CEMBRIT

Annual Report 2018

Cembrit Group A/S

The Annual General Meeting was held on 24/04 2019

Chairman of the meeting

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Central Business Reg. No. 36477199

"I'm confident that we have the foundation and the people in place to deliver the long-term success of Cembrit"

Jørn Mørkeberg Nielsen, CEO

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Forward-looking statements

Statements in the Annual Report 2018 concerning the future reflect Cembrit's current expectations about future events and financial results. Statements concerning the future are naturally subject to uncertainty, and actual results may differ from expected results. Differences may be caused by, but are not limited to, economic and financial market developments, developments in product demand, competitive conditions ,etc.

Cembrit disclaims any liability to update or adjust statements in the Annual Report 2018 about future or possible reasons for differences between actual and anticipated results except where required by legislation.

Front page picture: Cembrit Patina

2018 in brief

The recovery initiated in late 2017 is on track. In line with Management's expectations, in 2018 revenue increased to DKKm 1,655 (like-for-like growth of 8.9% versus 2017) and EBITDA increased to DKKm 112 (from DKKm 40 in 2017). For 2019, further improvements in offerings and services to our customers will be in focus.

Despite challenges faced in early 2018, Cembrit retains supportive customers, a dedicated workforce and growing core markets, providing a solid platform from which to develop our business going forward.

In 2018, we introduced Cembrit Patina Rough, a rustic facade board with a velvety textured surface.

The improvements implemented at our factory in Hungary have started to pay off. At the end of 2018 the yield level was roughly in line with that of our other plants. The warehouse setup for the Nordics was changed at the end of 2018, which will improve our delivery performance, reduce our carbon footprint and generate cost savings going forward.

A review of the organisation conducted in 2018 to further strengthen Cembrit has reduced the number of management levels and further increased the responsibility of each employee.

As stated above, 2018 was a busy year, but our efforts have paid off and Cembrit is back on track. Compared with 2017, revenue grew like-for-like by 8.9%, EBITDA increased from DKKm 40 to DKKm 112 and cash flow from operating activities improved by DKKm 228 to DKKm 15.

Being back on track at the end of 2018 meant that going into 2019 we were able to direct our resources at further improving the offerings and services to our customers.

Looking at 2019, we anticipate that the market will remain at its current level or grow slightly. With a strong focus on customer service, product quality and development of new products, we expect Cembrit to improve its position in the market during the year.

The Board of Directors and the Executive Management would like to thank all our employees for their contribution to the recovery of our company in 2018, and to thank our customers, suppliers and business partners for the trust they have shown us. We look forward to working with you in 2019.

Kent Arentoft	Jørn Mørkeberg Nielsen
Chairman	CEO

Cembrit at a glance

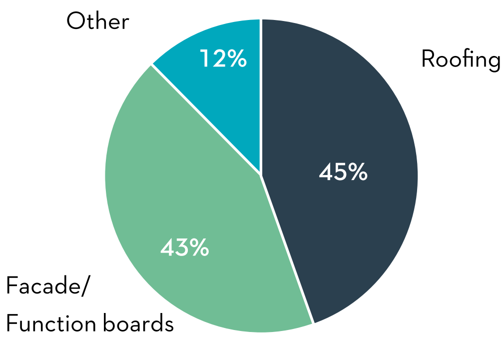
Cembrit is a key manufacturer and distributor of fibre-cement products for all kinds of exterior and interior protective surfaces in Europe. Cembrit also services export markets.

For more than 90 years Cembrit has been one of the leading manufacturers and suppliers of fibre-cement-based building materials in Europe. In 2015, Cembrit was acquired by investment company Solix, which aimed to further develop the Cembrit Group.

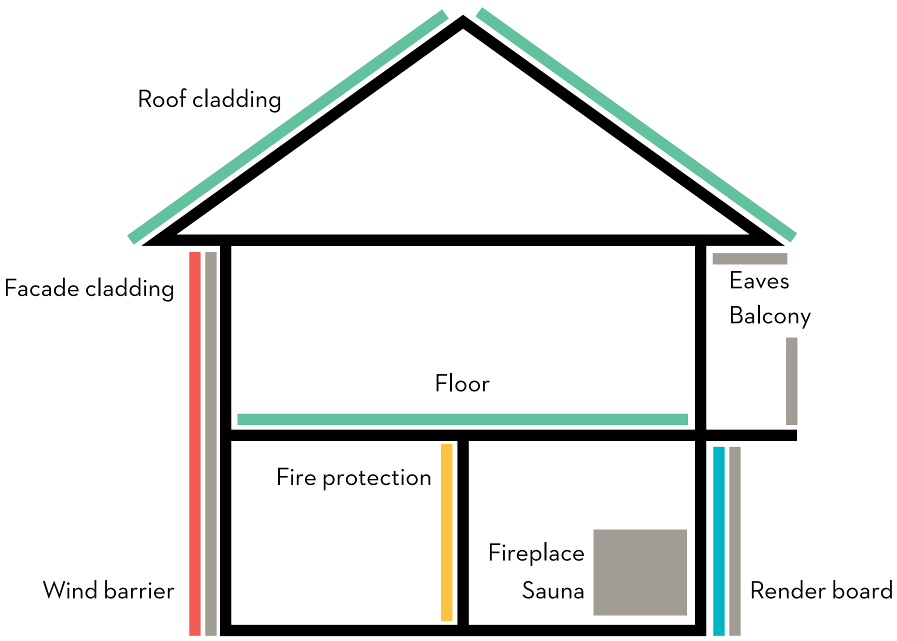
Cembrit has always focused on high-quality products and the company's internal quality control measures are at a correspondingly high level.

WHAT WE OFFER
Cembrit's products and services are grouped into three segments: Roofing, Façade/function boards (façade, indoor and build) and Other (mainly accessories). In 2018, Roofing accounted for 45% of the Group's revenue, facade/function boards for 43% and Other for 12%. Further details of the products are given below.

2018 revenue by segment



Besides delivering building materials, Cembrit also provides complete installation systems and technical solutions for residential houses, holiday homes, trade, industry and agricultural buildings, offices and public buildings, covering both new builds and renovation projects.



Facade
Cembrit offers a wide range of durable, maintenance-free fibre-cement boards. The boards are available in several colours and shades.

Cembrit Patina

Further pictures of facade products can be found elsewhere in this report and on our website.

Roofing
Cembrit offers durable and maintenance-free roofing products grouped into corrugated sheets and slates. The roofing products are available in several colours.

Cembrit corrugated W177

Further pictures of roofing products can be found elsewhere in this report and on our website.

Indoor
Cembrit's indoor products are characterised by their primary use on the climate-controlled side of the wall insulation.

Cembrit Sauna

Further pictures of indoor products can be found elsewhere in this report and on our website.

Build
Cembrit's fibre-cement boards keep wind and damp out. They withstand rain, snow and wind and make the building strong in all types of whether during completion of the building work.

Cembrit Windstopper

Further pictures of building products can be found elsewhere in this report and on our website.

THE INDUSTRY

Cembrit is the second-largest player in the European fibre-cement industry with a strong No. 1 position in Cembrit's core Nordic markets. Around 90% of Cembrit's revenue comes from markets where Cembrit's market position is No. 1 or 2.

The fibre-cement product category has historically been gaining market share compared to rival building material products. Fibre-cement products are expected to continue to grow going forward.

The industry is cyclical in nature – depending on the growth in the economy – which to some extent is balanced by an increase in the renovation and maintenance market in periods of lower economic growth and hence less new building.

CEMBRIT'S FOOTPRINT

The Cembrit Group has production facilities in the Czech Republic, Finland, Hungary and Poland. The lost-time injury frequency (LTIF) improved during to 7.7 in 2018 from 10.9 in 2017.

The Group covers most markets in Western and Eastern Europe through its sales entities. The markets not supported by direct sales entities are covered by indirect sales. The Group also supplies export markets outside Europe. The Nordic, UK and Ireland region represents 80% of the Group's revenue, Western Europe 13% and Other markets 7%.

The Group has integrated its operations with Cembrit Holding, a subsidiary of the Cembrit Group, as the company which manages the Group's operations.

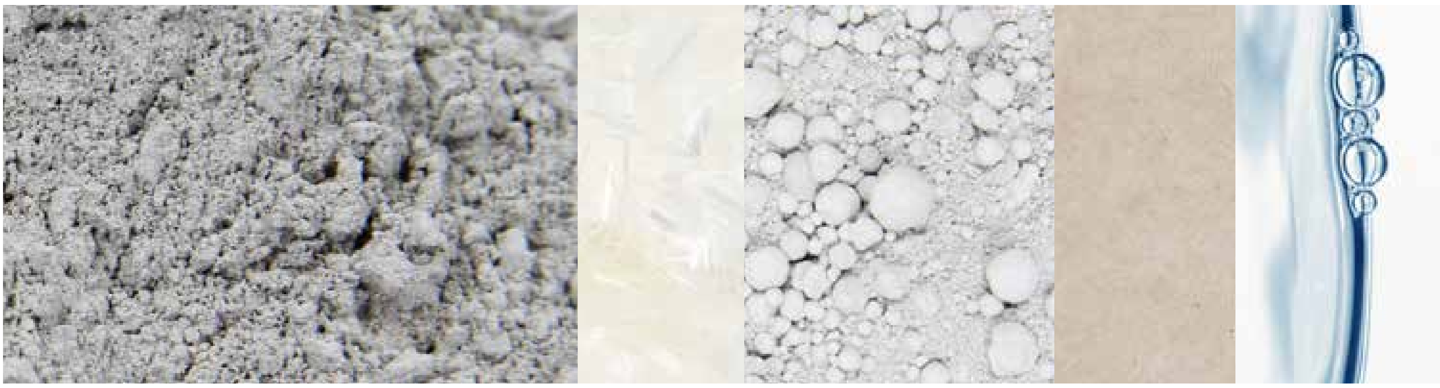
Employees

The Cembrit Group had 1,352 employees at year-end 2018 (2017: 1,339), 107 of whom in Denmark (2017: 107). At year-end 2018, more than 20 different nationalities were represented in the workforce. The different nationalities strengthen our ability to service our customer base.

What is fibre cement?

With its strong composition of cement, mineral fillers, cellulose, non-toxic organic fibres and water, Cembrit fibre-cement products comprise purely natural and environmentally friendly raw materials.

The products' attractive features include low maintenance, high durability and a competitive price level.



Group financial highlights

The recovery initiatives improved EBITDA from DKKm 40 in 2017 to DKKm 112 in 2018. Furthermore, in the same period cash flow from operating activities improved by DKKm 228.

	2015	2016	2017	2018
	DKK (000)	DKK (000)	DKK (000)	DKK (000)
INCOME STATEMENT				
Revenue	1,371,773	1,481,777	1,599,103	1,654,710
Gross profit	385,317	426,372	367,281	425,795
Earnings before interest, tax, depreciation and amortisation (EBITDA)	124,191	102,242	39,626	112,009
Earnings before interest and tax (EBIT)	9,535	(9,494)	(73,061)	(23,290)
Financial items, net	(38,362)	(53,331)	(93,904)	(75,798)
Earnings before tax (EBT)	(28,827)	(62,825)	(166,965)	(99,088)
Profit/loss for the year	**(24,756)**	**(56,385)**	**(186,635)**	**(84,555)**
CASH FLOW				
Cash flow from operating activities	73,209	232,695	(212,773)	15,077
Cash flow from investing activities	(758,087)	(161,287)	(74,510)	(62,215)
- of which investments in property, plant and equipment	(153,338)	(123,102)	(38,963)	(52,797)
WORKING CAPITAL	**249,055**	**92,550**	**230,871**	**198,482**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**(551,077)**	**(575,414)**	**(853,394)**	**(806,409)**
BALANCE SHEET				
Intangible assets	133,663	155,771	178,619	168,652
Property, plant and equipment	957,026	990,612	955,630	919,894
Financial assets	83,188	98,867	86,660	110,051
Non-current assets	**1,173,877**	**1,245,250**	**1,220,909**	**1,198,597**
Current assets	706,633	535,800	617,321	564,403
Total assets	**1,880,510**	**1,781,050**	**1,838,230**	**1,763,000**
Equity	688,752	609,119	456,958	459,700
Long-term liabilities	597,714	635,218	972,633	951,001
Short-term liabilities	594,044	536,713	408,639	352,299
Total equity and liabilities	**1,880,510**	**1,781,050**	**1,838,230**	**1,763,000**
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%	25.7%
EBITDA margin	9.1%	6.9%	2.5%	6.8%
EBIT margin	0.7%	(0.6%)	(4.6%)	(1.4%)
EBT margin	(2.1%)	(4.2%)	(10.4%)	(6.0%)
Return on equity	(3.6%)	(8.7%)	(35.0%)	(18.4%)
Solvency ratio	36.6%	34.2%	24.9%	26.1%
Net working capital ratio	18.2%	6.2%	14.4%	12.0%
Number of employees at 31 December, Group	**1,041**	**1,154**	**1,339**	**1,352**
Number of employees in Denmark	93	99	107	107

The definitions of the financial ratios are given in note 38 and is unchanged from last year.

