and where such a prepayment has negative consequences for the borrower. They are to be measured at amortised cost or fair value with adjustments through other comprehensive income if certain criteria are met.

  The amendment will be effective for financial years beginning on or after 1 January 2019.

- *IFRIC 22 - Foreign currency transactions and advance consideration:* IAS 21 requires an enterprise to use the exchange rate at the date of the transaction which is defined as the date on which the transaction first qualifies for recognition.

  The amendment will be effective for financial years beginning on or after 1 January 2018.

- *IFRIC 23, Uncertainty over income tax treatments:* The interpretation clarifies that it must be determined whether each tax position is to be treated individually or collectively with other uncertain tax positions. The assessment should be based on the assumption that the tax authorities have the same knowledge of the enterprise's circumstances and, therefore, the assessment should disregard any detection risk. This determination may be based on eg how tax statements are prepared, or how the enterprise expects the tax authorities to treat the uncertain tax positions. The uncertain tax position must be recognised if it is probable that the enterprise will have to pay or receive refunds. The uncertain tax position must be measured so as to better reflect the receivable/liability and the related uncertainty.

  The amendment will be effective for financial years beginning on or after 1 January 2019.

- *Annual improvements (2015-2017):* Include three minor clarifications:
    - *IAS 12, Income taxes*: Income tax consequences of dividends should be recognised in profit or loss, see IAS 12.
    - *IAS 23, Borrowing costs:* Borrowing costs incurred on specific-purpose borrowing may subsequently change into borrowing costs on general borrowing, see IAS 23.
    - *IFRS 3, Business combinations:* Clarifies that a step acquisition of a joint venture by which an enterprise obtains control must be treated in accordance with IFRS 3.

  The amendments will be effective for financial years beginning on or after 1 January 2019.

Cembrit Group A/S expects to implement these new standards, amendments and interpretations when they take effect. Cembrit Group A/S do not expect any major effect at the time of implementation.

39. Financial ratios

Gross margin

$$\frac{\text{Gross profit}}{\text{Revenue}}$$

EBITDA margin

$$\frac{\text{Earnings before non} - \text{recurring items depreciation, amortisation and impairment (EBITDA)}}{\text{Revenue}}$$

EBITA margin

$$\frac{\text{Earnings before amortisation and impairment of intangible (EBITA)}}{\text{Revenue}}$$

EBIT margin

$$\frac{\text{Earnings before interest and tax (EBIT)}}{\text{Revenue}}$$

EBT margin

$$\frac{\text{Earnings before tax (EBT)}}{\text{Revenue}}$$

Return on equity

$$\frac{\text{Profit}}{\text{Average shareholders' equity}}$$

Equity ratio

$$\frac{\text{Shareholders' equity}}{\text{Total assets}}$$

Net working capital ratio

$$\frac{\text{Net working capital}}{\text{Revenue}}$$

ROIC

$$\frac{\text{NOPAT}}{\text{Average invested capital}}$$

NOPAT (Net Operating Profit After Tax)

Earnings before interest and tax (EBIT) excl. special non-recurring items * (1 - effective tax rate)

Invested capital

Fixed assets excl. goodwill added to current assets subtracted by current liabilities and cash and cash equivalent

Net working Capital

Current non-interest-bearing assets less current non-interest-bearing liabilities and excl. tax

Net interest-bearing debt (NIBD)

Interest-bearing liabilities less interest-bearing assets

40. List of Group companies

Company name	Country	Direct Group holding (pct.)
Cembrit Group A/S	Denmark	100%
Cembrit Holding A/S	Denmark	100%
Cembrit A/S	Denmark	100%
Cembrit Logistics A/S	Denmark	100%
Cembrit as	Norway	100%
Cembrit a.s.	Czech Republic	100%
Cembrit Kft.	Hungary	100%
Cembrit Ltd.	United Kingdom	100%
Cembrit Production Oy	Finland	100%
Cembrit Oy	Finland	100%
Cembrit Sp. Z.o.o.	Poland	100%
Cembrit NV/SA	Belgium	100%
Cembrit Production S.A.	Poland	100%
Cembrit AB	Sweden	100%
Cembrit Ireland Ltd.	Ireland	100%
Cembrit Inc.	USA	100%
Cembrit GmbH	Germany	100%
DKCF ApS	Denmark	100%
Cembrit SAS	France	100%
LLC Cembrit	Russia	100%
Cembrit BV	Netherland	100%