Picture: Cembrit Patina

Market development and our competences

We are dedicated to helping our customers build better with fibre-reinforced cement products.

We enable our customers to build better. Together with our services, fibre-reinforced cement, with its special characteristics, is the key element in our offering. Fiber-reinforced cement is an attractive, resilient construction material that is ideal for all kinds of exterior and interior protective surfaces.

The fibre-cement product category has historically been gaining market share compared to rival building material products.

MARKET DEVELOPMENT

In 2018, the general market development was positive with like-for-like growth for Cembrit of 8.9%. However, the market development in the UK was less positive. It is management's assessment that Cembrit increased its market share in 2018 compared to the competition in general. The growth in the market has mainly been driven by an increase in new builds rather than renovation.

At the end of 2018, markets with less attractive margins were restructured to ensure that we focus our resources on the markets and customers that will ensure Cembrit a sustainable business going forward.

The megatrends around urbanisation and sustainability will be key drivers for the market going forward, which will ensure growth for Cembrit in the years to come.

Customer base

Cembrit's customer base mainly comprises builders' merchants, architects and project developers.

Our competences

At Cembrit, employees, systems, equipment and procedures are key to our production and delivering on our promises to our customers in the best possible way. The development and success of Cembrit is highly dependent on having competent employees and managers with a high level of expertise and commitment.

In-house competences include high-level understanding of fibre-cement production, market intelligence, supply chain, business support and management skills. Based on these capabilities, Cembrit will develop new products for our customers and deliver on our promises.

Employees

At the end of 2018, 1,352 people were employed at Cembrit (2017: 1,339), and key elements in delivering on our promise to our customers are diversity in respect of language and cultural understanding and in-depth knowledge of the fibre-cement business. We have more than 20 nationalities represented in the Group, with 981 employees in Eastern Europe and 371 in Western Europe.

To support the employees in their everyday work and generally increase efficiency, administrative and IT systems are routinely updated. Our ERP and CRM systems are a particular focus.

Quality management and occupational health & safety

Delivering high-quality products and servicing our customers in a safe and healthy environment are at the core of Cembrit's business. All our products are produced to recognised standards and norms, and we continuously strive to improve and streamline our processes, products and services together with our partners. In 2018, our occupational health improved compared to 2017, with a lost-time injury frequency (LTIF) of 7.7 (2017: 10.9). Further insight is provided in the Sustainability and CSR section of this report.

To ensure high standards, Cembrit strives to have all manufacturing facilities certified according to ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and OHSAS 18001 (Occupational Health and Safety Management). Currently all production facilities hold ISO 9001 certification, while all production facilities except the facility in Hungary also hold ISO 14001 and OHSAS 18001 certification. The production facility in Hungary is working on meeting ISO 14001 and OHSAS 18001 standards, and the certificates are expected to be obtained in 2019.

Research & development activities

Cembrit carries out ongoing research into new materials, production techniques and product development. Our research activities will be strengthened going forward to ensure faster go-to-market for new products.

Cembrit plans to launch a number of new products/ modifications in the years to come.

Cembrit Cover

Financial review

Revenue of DKKm 1,655 (like-for-like growth of 8.9%) and material improvement in EBITDA and cash flow for 2018 compared to 2017. Cembrit expects improved financial performance in 2019.

The activity level in 2018 was high with revenue of DKKm 1,654.7, equivalent to like-for-like growth of 8.9%. 80% of the revenue related to the Nordic, UK and Ireland region, 13% to Western Europe and 7% to Other markets. The facade/function board market in particular increased in 2018 compared to 2017.

The performance of the Hungarian factory had a negative impact on income for 2018 despite material improvements compared to 2017. The improvements implemented during 2018 have paid off in terms of improved yield. At year-end 2018, the yield was in line with that of our other plants and will ensure a material improvement in performance going forward.

Strong cost awareness has been in focus during 2018. In addition, a review of the organisation was carried out to further strengthen the organisation. This has led to a reduction in the number of management levels within Cembrit and further increased the responsibility of each employee.

Sales and distribution costs and administrative costs totalled DKKm 314.0, down DKKm 15.4 on 2017.

EBITDA (earnings before interest, depreciation and amortisation) has shown a strong development with DKKm 112.0 for 2018 (2017: DKKm 39.6). The EBITDA margin for 2018 was 6.8%, up from 2.5% in 2017.

Special non-recurring items amounted to DKKm 30.8 (2017: DKKm 4.5), and mainly related to inventory write-downs at DKKm 10, M&A activities at DKKm 6 and restructuring at DKKm 15.
The items presented as special non-recurring items provide insight into the running of the business and how the business is monitored by management. Further insight is provided in note 5 to the financial statements.

Loss after tax amounted to DKKm 84.6, which is an improvement on the 2017 figure of DKKm 102.1.

Investments
Investments in 2018 totalled DKKm 62.2 (2017: DKKm 74.5), which was lower than the last couple of years, when investments were made in the plant in Hungary.

Cash flow
Cash flow from operating activities (CFFO) amounted to DKKm 15.1 for 2018 (2017: DKKm -212.8). Working capital was a focus area in 2018 and cash flow from change in working capital improved by DKKm 155.7.

Cash flow from operating and investing activities amounted to DKKm -47.1 for 2018 (2017: DKKm -287.3). For 2019, Cembrit expects positive cash flow from operating and investing activities as stated in the 2019 Outlook section of this report.

Equity
Equity at 31 December 2018 amounted to DKKm 459.7 (2017: DKKm 456.9) with a solvency ratio of 26.1% (2017: 24.9%).

In January 2018, equity was increased by DKKm 90 to maintain healthy liquidity levels while implementing new strategic initiatives. This shows that the shareholders have confidence in their investment.

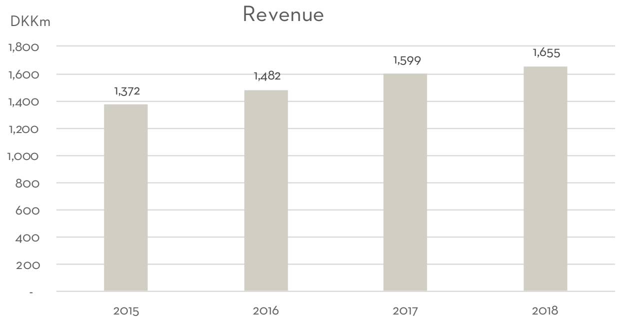
Treasury shares at 31 December 2018 amounted to DKKm 0.6, with a nominal value of DKK 370,056 (2017: DKKm 2 and nominal value of DKK 24,670). The share capital consists of 71,524,079 shares of DKK 1.

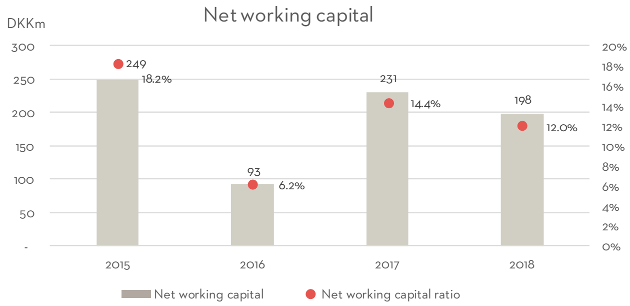
Debt and financial resources
Net interest-bearing debt amounted to DKKm 806.4 (2017: DKKm 853.4), mainly comprising a bond loan of EURm 115. The bonds have been accounted for at amortised cost, and with transaction costs at year-end 2018 of DKKm 18.5 (2017: DKKm 5.5), the carrying amount was DKKm 837.7 (2017: DKKm 850.1).

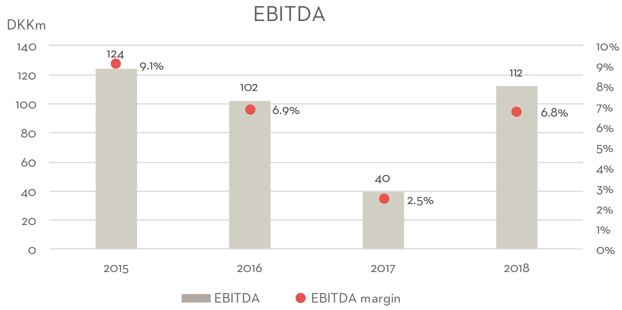
In March 2018, the bonds (EURm 115) were listed on Nasdaq Stockholm.

At year-end 2018, available liquidity amounted to DKKm 108.5, up DKKm 28.5 on year-end 2017. Available liquidity comprises unutilised credit facilities and available cash.

Seasonal sales
The sales pattern for Cembrit's products is seasonal. Revenue is traditionally highest in the second and third quarters and lowest in the first quarter. It is not only revenue that is impacted by the seasonality in the business, but in particular the key figures EBITDA and working capital. Further details of the seasonality of the business are included in the interim financial statements, available on **www.cembrit.com.**







Financial expectations for 2018
In the Annual Report for 2017, a minor increase in revenue for 2018 was expected. With revenue growth of DKKm 55.6 for 2018 and like-for-like revenue growth of 8.9%, the expectation for 2018 has been meet.

It was further stated that operating profit and working capital were expected to improve in 2018 compared to 2017 as a result of optimisation of the operational set-up, general cost savings and inventory reductions. EBITDA has improved by DKKm 72.4 to DKKm 112.0 (2017: DKKm 39.6). Working capital has improved to DKKm 198.5 (2017: DKKm 230.9). Accordingly, the expectations for improvements in EBITDA and working capital have also been met.

Events occurring after the balance sheet date
There have been no significant events after 31 December 2018 that could materially impact the financial position.

A positive financial development is expected for 2019. Further details are included in the 2019 Outlook section of this report.

New accounting policy for leases
The IFRS 16 accounting standard for leases will be applied from 1 January 2019 onwards. For Cembrit, the standard will have a positive impact of DKKm 23 on EBITDA, as off-balance sheet operating leases will be capitalised. The estimated impact is described in more detail in note 37.

Cembrit Cover

Risk management

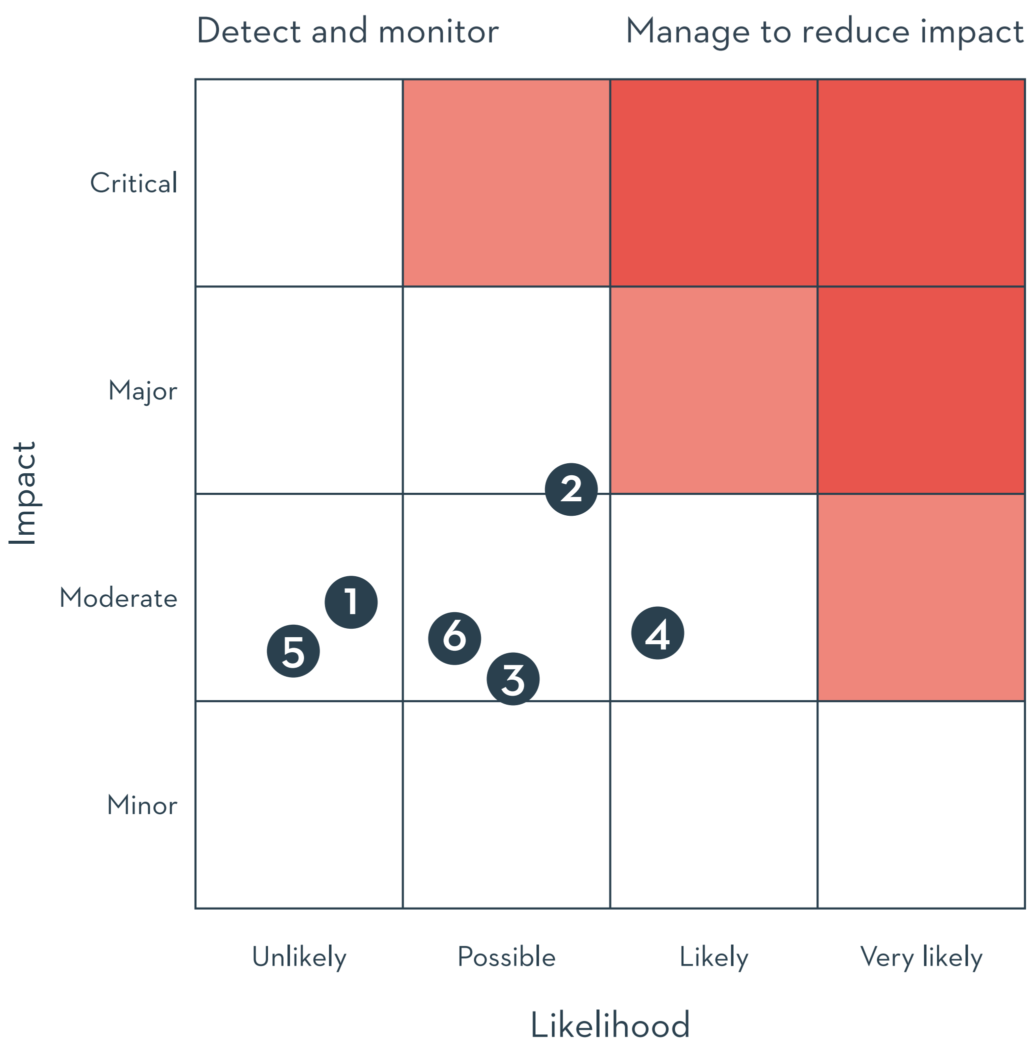
Risk management is fundamental to our business.

Risk will always play an important part in our business, and we maintain focus on the identification, mitigation and management of risks in our day-to-day work.

Cembrit's business is cyclical by nature. When the level of activity in the industry is high, as is currently the case in Europe, the primary focus is on new building rather than renovation.

However, the expectation is that the renovation business will partly compensate for any decline in the European construction industry in the event of a down-turn in the economy.

The following sets out some of the key risks to which Cembrit is exposed together with our mitigating actions (net after mitigation):



1 Safety	Personal safety is a basic expectation and, at the same time, a competitive aspect within our industry. Personal injuries and fatal accidents are unacceptable, first and foremost due to the human consequences of such events, but also because they can affect Cembrit's reputation and earnings.	The occupational health & safety systems implemented are aimed at protecting employees, suppliers and customers. Further information can be found in the Sustainability and CSR section of this report.
2 Market	As a production company with property, plant and equipment representing around 50% of total assets and fixed costs also representing a significant proportion of total costs, demand has a noticeable effect on Cembrit's financial performance. Developments in the European economy, especially the construction sector, as well as political risks and incentives such as tax deductions targeting the building industry or homeowners, or changes in the mortgage system, have a significant impact on Cembrit's financial performance.	We routinely monitor the economic and political developments in the markets in which Cembrit operates. Cembrit has a reasonable perspective on developments in the construction market given that facades and roofing come into play late in the construction phase, which gives us time to adjust to any change in outlook. Cembrit's involvement in the renovation market will also to some extent serve to mitigate a downturn in the industry based on developments in the economy.
3 Production	A major breakdown in a production facility could have a material negative impact on Cembrit's ability to serve our customers.	Plans are in place to minimise the time needed to get the production facility in question up and running again. For instance, we keep stocks of material spare parts. Business interruption due to events such as fire is covered by insurance.
4 Raw materials and energy	The supply and prices of raw materials, energy and availability of employees with detailed understanding of the fibre-cement industry are key to Cembrit's financial performance, and developments relating to cement, cellulose, electricity and gas are especially important. Developments in transportation costs are also material for Cembrit.	Dual sourcing for all key suppliers is a focus. Wherever possible, we enter into long-term contracts with key suppliers to ensure stability in supply and prices.
5 Foreign exchange rates	Cembrit's currency risk is mainly related to sales and purchases in DKK, EUR, GBP, CZK, PLN, SEK, NOK, JPY and USD.	The measures to mitigate this risk are described in detail in note 23 to the consolidated financial statements.
6 Human Resources	A detailed understanding of the fibre-cement industry is key to the development of Cembrit, which means that our employees are our most important resource.	We maintain a continual focus on attracting and retaining employees with the competences to continue developing Cembrit.

CONTROL OF RISK MANAGEMENT MEASURES IN CONNECTION WITH THE PRESENTATION OF THE FINANCIAL STATEMENTS

This section satisfies the requirements of section 107 b (1) (6) of the Danish Financial Statements Act.

Cembrit's internal control and risk management system in connection with the presentation of the financial statements is outlined below:

Control measures

The Board of Directors and the Executive Management have overall responsibility for risk management and internal controls in relation to financial reporting. In addition, the Board of Directors has established an Audit Committee comprising two internal members and one external member to support the oversight function regarding the presentation of the financial statements.

Cembrit has established a formal corporate reporting process that includes monthly reporting of financials from each of the entities in the Group, including budget follow-up and performance assessment. The monthly reporting is the basis for the preparation of the quarterly and annual reports. The Board of Directors does not consider that the establishment of an internal audit department is warranted at present in view of the limited complexity of the Group and the transparency in the reporting.

Information and communication

The Board of Directors emphasises that, while the confidentiality of a listed company is observed, there is open communication within the Group for information that is relevant for each person. Furthermore, each relevant individual is familiar with their role in the internal control setup.
Given the limited complexity of the Group, no formal accounting manual has been adopted. For areas with increased accounting uncertainty, specific guidelines have been prepared.

Supervision

Management carries out ongoing evaluation at all levels in the Group. The scope and frequency of the periodic evaluation depend largely on a risk assessment and the efficiency of the ongoing evaluation. In the audit long-form report to the Board of Directors, the elected auditors highlight significant weaknesses in the internal control measures associated with the presentation of accounts.

Cembrit Smooth Straight

Sustainability and CSR

For Cembrit, sustainability and CSR are about making the right choices to make life easier and better for our customers, colleagues, partners and other stakeholders.

Behaving in a responsible manner has always been essential to Cembrit, and the company's CSR statement is the basis for our CSR work, together with our Code of Conduct, other policies, guidelines, tone from the top etc. Tone from the top has been and will continue to be a key element of Cembrit's CSR work to ensure ongoing adjustments and adherence to responsible behaviour.

The CSR statement is based on the Global Compact's 10 principles, which have been grouped into three main sections: labour & human rights, business integrity and environment & climate. Work is ongoing to ensure that the statement is incorporated into our business processes. While Cembrit is not a signatory to the UN Global Compact, we are committed to adhering to the principles of the Compact and encourage our suppliers and other business partners to support the principles.

Following the adoption of the Modern Slavery Act 2015 in the UK, Cembrit has incorporated the act into our CSR work. The act focuses on offences of "slavery, servitude and forced compulsory labour". Cembrit is not required to report on the Modern Slavery Act and has not so far issued a report, but our assessment is that slavery, as defined by the act, is not an issue in Cembrit's business and supply chain.

In 2018, we shifted the focus of our CSR work away from policies and onto implementation. In so doing, we established a number of objectives and performance indicators for 2019, as set out below.

The following sections elaborate on the key elements of Cembrit's CSR and sustainability work. The most important aspects of our business in relation to labour & human rights, business integrity and environment & climate are described.

LABOUR & HUMAN RIGHTS

Cembrit conforms to the UN Global Compact principles 1-6 for human & labour rights.

Principle 1: Business should support and respect protection of internationally proclaimed human rights; and

Principles 2: make sure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Based on an assessment of the key risks in Cembrit's business, the primary focus area within labour & human rights as specified above is health & safety.

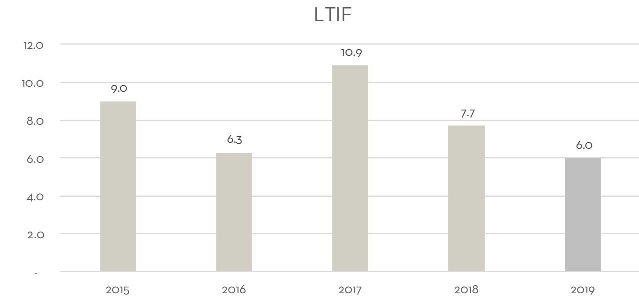
CSR impact on Cembrit's business: labour & human rights
Due to the nature of Cembrit's business, i.e. running large production facilities and transporting large and heavy volumes, there is an increased risk of work accidents. Accordingly, health & safety is a key focus area for Cembrit. First and foremost, due to the human aspects of accidents, but also because accidents can affect Cembrit's reputation and impact on the effectiveness and efficiency of Cembrit's performance.

Lost-time injuries

The key health & safety risks within Cembrit are related to production and logistics. The production units maintain their safety systems in accordance with OHSAS 18001 (a British standard for occupational health & safety management systems), which is in place for four out of five production facilities. OHSAS 18001 has not yet been implemented at the production facility in Hungary, but the certificate is expected to be obtained in 2019.

Local policies that, among other things, ensure compliance with local legislation and focus on dust levels, temperature levels, maximum muscle load, noise levels, etc. are part of the safety standard that has been implemented.

Cembrit operates all of its warehouses, except one that has been outsourced, with health & safety as a key element in the selection process. Lost-time injury frequency (LTIF) for the warehouses, including the outsourced warehouse, is illustrated in the accompanying chart.



Road and railway transport are performed by external parties and is not included in the graph above. Health & safety are a key element in the evaluation of the transport suppliers.

In 2018, we focused on the behaviour of employees in relation to health & safety in order to reduce work accidents. LTIF rate was reduced from 10.9 in 2017 to 7.7 in 2018 with zero fatalities. Zero lost-time injuries and work-related illness is the goal. An LTIF target of 6.0 has been set for 2019.

During 2018, Cembrit launched several initiatives to further strengthen our health & safety work. One example is regular safety weeks, where employees at the factories take part in training to eliminate and mitigate safety risk. Furthermore, safety observation is being used to improve safety.

Human rights

There is always a risk that Cembrit engages with suppliers who do not fully comply with international and national laws and guidlines related to human rights. This risk is higher within certain geographies, but problems can arise anywhere. Our review in 2018 did not identify any breaches of human rights. A performance indicator for 2019 has been established to further engage our supply chain (see below).

Health & safety objectives	Performance indicators 2019
Ensure a high standard of occupational health & safety at Cembrit	Lost-time injury frequency (LTIF) target of 6.0 or below
Ensure compliance with UN Global Compact principles 1-6 throughout our supply chain	40% of Cembrit's major raw material and transport providers agree to observe UN Global Compact principles 1-6

Gender distribution
Equal opportunity for all employees is important to Cembrit, and accordingly we do not differentiate based on gender, race or religion when people are employed or promoted. Cembrit's employees represent more than 20 different nationalities.

The industry in which Cembrit operates has an overrepresentation of men, which makes it difficult to ensure a more balanced distribution between men and women. To further ensure gender diversity in the future, Cembrit will pursue the following initiatives, with a particular focus on women in management:

- Cembrit will always give consideration to diversity when hiring or appointing people at all levels, including the Executive Management and the Board of Directors. If two or more candidates for a position are equally qualified, the a candidate of the underrepresented gender will be preferred.
- When recruiting candidates for board positions, Cembrit will require at least one candidate of the underrepresented gender.

In 2018, the number of women in management positions at Cembrit was increased in connetion with new hires, including managers reporting directly to the Executive Management.

Currently, Cembrit's Board of Directors comprises five men and no women, and the Executive Board comprises two men.

It is Cembrit's target to have at least one general meeting-elected woman on the Board of Directors by 2021. The target was not achieved during 2018, as there were no changes in directors during the year.

BUSINESS INTEGRITY

Business integrity for Cembrit includes combating corruption in all its forms, including extortion and bribery (UN Global Compact principle 10).

More than 90% of Cembrit's revenue is related to markets in the Nordic countries, the UK and Ireland, and Western Europe, which are rated as the regions with the lowest likelihood of corruption by Transparency International. Less than 10% of Cembrit's revenue is related to markets with an increased risk of corruption compared to the above-mentioned markets.

Cembrit has production facilities in Finland, Poland, the Czech Republic and Hungary. Some of the production facilities are located in countries with a higher risk of corruption than the main markets where our products are sold.

Our logistics facilities are located at our production facilities and additional warehouses in some of our key markets.

Based on an assessment of the key risks in Cembrit's business with regard to anti-corruption, our focus is on conflicts of interest.

In the 2017 Annual Report the following were targeted for implementation in 2018:

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

CSR impact on Cembrit's business: business integrity
While Denmark is No. two on the Transparency International Index for 2017, Cembrit is operating in parts of the world with a lower level of business integrity. Even though Denmark is rated as a country with a high level of business integrity, we cannot assume that corruption and bribery do not occur in Denmark. Cembrit does not tolerate unlawful behaviour, and business integrity will always be high on our agenda.