Cembrit Group Financial Statements
Parent company - income statement

Notes		2017 DKK (000)	2016 DKK (000)
	Gross profit	**(1,209)**	**(246)**
1	Staff costs	0	0
	Operating profit / loss	**(1,209)**	**(246)**
2	Financial income	14,807	50,031
3	Financial costs	(67,571)	(34,357)
	Profit / loss before tax	**(53,973)**	**15,428**
	Tax for the year	2,288	(3,402)
	Profit/loss for the year	**(51,685)**	**12,026**
4	Proposed distribution of profit / loss:		
	Cembrit Group A/S shareholders' share of profit/loss for the year	(51,685)	12,026
		(51,685)	**12,026**

Parent company – balance sheet

ASSETS

Notes		2017 DKK (000)	2016 DKK (000)
5	Investment in subsidiaries	1,497,455	582,596
	Financial receivable, subsidiaries	29,438	533,789
	Deferred tax	2,130	239
	Financial assets	**1,529,023**	**1,116,624**
	Total non-current assets	**1,529,023**	**1,116,624**
	Other receivables	403	0
	Receivables	**403**	**0**
	Cash and cash equivalents	**2,750**	**1,724**
	Total current assets	**3,153**	**1,724**
	TOTAL ASSETS	**1,532,176**	**1,118,348**

EQUITY AND LIABILITIES

Notes		2017 DKK (000)	2016 DKK (000)
	Share capital	41,860	41,761
	Other undistributable reserves	1,889	2,418
	Retained earnings	629,661	680,916
6	**Total equity**	**673,410**	**725,095**
7	Borrowings	850,131	361,212
	Long-term liabilities	**850,131**	**361,212**
7	Borrowings	0	9,125
	Current tax liabilities	0	3,641
	Other liabilities	8,635	19,275
	Short-term liabilities	**8,635**	**32,041**
	Total liabilities	**858,766**	**393,253**
	TOTAL EQUITY AND LIABILITIES	**1,532,176**	**1,118,348**

8 **Contingent liabilities**
9 **Ownership**
10 **Accounting policies**

Parent company – statement of changes in equity

DKK (000)	Share capital	Other un-distributable reserves	Retained earnings	Total
Equity at 1 January 2017	**41,761**	**2,418**	**680,916**	**725,095**
Capital increase	99		1,562	**1,661**
Acquisition treasury shares		(868)	(1,132)	**(2,000)**
Share-based payment, share options		339		**339**
Profit/loss for the year	0	0	(51,685)	**(51,685)**
Equity at 31 December 2017	**41,860**	**1,889**	**629,661**	**673,410**

Statement of changes in equity 2016

	Share capital	Other un-distributable reserves	Retained earnings	Total
Equity at 1 January 2016	**41,722**	**2,367**	**668,680**	**712,769**
Capital increase	39	0	625	**664**
Acquisition treasury shares	0	0	(415)	**(415)**
Share-based payment, share options	0	51	0	**51**
Profit/loss for the year	0	0	12,026	**12,026**
Equity at 31 December 2016	**41,761**	**2,418**	**680,916**	**725,095**

1 Staff cost

Cembrit Group established in 2015 a management incentive program for a part of the group management team. This is still ongoing.

2 Financial income

	2017 DKK (000)	2016 DKK (000)
Interest receivable, other	148	0
Interest income from subsidiaries	14,659	50,031
	14,807	**50,031**

3 Financial expenses

	2017 DKK (000)	2016 DKK (000)
Interest payable, related parties	724	0
Interest payable on borrowings	61,102	32,985
Interest payable, other	5,745	1,372
	67,571	**34,357**

4 Proposed distribution of profit / loss

	2017 DKK (000)	2016 DKK (000)
Cembrit Group A/S shareholders' share of profit/loss for the year	-51,685	12,026
	-51,685	**12,026**