At the beginning of the CSR section of this report, we stated that we have shifted the focus of our CSR work from policies to implementation. As a result, we have not implemented the above policies and code of conduct. The focus has been on using the UN Global Compact principles wherever possible rather than principles established specifically for Cembrit. This should ensure that it will be easier for our partners/suppliers to implement and ensure compliance with the CSR work agreed on.

Our review in 2018 did not identify any anti-corruption breaches during the year.

Several initiatives are being implemented to reduce our environmental and climate impact. By way of example, water from production sites is treated, and to some extent waste products are recycled.

Our products are maintenance free and highly durable. Among other things, this ensures that our customers have buildings that are resistant to rain and snow, which is the key to reducing their energy consumption. In this way, our products help combat climate change on a large scale.

Business integrity objectives	Performance indicators 2019
Ensure compliance with UN Global Compact principle 10 throughout our supply chain	40% of Cembrit's major raw material and transport providers agree to observe UN Global Compact principle 10

ENVIRONMENT & CLIMATE

Environment & climate for Cembrit means management of our energy use and carbon footprint, waste, water and resource consumption. Furthermore, the impact of our customers' use of our products is a key element. Our commitment is to improve continuously. Cembrit conforms with UN Global Compact principles 7-9.

Cembrit always adheres to environmental regulatory requirements.

In terms of environment & climate, Cembrit deploys environmental indicators for energy consumption (by different fuel types), raw materials (by different types), various recyclable materials and water relative to how many tons of building materials are produced.

The performance indicators for 2019 are listed below.

Environment & climate objectives	Performance indicators 2019
Ensure compliance with UN Global Compact principles 7-9 throughout our supply chain	40% of Cembrit's major raw material and transport providers agree to observe UN Global Compact principle 10
Reduce energy consumption	Perform an energy review of the production facilities and launch initiatives to reduce energy consumption
Reduce production waste	Launch a pilot to reduce production waste. Based on the outcome, implement initiatives for all production facilities

In 2018, the new Hungarian factory showed greatly improved results compared to previous years. Energy consumption and water usage per ton of materials produced decreased compared to 2017, while raw material consumption increased due to increased production volume.

In terms of output from production, Cembrit deploys indicators for emissions to air (CO_2), wastewater, waste (by recycling, landfill and oil/chemical waste) and packaging types. Output indicators developed positively in 2018, except for waste. There was an increase in waste liquidation in Beroun (Czech Republic) and Hungary.

To improve our logistics setup and reduce Cembrit's carbon footprint, the warehouse in Aalborg, Denmark, has been transferred to the southern part of Jutland, Denmark. The new warehouse will make rail transport more suitable, which will reduce Cembrit's carbon footprint compared to our predominant use of road transport in 2018.

COMMUNITY ENGAGEMENT AND SOCIAL IMPACT

Besides the business aspect of sustainability and CSR, Cembrit also engages with local communities. Early in 2018, for example, Cembrit helped to educate the roofers of the future by donating roofing materials to Leeds College of Building for its roof slating and tiling apprenticeship scheme.

		2015	2016	2017	2018
Emissions to air - CO_2*	Kg/ton	52.7	55.6	53.5	44.4
Waste water	Kg/ton	713.0	930.4	857.5	808.7
Waste	Kg/ton	82.2	70.9	109.4	112.6
Packaging	Kg/ton	11.4	14.3	21.9	18.1

* Includes only emissions generated inside the factories.

2019 outlook

Revenue and EBITDA margin are expected to increase in 2019 compared to 2018. Cash flows from operating and investing activities for 2019 are expected to be positive.

Both revenue (2018: DKKm 1.654.7) and EBITDA margin (2018: 6.8%) are expected to increase in 2019.

An improvement in working capital (31 December 2018: 12.0%) is also expected, which together with the earnings improvement will ensure positive cash flows from operating and investing activities for 2019.

The increase in EBITDA and improved cash flow will lead to an improvement in the net debt/EBITDA ratio compared to 2018.

The outlook assumes stable developments in the markets in which we operate. A material economic downturn would have a material impact on the Cembrit Group. Further insight into Cembrit's key risks is provided in the Risk management section of this report.

Outlook 2019	
Revenue	↑
EBITDA	↑
Cash flow	↑
Net debt/EBITDA ratio	↓

Forward-looking statements
Statements in the Annual Report 2018 concerning the future reflect Cembrit's current expectations about future events and financial results. Statements concerning the future are naturally subject to uncertainty, and actual results may differ from expected results. Differences may be caused by, but are not limited to, economic and financial market developments, developments in product demand, competitive conditions etc. See also the Risk management section of Management's Review.

Cembrit disclaims any liability to update or adjust statements in the Annual Report 2018 about future or possible reasons for differences between actual and anticipated results except where required by legislation.

Our management and ownership

The Board of Directors consists of five members.
Cembrit Group A/S is controlled by Solix.

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

Executive Management
Jørn Mørkeberg Nielsen, CEO*
Karsten Riis Andersen, CFO*
Torben Axelsen, COO

* Registered with the Danish Business Authority.

Information about management positions held by the members of the Board of Directors and the Executive Management in other Danish entities can be found at datacvr.virk.dk/data.

In 2015, Cembrit was acquired by investment company Solix. The following shareholders own more than 5% of Cembrit Group A/S:
- Xilos Dakota Separate Limited Partnership
- Xilos Co-Investment no. 1 Separate Limited Partnership

The two companies are located in Jersey.

Published consolidated financial statements of any of its owners are not public available.

Cembrit Slates

Management's statement

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 2018.

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 2018 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 2018.

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 be adopted by the Annual General Meeting.

Copenhagen, 24 April 2019

Executive Board

Jørn Mørkeberg Nielsen
CEO

Karsten Riis Andersen
CFO

Board of Directors

Kent Arentoft
Chairman

Denis Viet-Jacobsen

Johan Cervin

Sigge Haraldsson

Jan Warrer

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 2018 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2018 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 2018 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2018 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 2018 comprise the consolidated income statement and statement of comprehensive income, the consolidated cash flow statement, the consolidated balance sheet, the consolidated statement of changes in equity 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 2018 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
Following the admission of the bonds of Cembrit Group A/S for listing on Nasdaq Stockholm, we were first appointed auditors of Cembrit Group A/S on 26 April 2018 for the financial year 2018.

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 2018. 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 1,089 million as at 31 December 2018, 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 other intangible assets than goodwill 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 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 2018 to the 2018 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 and consulted with our internal valuation specialists regarding the composition and level of WACC used. Our internal benchmarks were determined using our view of various economic indicators.

▪ Revenue 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 recognized deferred tax assets of DKK 109 million as at 31 December 2018. 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 2018 based on budget for 2019 and forecasts for 2020-2023. 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 and 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 297 million as at 31 December 2018. 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, 24 April 2019
PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab CBR
No. 33 77 12 31

Jacob Fromm Christiansen
State Authorised Public Accountant
MNE-no.: mne18628

Kristian Højgaard Carlsen
State Authorised Public Accountant
MNE-no.: mne44112

Consolidated income statement

Note		2018 DKK (000)	2017 DKK (000)
2	Revenue	1,654,710	1,599,103
4	Cost of goods sold	(1,228,915)	(1,231,822)
	Gross profit	**425,795**	**367,281**
4	Sales and distribution costs	(240,458)	(250,677)
4	Administrative costs	(73,571)	(78,793)
3	Other operating income	6,083	4,483
3	Other operating costs	(5,840)	(2,668)
	Earnings before depreciation, amortisation and impairment (EBITDA)	**112,009**	**39,626**
5	Special non-recurring items	(30,803)	(4,497)
12	Depreciation and impairment of tangible assets	(85,806)	(92,057)
	Earnings before amortisation and impairment of intangible assets (EBITA)	**(4,600)**	**(56,928)**
11	Amortisation and impairment of intangible assets	(18,690)	(16,133)
6	**Earnings before interest and tax (EBIT)**	**(23,290)**	**(73,061)**
20	Financial income	89,173	63,689
20	Financial costs	(164,971)	(157,593)
	Earnings before tax (EBT)	**(99,088)**	**(166,965)**
18	Tax for the year	14,533	(19,670)
	Profit/loss for the year	**(84,555)**	**(186,635)**
	Profit/loss for the year attributable to:		
	Shareholders in Cembrit Group A/S	(84,555)	(186,635)
		(84,555)	**(186,635)**

Consolidated statement of comprehensive income

	2018 DKK (000)	2017 DKK (000)
Profit/loss for the year	**(84,555)**	**(186,635)**
Other comprehensive income for the year		
Items that can be reclassified to the income statement:		
Foreign exchange adjustment regarding foreign operations	(7,456)	27,498
Value adjustments of hedging instruments:		
Value adjustment for the year	4,045	4,804
Value adjustments transferred to revenue	(2,610)	(5,158)
Value adjustments transferred to production costs	1,630	3,223
Value adjustments transferred to financial income and costs	(956)	2,027
Value adjustments transferred to balance sheet items	956	1,106
Tax on other comprehensive income	(451)	(526)
Other comprehensive income for the year after tax	**(4,842)**	**32,974**
Comprehensive income for the year	**(89,397)**	**(153,661)**

Consolidated cash flow statement

Note		2018 DKK (000)	2017 DKK (000)
	Earnings before depreciation, amortisation and impairment (EBITDA)	112,009	39,626
5	Special non-recurring items, paid	(30,803)	(4,497)
	Adjustment for gains/(losses) on sale of tangible and intangible assets etc.	(244)	3,267
	Adjusted earnings before depreciation, amortisation and impairment (EBITDA)	80,962	38,396
7	Change in provisions	(5,782)	(13,172)
8	Change in working capital	21,968	(133,772)
	Cash flow from operating activities before financial items and tax	97,148	(108,548)
9	Financial income, received	3,922	2,021
9	Financial items, paid	(73,459)	(93,704)
18	Taxes paid	(12,534)	(12,542)
	Cash flow from operating activities	**15,077**	**(212,773)**
11	Acquisition of intangible assets	(8,787)	(35,596)
12	Acquisition of tangible assets	(52,797)	(38,963)
12	Disposal of tangible assets	318	58
	Disposal of financial assets	(949)	(9)
	Cash flow from investing activities	**(62,215)**	**(74,510)**
	Capital increase	89,999	1,500
	New bank loan/bond issued, yield	0	850,131
	Bank loan repaid	(12,450)	(560,646)
	Other financial liabilities	(2,413)	(14,022)
	Finance lease	(291)	(599)
	Other	2,136	0
10	**Cash flow from financing activities**	**76,981**	**276,364**
	Change in cash and cash equivalents for the year	29,843	(10,919)
	Cash, cash equivalents and cash pool balance at 1 January	6,785	16,975
	Foreign exchange adjustments	(2,051)	729
	Cash, cash equivalents and cash pool balance at 31 December	34,577	6,785
22	Total cash and cash equivalents	34,577	18,401
22	Cash pool liabilities	0	(11,616)
		34,577	6,785

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

Consolidated balance sheet – assets

Note		2018 DKK (000)	2017 DKK (000)
	Goodwill	12,705	12,705
	Development projects	5,830	4,698
	Concessions, patents, licences etc.	1,552	2,932
	Customer relations	68,977	75,235
	Other intangible assets	70,508	76,944
	Advanced payments for intangible assets	9,080	6,105
11	Intangible assets	168,652	178,619
	Land and buildings	410,379	425,297
	Plant and machinery	486,743	500,864
	Operating equipment, fixtures and fittings	19,046	22,553
	Tangible assets in course of construction	3,726	6,916
12	Tangible assets	919,894	955,630
13	Other securities and investments	1,304	352
19	Deferred tax assets	108,747	86,308
	Financial assets	110,051	86,660
	Total non-current assets	**1,198,597**	**1,220,909**
16	Inventories	297,370	350,532
17	Trade receivables	185,954	195,875
26	Derivative financial instruments	1,795	2,644
	Other receivables	23,884	38,852
	Prepaid expenses	20,823	11,017
	Receivables	232,456	248,388
	Cash and cash equivalents	34,577	18,401
	Total current assets	**564,403**	**617,321**
	TOTAL ASSETS	**1,763,000**	**1,838,230**

Consolidated balance sheet – equity and liabilities

Note		2018 DKK (000)	2017 DKK (000)
31	Share capital	71,524	41,860
	Foreign exchange adjustments	11,844	19,300
	Reserve for hedging transactions	443	(2,171)
	Non-distributable reserves	0	5,382
	Retained earnings	375,889	392,587
	Total equity	**459,700**	**456,958**
19	Deferred tax liabilities	61,284	65,552
28	Pension liabilities	358	339
27/28	Other provisions	49,153	54,218
21/22/28	Bond issued	837,681	850,131
21/22/28	Finance lease	441	551
28	Other liabilities	2,084	1,842
	Long-term liabilities	**951,001**	**972,633**
	Pension liabilities	230	289
27	Other provisions	16,501	18,360
21/22	Bank loans	1,807	15,857
21/22	Finance lease	314	491
	Prepayments from customers	217	634
	Trade payables	172,887	164,822
25	Derivative financial instruments	2,538	7,410
	Current tax liabilities	8,851	8,412
29	Other liabilities	148,954	192,331
	Deferred revenue	0	33
	Short-term liabilities	**352,299**	**408,639**
	Total liabilities	**1,303,300**	**1,381,272**
	TOTAL EQUITY AND LIABILITIES	**1,763,000**	**1,838,230**

Statement of changes in equity

DKK (000)	Share capital	Foreign exchange adjustment	Reserve for hedging transactions	distribu-table reserves	Retained earnings	Proposed dividend	Total
Equity at 1 January 2018	**41,860**	**19,300**	**(2,171)**	**5,382**	**392,587**	**0**	**456,958**
Comprehensive income for the year							
Profit/loss for the year					(84,555)		**(84,555)**
Other comprehensive income							
Foreign exchange adjustments regarding foreign operations		(7,456)					**(7,456)**
Value adjustments of hedging instruments:							
Value adjustments for the year			4,045				**4,045**
Value adjustments transferred to revenue			(2,610)				**(2,610)**
Value adjustments transferred to production costs			1,630				**1,630**
Value adjustments transferred to financial income and costs			(956)				**(956)**
Value adjustments transferred to balance sheet items			956				**956**
Tax on other comprehensive income*			(451)				**(451)**
Other comprehensive income, total	**0**	**(7,456)**	**2,614**	**0**	**0**	**0**	**(4,842)**
Comprehensive income for the year	**0**	**(7,456)**	**2,614**	**0**	**(84,555)**	**0**	**(89,397)**
Capital increase	29,664				60,335		**89,999**
Share-based payment, reversal				(5,382)	7,522		**2,140**
Equity at 31 December 2018	**71,524**	**11,844**	**443**	**0**	**375,889**	**0**	**459,700**
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**

Dividends distributed to shareholders in 2018 were DKK 0 (2017: DKK 0).

The proposed dividend for 2018 amounts to DKK 0 per share (2017: DKK 0 per share).

On 8 January 2018 Cembrit increased its share capital by nominal DKK 29,664,364.60 at a price of DKK 303.39 – a total injection of DKK 89,998,715.80. The difference, DKK 60,334,341.20, was originally booked as share premium but moved to retained earnings. In the table above, the difference is shown only as retained earnings.

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

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The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

The most significant accounting estimates and assessments made by management are stated below. An introduction to the accounting policies is also included below.

Significant judgements and estimates
Preparation of the consolidated financial statements requires Management to make estimates and assumptions, which by definition are subject to uncertainty. These affect the recognized assets and liabilities, including the disclosures made regarding contingent assets and liabilities when applying the Group's 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. Actual result may deviate over time.

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

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

Intangible assets/impairment test
Goodwill and other intangible assets with indefinite useful life are tested for impairment at least once a year, and other intangible assets are tested when there is an indication of impairment. The carrying amount of non-current assets is 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 in 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 are independent of cash flow from other assets or groups of assets. The definition of the cash-generating units is reviewed once a year.

An estimate is made of the future free net cash flow based on budgets, the strategy from the next five years and projections for subsequent years (the terminal value). Significant parameters in this estimate are discount rate, revenue development, EBIT margin, expected investments and growth expectations for the period beyond 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 carryforwards may be used. Utilization of tax loss carryforwards depends on the taxable income in the years to come. 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.

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.

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 the financial year or previous years. Provisions are disclosed in note 27.

Inventory valuation
For second-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 second-quality. If the 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.

Accounting policies

The detailed accounting policies are included in the relevant notes below.
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 International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports contained 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 enterprises of reporting class D.

The consolidated financial statements are presented in Danish kroner (DKK) which is the presentation currency for the Group's activities and the functional currency of the parent company.

Implementation of new and changed standards and interpretations
The Annual Report for 2018 is presented in conformity to the new and revised standards (IFRS/IAS) and new interpretations (IFRIC) approved by the EU, which apply to financial years beginning on or after 1 January 2018. The implementation of new and revised standards and interpretations has not had a material impact on

the financial reporting for 2018.

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 where the Group otherwise has 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. Unrealised gains and losses on transactions between consolidated enterprises are also eliminated.

The items in the financial statements of subsidiaries are included 100% in the consolidated financial statements. There are no non-controlling interests.

Translation of foreign currency
A 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 a currency other than the functional currency are transactions in foreign currency.

Transactions in a currency other another than Cembrit Group A/S' functional currency are translated at the exchange rate on the transaction date. Financial assets and liabilities in foreign currency are translated at the exchange rates prevailing on the balance sheet date. Any foreign exchange differences between the rates prevailing on the date transaction date 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 exchange rate prevailing on the transaction date. 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 other than Danish kroner are translated at average exchange rates while their balance sheet items are translated at the exchange rates quoted on the balance sheet date. Any differences arising on the translation of the income statements of foreign business units at average exchange rates and of their balance sheet items on exchange rate on the balance sheet date are adjusted in 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 consolidated statement of comprehensive income.

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) and special non-recurring items plus amortisation, depreciation and impairment of intangible assets and property, plant and equipment for the year.

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), Prepayments from customers, Trade payables and Other liabilities (exclusive of interest-bearing items).

The financial ratios included in the Group financial highlights are specified in note 38.

The accounting policies for key items in the income statement and cash flow statement are included below.

Income statement
Revenue is recognized in the income statement when control of goods has been transferred to the buyer at delivery and the income can be measured reliably.

Cost of goods sold includes 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.

Cash flow statement
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, and the changes in cash, cash equivalents and cash pool balance during the year.

The cash flow statement is based on earnings before interest, special non-recurring items, tax, depreciation and amortisation (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 is shown less interest-bearing receivables (net)
- All other non-interest-bearing receivables and debt are regarded as working capital

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

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 support the global functional responsibility set-up at Cembrit. This set-up 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 in the European market. The geographical distribution of revenue is based on the country in which the goods are delivered.

Accounting policy
Sales are recognised when control of the products have been transferred to the customer, namely when the products have been delivered to the customer and the risk has been transferred.

The products are often sold with retrospective volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method.

There is no financing element in the sales amounts, as the sales are made on credit terms normally consistent with market practice.

A receivable is recognised when the products are delivered, as this is the point in time when the consideration is unconditional because only the passage of time is required before the payment is due.

	2018	2017
	DKK (000)	DKK (000)
Revenue by geographical area		
Denmark	484,178	452,470
United Kingdom	236,907	299,786
Sweden	174,568	154,819
Nordic (excl. Denmark and Sweden) and Ireland	423,559	395,085
Western Europe (excl. United Kingdom)	211,320	180,676
Other	124,178	116,267
	1,654,710	**1,599,103**
Revenue by product group		
Roofing	737,522	749,107
Façade/function boards	712,364	614,201
Other	204,824	235,795
	1,654,710	**1,599,103**
Intangible and tangible assets by geographical area		
Denmark	102,259	81,202
Nordics (excl. Denmark), the UK and Ireland	235,513	255,688
East Europe	718,423	761,970
Other	32,351	35,389
	1,088,546	**1,134,249**

3. Other operating income and costs

Accounting policy

Other operating income and costs consist of income and costs of secondary importance to the Group's activities, including rental income and fees plus gains and losses on disposal of individual assets that is not considered part of the disposal of a complete operation.

	2018	2017
	DKK (000)	DKK (000)
Other operating income		
Rental income	1,135	1,115
Other income	4,948	3,368
	6,083	**4,483**
Other operating costs		
Provisions	(2,332)	0
Other costs	(3,508)	(2,668)
	(5,840)	**(2,668)**
Total other operating income and costs	**243**	**1,815**

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. 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 DKKm 7.6. The cost related hereto in 2018 is DKK 0 (2017: DKKm 1.5).

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

	2018	**2017**
	DKK (000)	DKK (000)
Wages, salaries and fees	218,284	218,485
Defined contribution plans and other social costs, etc.	47,222	47,468
Other staff costs	19,005	19,335
	284,511	**285,288**
Of which recognised as IPC in Inventories	(715)	(5,005)
	283,796	**280,283**
The amounts are included in the following items:		
Production costs	101,408	96,098
Sales and distribution costs	137,188	136,536
Administrative costs	45,200	47,649
	283,796	**280,283**
Number of employees at 31 December	**1,352**	**1,339**

	2018	**2017**
Remuneration of the Board of Directors and Key Management*	DKK (000)	DKK (000)
Wages, salaries and fees	8,086	7,754
Pensions	333	188
	8,419	**7,942**
Of which Management	7,499	7,022
Of which Board of Directors	920	920

**Excluding share-based payment.*

Since 2015, Cembrit Group has also offered a Management Incentive Program (MIP) for other key employees and the new management team. The MIP is an equity settled warrant program. The shares have been priced at fair value and the warrants have also been priced at fair value using the Black Scholes 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 and in June 2023. The management warrant program includes 54.3 million warrants (2017: 43.1 million warrants) as management and other key employees have been granted 19.2 million new warrants in 2018 and 8.0 million warrants have forfeited in 2018. The fair value for the warrants at grant date is DKK 0 as stated above, as management and other key employees have paid fair value for the warrants. Therefore, the corresponding cost in 2018 is DKK 0 (2017: DKK 0). At the same time management and other key employees has acquired shares in the company corresponding to 1.6% of the share capital at 31 December 2018 (31 December 2017: 0.8%).

5. Special non-recurring items

Accounting Policies
Special non-recurring items are used in connection with the presentation of the income statement for the period to distinguish consolidated EBITDA from exceptional items so as to give a true and fairer view of the Group's operating activities.

A high level of Management attention is applied to ensure that only exceptional items not associated with the ordinary operations of the Group are classified as special non-recurring items. The same classification is used for the internal reporting to the Board of Directors. Special non-recurring items are disclosed in the income statement. Special non-recurring items consist of income and costs and are specified below:

	2018	**2017**
	DKK (000)	DKK (000)
Inventory write-down	10,000	0
M&A activities	5,727	4,497
Restructuring and other	15,076	0
	30,803	**4,497**

The inventory write-down of DKKm 10 included in special non-recurring items is related to products from one of Cembrit's factories, with errors in production materially above the level which could be expected. At the end of 2018, the level of errors in production has been reduced to a level that is within expectations. A high level of Management attention has been applied to ensure that only exceptional items not associated with the ordinary operations are included in the write-down. Accordingly, a prudent approach has been applied to measuring the write-down which is not related to the ordinary operation.

Reconciliation of special non-recurring items reconcile with income statement line items:

	YTD 2018 DKK (000)	YTD 2018 DKK (000)	YTD 2018 DKK (000)	YTD 2017 DKK (000)	YTD 2017 DKK (000)	YTD 2017 DKK (000)
Revenue	1,654,710	0	1,654,710	1,599,004	0	1,599,103
Production costs	(1,228,915)	(14,576)	(1,243,491)	(1,231,822)	0	(1,231,822)
Gross profit	**425,795**	**(14,576)**	**411,219**	**367,281**	**0**	**367,281**
Sales and distribution costs	(240,458)	(13,469)	(253,927)	(250,677)	0	(250,677)
Administrative costs and net other operating income	(73,328)	(2,758)	(76,086)	(76,979)	(4,497)	(81,476)
Earnings before depr., amort. and impairm. (EBITDA)	**112,009**	**(30,803)**	**81,206**	**39,626**	**(4,497)**	**35,129**
Special non-recurring items	(30,803)	30,803	0	(4,497)	4,497	0
Depreciation and impairment of tangible assets	(85,806)	-	(85,806)	(92,057)	-	(92,057)
Earnings before amort. and impairm. of intangible assets (EBITA)	**(4,600)**	**-**	**(4,600)**	**(56,928)**	**-**	**(56,928)**
Amortisation and impairment of intangible assets	(18,690)	-	(18,690)	(16,133)	-	(16,133)
Earnings before interest and tax (EBIT)	**(23,290)**	**-**	**(23,290)**	**(73,061)**	**-**	**(73,061)**
Financial items, net	(75,798)	-	(75,798)	(93,904)	-	(93,904)
Earnings before tax (EBT)	**(99,088)**	**-**	**(99,088)**	**(166,965)**	**-**	**(166,965)**
Tax on profit/loss for the period	14,533	-	14,533	(19,670)	-	(19,670)
Profit/loss for the period	**(84,555)**	**-**	**(84,554)**	**(186,635)**	**-**	**(186,635)**

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.