5 Investments in subsidiaries

DKK (000)	Total
Cost at 1 January 2017	582,596
Additions	914,859
Cost at 31 December 2017	**1,497,455**
Impairment at 1 January 2017	0
Impairment at 31 December 2017	**0**
Carrying amount at 31 December 2017	**1,497,455**
Cost at 1 January 2016	582,596
Cost at 31 December 2016	**582,596**
Impairment at 1 January 2016	0
Impairment at 31 December 2016	**0**
Carrying amount at 31 December 2016	**582,596**

Name and registered office	**Country**	**Direct Group holding (pct.)**
Cembrit Holding A/S	Denmark	100%
Cembrit Holding A/S owns shares in:		
Cembrit A/S	Denmark	100%
Cembrit Logistics A/S	Denmark	100%
Cembrit as	Norway	100%
Cembrit a.s.	Czech Republic	100%
Cembrit Kft.	Hungary	100%
Cembrit Ltd.	United Kingdom	100%
Cembrit Production Oy	Finland	100%
Cembrit Oy	Finland	100%
Cembrit Sp. Z.o.o.	Poland	100%
Cembrit NV/SA	Belgium	100%
Cembrit Production S.A.	Poland	100%
Cembrit AB	Sweden	100%
Cembrit Ireland Ltd.	Ireland	100%
Cembrit Inc.	USA	100%
Cembrit GmbH	Germany	100%
Cembrit BV	Netherlands	100%
DKCF ApS	Denmark	100%
Cembrit SAS	France	100%
LLC Cembrit	Russia	100%

6 Equity

The Share Capital consists of of 41,859,715 shares at DKK 1.

7 Borrowings

The maturity profile of financial liabilities specified by time to maturity is specified as follows:

	2017 DKK (000)	2016 DKK (000)
Within one year	0	9,125
Between one and five years	850,131	361,212
After five years	0	0
Total	**850,131**	**370,337**

8 Contractual liabilities and contingent liabilities

At the end of December 2017 shares in some of the subsidiaries in the Group have been put up as collateral for the bank loan. Book value of the equity 31 December 2017 in these subsidiaries was DKK 198m (2016 DKK 922m).

The Company is the administration company for Danish joint taxation. According to the Danish corporate tax rules, the Company is liable for the obligation to withhold taxes on interest, royalty and dividend for all companies in the Danish joint taxation.

9 Ownership

The following shareholders have reported a participating interest that exceeds 5% of the share capital:

- Xilos Dakota Separate Limited Partnership

- Xilos Co-Investment No. 1 Separate Limited Partnership

10 Accounting policies

The annual report of Cembrit Group A/S for 1 January – 31 December 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class D enterprises.

Recognition and measurement

Assets are recognised in the balance sheet if it is probable that future financial benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is made as described below for each financial statement item.

Profits, losses and risks that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, including recognition of value adjustments of financial assets and liabilities that are measured at fair value. Furthermore, costs incurred to generate earnings for the year are recognised in the income statement, including depreciation/amortisation, impairment losses and provisions as well as reversal of entries as a result of changed accounting estimates of amounts formerly recognised in the income statement.

Foreign currency translation

Foreign currency transactions are translated applying the exchange rate on the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit/loss

The gross profit/loss contains other external expenses.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including administrative expenses, etc.

Staff costs

There is no staff costs in the Company. The Company established in 2015 a management incentive programme for a part of the Group management team. This is ongoing in 2017.

Financial income

Financial income comprises interest income from receivables from group enterprise.

Financial expenses

Financial expenses comprise interest expenses, including interest expenses relating to payables to related parties, interest on borrowings and other interest expenses.

Tax on profit/loss

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to profit/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity.

In 2017 the Company and its Danish subsidiaries are jointly taxed with the other Danish group enterprises. The share of the joint taxation income/expense is fully allocated according to the current rules governing joint taxation.

Balance sheet total

Investments in subsidiaries

Investments in subsidiaries are recognized and measured at cost price.

Upon distribution of dividend the income is included in profit and loss.

Financial receivables

Financial receivables are measured at amortised cost, usually equalling nominal value less impairments.

Cash

Cash comprises cash at bank.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax base of assets and liabilities, for which the tax base of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Equity - dividend

Dividend is recognised as a liability at the time of adoption at the annual general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually equals nominal value.