	2018	2017
	DKK (000)	DKK (000)
Revenue	1,654,710	1,599,103
Production costs	(1,312,308)	(1,322,059)
Gross profit	**342,402**	**277,044**
Sales and distribution costs	(243,534)	(252,219)
Administrative costs	(91,598)	(95,205)
Other operating income and costs	243	1,816
Special non-recurring items	(30,803)	(4,497)
Earnings before interest and tax (EBIT)	**(23,290)**	**(73,061)**
Depreciation, amortization and impairment consist of:		
Impairment and amortisation of intangible assets	(18,690)	(16,133)
Write-down and depreciation of tangible assets	(85,806)	(92,057)
	(104,496)	**(108,190)**
Depreciation, amortization and impairment are included in:		
Production costs	(83,393)	(90,237)
Sales and distribution costs	(3,076)	(1,542)
Administrative costs	(18,027)	(16,411)
	(104,496)	**(108,190)**

Cash flow statement

7. Change in provisions

	2018	2017
	DKK (000)	DKK (000)
Warranties	(5,568)	(6,546)
Other provisions	(214)	(6,626)
	(5,782)	**(13,172)**

8. Change in working capital

	2018	2017
	DKK (000)	DKK (000)
Inventories	52,134	(75,009)
Trade receivables	8,060	10,951
Trade payables	7,016	(65,797)
Prepayments	(10,230)	(3,567)
Other receivables and other liabilities	(35,012)	(350)
	21,968	**(133,772)**

9. Financial payments received and made

	2018	2017
	DKK (000)	DKK (000)
Financial payments received	3,922	2,021
Financial payments made	(73,459)	(93,704)
	(69,537)	**(91,683)**

10. Changes in liabilities arising from financing activities

	Cash, cash equivalents 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**	**Financial Instru-ments**	**Total**
Net debt at 1 Jan 2018	6,785	(491)	(551)	(4,239)	(850,132)	(4,766)	(853,394)
Cash flow	29,843	177	108	2,413	12,451	0	44,992
Foreign exchange adjustments	(2,051)	0	2	19	0	0	(2,030)
Other non-cash movements	0	0	0	0	0	4,023	4,023
Net debt at 31 Dec 2018	34,577	(314)	(441)	(1,807)	(837,681)	(743)	(806,409)
Net debt at 31 Dec 2017	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 on initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. When recognising goodwill, it is allocated to the cash-generating units. The determination of cash-generating units complies with the managerial structure and the Group's internal financial control and reporting.

The carrying value of goodwill is tested for impairment at least once a year together with the other non-current assets in the cash-generating unit. Goodwill is written down to recoverable amount via the income statement if the carrying value exceeds the recoverable amount, which is 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 under Amortisation and impairment of intangible assets.

Further information about goodwill is included in notes 1 and 14.

Patents and rights, customer relationships and other intangible assets
Other intangible assets with an indefinite 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 relationships and other intangible assets are charged on a straight-line basis 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.

Amortisation of completed development projects is charged on a straight-line basis during their estimated useful life. Development projects are written down to recoverable amount where this is lower than the carrying amount. Development projects in progress are tested for impairment at least once a year.

Amortisation 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 relationships, up to 15 years

Further information is included in note 1.

DKK (000)	Goodwill	Develop-ment projects	Conces-sions, patents, licences etc.	Customer relation-ships	Software	Advance payments for intang-ible assets	Total
Cost at 1 January 2018	12,705	5,492	4,967	94,673	90,058	6,105	214,000
Foreign exchange adjustments			(80)	(3)	(22)	(9)	(114)
Additions		2,470	186		3,147	2,984	8,787
Cost at 31 December 2018	**12,705**	**7,962**	**5,073**	**94,670**	**93,183**	**9,080**	**222,673**
Amortisation and impairment at 1 January 2018	0	(794)	(2,035)	(19,438)	(13,114)	0	(35,381)
Foreign exchange adjustments			58	(29)	21		50
Amortisations		(1,338)	(1,544)	(6,226)	(9,582)		(18,690)
Amortisation and impairment at 31 December 2018	**0**	**(2,132)**	**(3,521)**	**(25,693)**	**(22,675)**	**0**	**(54,021)**
Carrying amount at 31 December 2018	**12,705**	**5,830**	**1,552**	**68,977**	**70,508**	**9,080**	**168,652**
Cost at 1 January 2017	12,705	972	2,695	93,394	63,321	3,524	176,611
Foreign exchange adjustment			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 adjustment			(398)	(1,138)	(37)		(1,573)
Amortisations		(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**

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 DKKm 8.3 (2017: DKKm 8.1). 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 is not depreciated

Newly acquired assets and self-constructed assets are 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 demolishing or restoring the asset, the estimated costs of this are recognized as part of the asset concerned and depreciated over 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 into the contract, if lower. In calculating the present value, the internal interest rate on the lease or the Group's borrowing is used as the discount factor. Assets held under a finance lease are depreciated in the same way as the Group's other items of property, plant and equipment.

The capitalised residual lease commitment is recognised in the balance sheet as a liability 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.

The impact of IFRS 16 – Leases – is described in note 37.

DKK (000)	**Land and buildings**	**Plant and machinery**	**Operating equipment, fixtures and fittings**	**Tangible assets in course of construc-tion**	**Total**
Cost at 1 January 2018	473,706	616,907	29,319	8,560	1,128,492
Foreign exchange adjustment	(3,193)	(5,994)	(432)	(112)	(9,731)
Additions	1,738	41,159	2,876	7,024	52,797
Disposals	(303)	(5,162)	(786)	(89)	(6,340)
Transferred between categories	2,311	6,620	1,220	(10,151)	0
Cost at 31 December 2018	**474,259**	**653,530**	**32,197**	**5,232**	**1,165,218**
Depreciation and impairment at 1 January 2018	(48,409)	(116,043)	(6,766)	(1,644)	(172,862)
Foreign exchange adjustment	1,428	5,265	372	53	7,118
Disposals	288	5,159	779		6,226
Depreciation and write-downs	(17,187)	(61,168)	(7,536)	85	(85,806)
Depreciation and impairment at 31 December 2018	**(63,880)**	**(166,787)**	**(13,151)**	**(1,506)**	**(245,324)**
Carrying amount at 31 December 2018	**410,379**	**486,743**	**19,046**	**3,726**	**919,894**
Of which asset held under a finance lease		**427**			**427**
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	(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**
Of which asset held under a finance lease	**0**	**779**	**0**	**0**	**779**

The Cembrit Group has not signed material contracts regarding purchase of property, plant and equipment. Borrowing costs capitalised during the period amounted to DKKm 0.0 (2017: DKKm 0.0).

No changes have been made to 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 deposits.

	2018 DKK (000)	**2017** DKK (000)
Cost at 1 January	1,220	1,210
Additions	952	10
Cost at 31 December	**2,172**	**1,220**
Adjustments at 1 January	(868)	(868)
Disposals	0	0
Adjustments at 31 December	**(868)**	**(868)**
Carrying amount at 31 December	**1,304**	**352**

14. Impairment test

Accounting policy
Goodwill is tested for impairment at least once a year and when there is an indication of impairment. 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 impairment being recognised.

Loss on impairment is only reversed to the extent that the asset's new carrying amount 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 primarily relate 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 reviewed once a year. Cembrit is considered to be a single cash-generating unit; if relevant, a test is carried out at 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 next five years and projections for subsequent years (the terminal value). Significant parameters in this estimate are discount rate, revenue development for the next five years, EBIT margins, expected investments and growth expectations for the period beyond the next five years.

Annual impairment test
At 31 December 2018, the carrying amount of goodwill was tested for impairment.

For the purpose of the annual test, Cembrit is seen as one CGU. The definition of CGUs is based on the certainty with which the carrying amount of the intangible assets can reasonably be allocated and monitored. The level at which the Group's intangible assets are allocated and monitoring should also be seen in conjunction with the Group strategy. The impairment test is based on the Group structure used in 2018.

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

DKK (000)	Goodwill	Development projects	Concessions, patents, licences, etc.	Customer relations	Software	Advance payments for intangible assets	Total
Cembrit	12,705	5,830	1,552	68,977	70,508	9,080	168,652

Key assumptions

Investments	2018	2017
Annual growth rate in 2019-2023 budget period	6-11%	2-11%
Annual growth rate in terminal period	1.5%	1.5%
Discount rate after tax	9%	12%
Discount rate before tax	12%	15%
EBIT margin in 2019-23 budget period	7-11%	1-11%
EBIT margin in terminal period	10%	10%

Further development of products and markets will be in focus and will be the key drivers for improved performance. See Management review for further information.

Management determines the expected annual growth and expect margins in the budget period and the expected margins based on historical experience and assumptions regarding 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 for the assets in question.

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 based on the estimation of WACC and the long-term growth rate. Based on these factors, a long-term terminal period growth rate of 1.5 % has been applied.

Investments in the 2019-23 budget period follow the Group strategy for investments. For the period after 2023, investments are expected at a level corresponding to average annual depreciations.

A sensitivity analysis has been carried out 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 at 31 December 2018, no impairment will be required.

15. Specification of working capital

Notes 16 and 17 further specify selected working capital items. The Group's working capital is specified as follows:

	2018	**2017**
	DKK (000)	DKK (000)
Inventories	297,370	350,532
Trade receivables	185,954	195,875
Other receivables, excluding tax	16,394	31,270
Prepaid expenses	20,823	11,017
	520,541	**588,694**
Prepayments from customers	(217)	(634)
Trade payables	(172,887)	(164,822)
Other liabilities	(148,954)	(192,333)
Deferred revenue	0	(34)
	(322,058)	**(357,823)**
Working capital of the Group	**198,482**	**230,871**

The change in working capital in the above table cannot be reconciled with note 8 Change in working capital, which relates to the cash flow statement.

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 realisation value. The net realisable value of inventories is measured as the sales price less costs of completion and costs incurred to implement the sale and are fixed based on the expected sales price. Write down assessment is performed item by items including:

- Test for slow-moving inventory
- Test for ageing of inventory

- Assessment of expected market (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 exceeds the estimated sales price less completion and selling costs, a write-down to the lower net realisable value is recognized.

	2018	2017
	DKK (000)	DKK (000)
Raw materials and consumables	25,158	52,501
Semi-finished goods	28,562	26,605
Finished goods and goods for resale	243,650	271,426
Inventories at 31 December	**297,370**	**350,532**
Impairment at 1 January	16,842	14,530
Foreign exchange adjustment	25	220
Additions	705	9,029
Disposals	(1,080)	(1,274)
Reversals	(8,516)	(5,663)
Write-down at 31 December	**7,976**	**16,842**

17. Trade and other receivables

Accounting policy

Adopting IFRS 9 has not had a material impact on write-downs of trade receivables.

Receivables are measured at amortised cost, which in all material respects corresponds to the nominal value less a loss allowance equal to the expected credit loss. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Expected credit losses on receivables are recognised as other external expenses.

It is Cembrits' policy to limit expected losses on receivables through an efficient credit control and establishment of credit insurance.

The expected credit losses on receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for debtor-specific factors, general economic conditions and an assessment of both the current and the forecast development conditions at the reporting date, including the time value of money where appropriate.

The expected losses on trade receivable has historical been below 1%.

Prepayments recognised under assets comprise expenses incurred in respect of subsequent financial years. Prepayments are measured at amortised cost.

Trade receivables at 31 December 2018 amounted to DKKm 186 (2017: DKKm 196).

Specification of changes in the write-down of trade receivables	**2018**	**2017**
	DKK (000)	DKK (000)
Impairment at 1 January	516	510
Foreign exchange adjustment	(3)	(2)
Additions	410	25
Reversals	(308)	(17)
Realised	(110)	0
Write-down, trade receivables at 31 December	**505**	**516**

Overdue receivables not written down fall due as follows:

Maturity period:	**2018** DKK (000)	**2017** DKK (000)
Due < 2 months	64,819	80,952
Due within 2-6 months	5,043	5,398
Due within 6-12 months	1,247	146
Due > 12 months	0	0
	71,109	**86,496**

At 31 December 2018, other receivables - including corporation income taxe receivable and derivative financial receivables - amounted to DKKt 25,679 (2017: DKKt 41,496).

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 at the share attributable to the profit/loss for the year, and in other comprehensive income at 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.

	2018	2017
	DKK (000)	DKK (000)
Current tax on the profit/loss for the year	(16,007)	(7,651)
Adjustment of deferred tax	30,615	(7,238)
Adjustment of tax rate on deferred tax	0	0
Adjustments regarding previous years, deferred taxes	(2,885)	(2,056)
Adjustments regarding previous years, current taxes	3,351	(1,872)
Other adjustments	(541)	(853)
Tax for the period	**14,533**	**(19,670)**
Effective tax rate	**14.7%**	**-11.8%**
Reconciliation of tax		
Tax according to Danish tax rate	21,537	36,922
Difference in the tax rates in foreign subsidiaries relative to Danish tax rate	2,445	1,741
Non-taxable income and non-deductible costs	(9,097)	(14,240)
Non-recognition of deferred tax	(172)	(38,749)
Adjustments regarding previous years, deferred tax	(2,885)	(2,056)
Adjustments regarding previous years, current tax	3,351	(1,872)
Other adjustments	(646)	(1,416)
Effective tax	**14,533**	**(19,670)**

Corporate income tax paid in 2018 amounted to DKKm 13 (2017: corporate income tax received DKKm 13).

Tax on other comprehensive income

	2018	2017
	DKK (000)	DKK (000)
Value adjustments of hedging instruments	(451)	(526)
	(451)	**(526)**

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 tax base, expect for 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 that are expected to be in force when the deferred tax will be realised as current tax. The effect of tax rate changes 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 the current 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 reasonable likely to be available for utilisation against future taxable income in the same legal tax unit and jurisdiction is included in the measurement of deferred tax.

DKK (000)	**2018**							
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	(14,825)	26		(29)			177	(14,651)
Tangible assets	(47,782)	(18)	(11,298)	(164)			(2,452)	(61,714)
Current assets	4,909	(8)	(17,241)		(72)		3,842	(8,570)
Liabilities	13,955	(220)	11,662	(26)	(99)	18	1,381	26,671
Tax loss carryforwards, etc.	64,499	24	13,992	(181)	(280)	6	27,667	105,727
Net deferred tax assets/(liabilities)	**20,756**	**(196)**	**(2,885)**	**(400)**	**(451)**	**24**	**30,615**	**47,463**

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 carryforwards, etc.	64,865	365	(2,887)	(9)	84	(168)	2,249	64,499
Net deferred tax assets/(liabilities)	**29,049**	**954**	**(2,056)**	**(45)**	**(526)**	**618**	**(7,238)**	**20,756**

Net deferred tax, DKKt 47,463 (2017: DKKt 20,756), is presented as deferred tax assets and deferred tax liabilities as follows:

	Deferred tax assets	Deferred tax Liabilities	Deferred tax assets	Deferred tax liabilities
	2018	2018	2017	2017
Continuing activities	DKK (000)	DKK (000)	DKK (000)	DKK (000)
Intangible assets	6,206	20,857	10,144	24,969
Tangible assets	6,380	68,094	17,330	65,112
Current assets	8,624	17,194	5,304	395
Liabilities	29,715	3,044	17,331	3,376
Tax loss carryforwards, etc.	105,727	0	64,499	0
	156,652	**109,189**	**114,608**	**93,852**
Set-off with legal entities and jurisdictions	(47,905)	(47,905)	(28,300)	(28,300)
	108,747	**61,284**	**86,308**	**65,552**

Maturity profile of tax assets not recognized in balance sheet	**2018**	**2017**
	DKK (000)	DKK (000)
Within one year	0	28,844
Between one and five years	0	0
After five years	32,724	36,557
	32,724	**65,401**

Deferred tax assets not recognized in the balance sheet consist of	**2018**	**2017**
	DKK (000)	DKK (000)
Temporary differences	(5,522)	(1,937)
Tax loss carryforwards	38,246	67,338
	32,724	**65,401**

The Group's deferred tax assets are recognized to the extent that they are expected to be used within 5 years.

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 carryforwards relate to the Czech, Hungarian and the Danish entities – Cembrit Group A/S, Cembrit Holding A/S and DKCF ApS. If expected future earnings make it reasonably likely that the losses will be realised in the foreseeable future the deferred tax asset has been recognised. In all other cases, the tax asset has been written down.

The Group’s performance is in line with business plan, which expects positive taxable income within the next five years.

20. Financial income and costs

Accounting policy

Financial items comprise interest income and costs, the interest portion of finance leases, realised and unrealised 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 or liability.

	2018	2017
	DKK (000)	DKK (000)
Financial income		
Interest income from banks and receivables	3,745	2,008
Other financial income	177	13
Interest income from financial assets not measured at fair value in the income statement	**3,922**	**2,021**
Fair value adjustment	956	0
Foreign exchange gains, realised	20,827	19,427
Foreign exchange gains, unrealised	63,468	42,241
	89,173	**63,689**
Financial costs		
Interest payable on bonds, bank loans etc.	(58,400)	(71,408)
Interest payable, other and other financial expenses	(13,841)	(22,296)
Interest expense from financial liabilities not measured at fair value in the income statement	**(72,241)**	**(93,704)**
Fair value adjustment of derivative financial instruments	(912)	(2,027)
Foreign exchange losses, realised	(25,863)	(18,581)
Foreign exchange losses, unrealised	(65,955)	(43,281)
	(164,971)	**(157,593)**

21. Maturity structure of financial liabilities

	Contractual liabilities 2018 DKK (000)	Financial Liabilities 2018 DKK (000)	Contractual liabilities 2017 DKK (000)	Financial Liabilities 2017 DKK (000)
Within one year	48,868	2,121	64,306	16,346
Between one and five years	895,519	838,122	956,654	850,683
After five years	0	0	0	0
Total	**944,387**	**840,243**	**1,020,960**	**867,029**

Financial liabilities include bank loans, an issued bond and finance lease. Contractual liabilities include expected interest payments in the loan period.

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

2018

	Currency	Contractual liabilities	2018, DKK (000)	Effective interest rate	Maturity structure of interest payments < 1 year	1 -5 years	> 5 years
Company bond	EUR	(943,631)	(837,681)	6.3%	44%	56%	0%
Lease liabilities	EUR	(776)	(755)	3.2%	69%	31%	0%
Credit facilities	CZK	(1,877)	(1,807)	3.0%	100%	0%	0%
Other liabilities	DKK	(750)	0	3.9%	100%	0%	0%
Total debt		**(947,034)**	**(840,243)**				
Total cash and cash equivalents			34,577				
Financial instruments and other fin. receivables			(743)				
Net interest-bearing receivables/(debt)			**(806,409)**				

A 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).

2017

	Currency	Contractual liabilities	2017, DKK (000)	Effective interest rate	Maturity structure of 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)**				

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).

23. Financial risks

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

Financial risks

Market risks	Risks that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices
Liquidity risks	Risks that the Group will encounter difficulties in meeting obligations associated with financial liabilities
Credit risks	Risks that a counterparty to a financial instrument will be unable to fulfil its obligations and thereby inflicts a loss on 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 aims to manage and reduce 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 achieves 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 the business on financial risks.

The Group has not defaulted on or breached any loan agreements (covenants) during 2017 or 2018.

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 enterprises
Interest rate risks	Refer to the effect of changes in market interest rates on future cash flows relating to the Group's interest-bearing assets and liabilities and their fair values
Raw material price risks	Refer to the effect of changes in raw material prices that are not related to currency risks or interest rate risks

Currency risk

The overall framework for managing currency exposures is set out in the Group's treasury policy, which has been approved by the Board of Directors.

Hedging is carried out by Group Finance in Denmark. To hedge currency risks, expected cash flows are broken down by currencies.

The Group does not hedge the EUR/DKK currency risk due to Denmark's fixed-exchange policy vis-à-vis the EUR.

The Group's translation risk means Cembrit's profit/loss is exposed to fluctuations in the functional currencies. Cembrit does not engage in currency speculation.

The individual subsidiaries do not have any material exposure to currencies other than the functional currency.

The Group's most important currency risks arising from receivables and payables in foreign currencies at 31 December 2018 relate to the following currencies: DKK, EUR, GBP, SEK, NOK and CZK. If these currencies (apart from DKK and EUR) had been 10% lower at 31 December, profit before tax would have been down by DKKm 7.5 (2017: DKKm 4.0). The total impact on equity would have been slightly less depending on local tax rules and tax rates. If currencies had appreciated, this would have had a similar positive effect on profit before tax and equity.

Translation risks relating to net investments in subsidiaries

The consolidated income statement and Statements of changes in equity are affected by changes in the exchange rates, as the closing results of the Group's foreign enterprises are translated into Danish kroner in connection with the presentation of the financial statements.

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

With regard to investments in foreign enterprises, Group equity at 31 December 2018 would have been reduced by DKKm 51.7 (2017: DKKm 52.0) if the CZK, PLN, GBP, SEK and NOK exchange rates had been 10%

lower than 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 for 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
The Group's investment and financing activities mean the Group is exposure to interest rate changes in both Denmark and abroad. The primary interest rate exposure relates to fluctuations in EURIBOR.

Interest rate risks concern the Group's interest-bearing financial assets and liabilities. The interest-bearing financial assets consist primarily cash and of deposits. The interest-bearing liabilities consist of a revolving credit facility and a company bond issued in 2018.

The Group's net interest-bearing debt (NIBD) at 31 December 2018 came in at DKKm 806.4 (2017: DKKm 853.4), 100% (2017: 100%) of which is financed at floating rate in line with Group policy.

An interest rate swap was entered into in 2015 for the Group's financing at that time. After refinancing in 2018, the interest rate swap is no longer efficient.

With regard to the Group's floating-rate financing, an annual 1% increase in the interest rate relative to the actual interest rates would, other things being equal, have had an adverse hypothetical impact on profit before tax of DKKm 8.4 (2017: DKKm 13.5) and on equity of DKKm 6.6 (2017: DKKm 10.5). An interest decrease would have had a corresponding positive impact on profit and equity.

The sensitivity stated is based on financial assets and liabilities at year-end.

Raw material price risks
The Group uses a number of raw materials in the manufacture of its products, which exposes the Group to a price risk, especially gas and electricity. The Group enters into annual fixed-price contracts for some raw materials with its key suppliers.

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.

At Group level, liquidity risk is assessed and managed on an ongoing basis by maintaining adequate cash reserves/loan facilities based on cash flow monitoring and forecast for both the short (0-3 months) and long term (present year). Liquidity buffers are monitored on an ongoing basis.

The revolving credit facility and the issued bond mature in 2021. The weighted average maturity is 2.2 years (2017: 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 financial covenants.

Call option linked to the company bond:
- 102.75%r 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 up to, but not including, the date falling 30 months after the first issue date
- 102.06% 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 up to, but not including, the date falling 36 months after the first issue date
- 101.38% 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 up to, but not including, the date falling 42 months after the first issue date
- 100.69% 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 up 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 a revolving credit facility. At the balance sheet date, the Group had at its disposal undrawn loan facilities and cash of DKKm 108.5 (2017: DKKm 80.0).

Cembrit’s shareholders continue to believe strongly in their investment in Cembrit and DKKm 90 equity issue in January 2018 to maintain healthy liquidity levels while implementing new strategic was fully subscribed. In addition, the shareholders have also delegated authority to the Board of Directors to carry out an additional equity issue of up to DKKm 30.

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 entering into a contract and continuously thereafter. Management of the credit risk is based on both internal and external credit ratings as well as the Group’s experience with the counterparty. Credit insurances is 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 counterparties to those with an acceptable credit rating. Financing of the Group has been established through the issuing of a bond, which was listed on Nasdaq Stockholm in March 2018.

Financial credit risk

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

Commercial credit risk

The credit risk on trade receivables is generally managed by continuous credit evaluation of major customers and trading partners. Credit risks on counterparties other than banks are minimised by means of credit insurance.

The credit risk limit of financial assets corresponds to the values recognised in the balance sheet.
No individual customer or partner poses any material risk to the Group.

Primary markets for the Group are Denmark and the UK, representing 44% (2017: 47%) of total sales. Receivables in Denmark (14% (2017: 10%) of total trade receivables) are attributable to Danish customers who are primarily chains that 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 the UK represent 26% (2017: 33%) of total trade receivables. The payment structure in the UK is more long-winded and old-fashioned than in Scandinavia. Electronic invoicing and payments are not that widespread. Customers consists of a few large chains and numerous small customers.

Group trade receivables at 31 December 2018 amounted to DKKm 187.1 (2017: DKKm 197.3), which, based on individual assessments, have been written down to DKKm 186.0 (2017: DKKm 195.9).

Receivables overdue at 31 December are specified in note 17.

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

Further to the DKKm 90 equity issue in January 2018, management considers 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 offset against negative fair values only 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 realised, 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 a 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 DKKm -1 in 2018 (2017: DKKm -2). At 31 December 2018, the fair value of the Group's hedge agreements that are not recognised as hedge accounting amounted to DKKm -1 (2017: DKKm -2).

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.

	2018	**2017**
	DKK (000)	DKK (000)
Cash flow hedge reserve recognised in other comprehensive income	(4,045)	(4,804)
Reclassified from other comprehensive income to the income statement	24	829

At 31 December 2018, the fair value of the Group's cash flow hedge instruments amounted to DKKm 0.6 (2017: DKKm -2.7).

Notional principal amount (DKKm) 2018:

			Sale				
Purchase	**CZK**	**DKK**	**GBP**	**NOK**	**SEK**	**Other**	**Total**
CAD							**-**
CZK		55	36	-	-	2	**93**
EUR	1		2	19	37	3	**62**
HUF		8					**8**
JPY	15						**15**
PLN	1	28	5				**34**
USD	6				-	5	**11**
Total	**23**	**91**	**43**	**19**	**37**	**10**	**223**

The forward contracts fall due from January 2019 to August 2019.

Notional principal amount (DKKm) 2017:

			Sale				
Purchase	**CZK**	**DKK**	**GBP**	**NOK**	**SEK**	**Other**	**Total**
CAD			17				**17**
CZK		129	85			5	**219**
EUR	9		40	78	117	27	**271**
HUF		53					**53**
JPY	27					2	**29**
PLN	2	12	2				**16**
USD	15					10	**25**
Total	**53**	**194**	**144**	**78**	**117**	**44**	**630**

The forward contracts fall due from January 2018 to March 2018.

Interest rate swap

At 31 December 2018 the market value of the Group's interest rate swap was DKKm -1.1 (2017: DKKm -2.0). The loss on interest rate swap contracts in 2017 was recognised in the hedging reserve in equity. For 2018, 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)

2018	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		1,795		1,795
Total financial assets	**0**	**1,795**	**0**	**1,795**
Financial liabilities				
Financial liabilities measured at fair value via other comprehensive income:				
- Derivative financial instruments used to hedge future cash flow		2,538		2,538
Financial obligations measured at amortised cost			840,243	840,243
Total financial liabilities	**0**	**2,538**	**840,243**	**842,781**

There were no significant transfers between level 1 and level 2 in 2018.

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**

The value of level 3 financial assets and liabilities is based on amortised cost.

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

26. Categories of financial instruments

	2018 DKK (000)	2017 DKK (000)
Financial assets		
Derivative financial instruments used for hedging	1,795	2,644
Financial assets at amortised cost	220,531	214,276
Financial liabilities		
Derivative financial instruments used for hedging	2,538	7,410
Liabilities at amortised cost:		
Company bond	837,681	850,131
Finance lease	755	1,042
RCF and external banks	1,807	15,857
Trade and other payables	172,887	164,822

Financial assets and financial liabilities measured at amortised cost were 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 a project-by-project basis based on historical realized cost related to past claims. 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's assessment of the likely outcome of the cases based on the information available at year-end.

Provisions for restructuring costs are included in 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 (included in Other)
- Guarantees and liabilities resulting from disposal of enterprises and activities (included in Other)

- Provisions for losses resulting from disputes and lawsuits (included in Other)

2018

DKK (000)	Warranties	Other	Total
Provisions at 1 January 2018	53,544	19,034	72,578
Exchange rate and other adjustments	(385)	(493)	(878)
Provisions for the year	15,381	8,565	23,946
Used during the year	(19,411)	(8,017)	(27,428)
Reversals	(1,539)	(1,025)	(2,564)
Provisions at 31 December 2018	**47,590**	**18,064**	**65,654**

The maturity of provisions is specified as follows:	
Short-term liabilities	16,501
Long-term liabilities	49,153
	65,654

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
Provisions 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

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 longer than five years.

	2018	2017
	DKK (000)	DKK (000)
Maturity structure of long-term liabilities:		
Deferred tax liability	61,284	65,552
Other provisions	27,799	31,439
Pension liabilities	358	339
Bank loans	837,681	850,131
Finance lease	441	551
Other liabilities	2,084	1,842
Within one to five years	**929,647**	**949,854**
Other provisions	21,354	22,779
After five years	**21,354**	**22,779**
	951,001	**972,633**

29. Other liabilities

Other short-term liabilities include 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.

	2018	2017
	DKK (000)	DKK (000)
Minimum rent and operating lease commitments:		
Maturity within one year	23,776	33,007
Maturity between one and five years	47,686	39,038
Maturity after five years	0	9,870
	71,462	**81,915**
Guarantees	414	420
	414	**420**
Operating lease expenses recognised in the income statement	39,192	38,708

Guarantees relate to a guarantee provided to HM Customs & Excise relating to a VAT deferment account in the UK.

The effect of IFRS 16 – Leases – is specified in note 37.

At 31 December 2018, the Group had contractual obligations, including acquisition of raw materials etc., of DKKm 3.2 (2017: DKKm 4.4).

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 a 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.

For information about charged assets, see note 32.

31. Share capital

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 divident proposed for distribution isstated separately in equity.

Foreign exchange adjustments
The 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 that account for a portion of the Group’s net investment in such entities, and foreign exchange adjustments regarding hedging transactions that 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.

	Nominal value	
	2018 DKK (000)	**2017** DKK (000)
At 1 January	41,860	41,761
Capital increase during the year	29,664	99
At 31 December	**71,524**	**41,860**

The share capital consists of 715,240,792 shares of DKK 0.1.

Dividend distributed to the shareholders in 2018 was DKKm 0.0 (2017: DKKm 0.0).

32. Charged assets

At the end of December 201,8 shares in some of the subsidiaries in the Group have been put up as collateral for the bank loan. Book value of the equity at 31 December 2018 in these subsidiaries was DKKm 179 (2017: DKKm 198).

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 provide audit opinions and other consultancy services to the Group.

	2018 DKK (000)	**2017** DKK (000)
Statutory audit	1,646	1,702
Other assurance engagements	0	66
Tax and VAT consultancy	314	731
Other services	(64)	786
	1,896	**3,285**

The fee for non-audit services delivered by PricewaterhouseCoopers to the Group amounted to DKKm 0.3 (2017: DKKm 1.6) and consisted of other assurance engagements related to the VAT and tax advisory services related to transfer pricing and sundry accounting advisory.

34. Related party 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.

Remuneration to the Board of Directors and the Executive Management is presented in Note 4.

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

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

The Group is not included in consolidated financial statements on owner-level, which are available to the public.

Information about shareholders can be found in note 36.

35. Events occurring after the balance sheet date

No event has occurred after the balance sheet date that will have a material impact on the parent company's or the Cembrit Group's financial position.

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

Further information can be found in note 34.

37. New standards, amendments and interpretations not yet effective

New or revised and amended International Financial Reporting Standards (IFRSs) and interpretations (IFRC) issued by IASB and endorsed by the EU effective for financial year 2018 and financial year 2019 are stated below.

Cembrit Group A/S has adopted all new or revised and amended International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) issued by IASB and endorsed by the EU effective for the financial year 2018. Based on an analysis carried out by Cembrit Group A/S, the application of IFRS 9 and IFRS 15 - see below -has not had a material impact on neither the consolidated financial statements or the separate financial statements for the parent company in 2018, and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

IFRS 9 'Financial Instruments'

With effective date 1 January 2018, IFRS 9 Financial instruments has changed the classification, measurement and impairment of financial assets, and introduced new rules for hedge accounting. Cembrit Group A/S has adopted the new standard on the required effective date and has not restated comparative information. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

Based on the current portfolio of financial assets and liabilities there has been no significant changes to the classification and measurement of financial assets. The current portfolio consists of loans and trade receivables held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

IFRS 9 requires Cembrit Group A/S to record expected credit losses on all its securities, loans and trade receivables, either on a 12-month or lifetime basis. Cembrit Group A/S has applied the simplified approach and record lifetime expected losses on all trade receivables. Based on the historical low realized loss on loans and trade receivables, the new approach has not had a significant impact on Cembrit Group A/S's consolidated financial statements.

IFRS 15 'Revenue from contracts with customers'

With effective date 1 January 2018, IFRS 15 has introduced a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Cembrit Group A/S sells building material products primarily through our builder's merchant network.

Some contracts with customers provide rebates and bonusses. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. Cembrit Gdoup A/S recognises revenue from the sale measured at the fair value of the consideration received or receivable, net of rebates and bonusses.

Cembrit Group A/S has adopted the new standard on the required effective date and it has not had a significant impact on recognition and measurement of revenue.

New IFRSs which have been issued but not yet become effective

In addition to the above, IASB has issued new or amended standards (IFRSs) and interpretations (IFRIC), which have been endorsed by the EU but not come into effect 31 December 2018. Cembrit Group A/S has assessed the impact of these IFRSs that are not yet effective. None of the new standards or interpretations are expected to have a material impact on Cembrit Group A/S, execpt for IFRS 16 which is described below.

IFRS 16 'Leases'

IFRS 16 Leases will replace IAS 17 Leases currently in force and is effective for annual periods beginning on or after 1 January 2019. The new standard is will have an impact on Cembrit Group A/S as a lessee, as all leases (except for short-term leases and leases of low-value assets) must be recognized in the balance sheet as a right-of-use asset and lease liability measured at the present value of future lease payments. The right-of-use asset is subsequently depreciated over the lease term in a similar way to other assets such as property, plant and equipment, and interest on the lease liability is calculated in a similar way to finance leases under IAS 17 Leases.

Consequently, the change will also impact the presentation of the income statement and key performance indicator EBITDA, as well as balance sheet and cash flow and related ratios. Leases for the Cembrit Group A/S primarily comprise of forklift trucks, cars and rental of premises and land.

At the reporting date, Cembrit Group A/S had non-cancellable operating lease commitments of DKKm 71 which mainly consists of forklifts trucks and cars as well as leases of offices and land and buildings. Most of the current leases will qualify as leases to be recognised in the balance sheet under IFRS 16 and only insignificant commitments may be covered by exceptions. Incremental borrowing rates used varies for the respective assets, but sensitives show no significant impact of changes herein.

The assessment shows a positive impact of approximately DKKm 23 on EBITDA, DKKm 2 on EBIT and DKKm 20 on operating activities in cash flow for the period 1 January - 31 December 2019 and an expected increase of the balance sheet by approximately DKKm 96 as at 1 January 2019.

Cembrit Group A/S will adopt the standard on 1 January 2019 applying the simplified transition approach without restating comparative amounts for the year prior to first adoption.

All other new or amended standards and interpretations not yet effective are not expected to have a material impact on Cembrit Group A/S's Annual Report.

38. Financial ratios

Gross margin

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

EBITDA margin

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

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

$$\frac{\text{Profit/loss for the year}}{\text{Average shareholders' equity}}$$

Equity ratio

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

Net working capital ratio

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

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

39. 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

Note		2018 DKK (000)	2017 DKK (000)
	Other external cost	(66)	(1,209)
1	Staff costs	0	0
	Operating profit/loss	**(66)**	**(1,209)**
2	Financial income	11,178	14,807
3	Financial costs	(63,946)	(67,571)
	Profit/loss before tax	**(52,834)**	**(53,973)**
	Tax for the year	8,764	2,288
	Profit/loss for the year	**(44,070)**	**(51,685)**
4	Proposed distribution of profit/loss:		
	Shareholders in Cembrit Group A/S	(44,070)	(51,685)
		(44,070)	**(51,685)**

Parent company – balance sheet

ASSETS

Notes		2018 DKK (000)	2017 DKK (000)
5	Investment in subsidiaries	1,497,455	1,497,455
	Financial receivables, subsidiaries	59,468	29,438
	Deferred tax	10,905	2,130
	Financial assets	**1,567,828**	**1,529,023**
	Total non-current assets	**1,567,828**	**1,529,023**
	Other receivables	1,382	403
	Receivables	**1,382**	**403**
	Cash and cash equivalents	**1,984**	**2,750**
	Total current assets	**3,366**	**3,153**
	TOTAL ASSETS	**1,571,194**	**1,532,176**

EQUITY AND LIABILITIES

Notes		2018 DKK (000)	2017 DKK (000)
	Share capital	71,524	41,860
	Other non-distributable reserves	0	1,889
	Retained earnings	649,955	629,661
6	**Total equity**	**721,479**	**673,410**
7	Borrowings	837,681	850,131
	Long-term liabilities	**837,681**	**850,131**
7	Borrowings	0	0
	Current tax liabilities	1,124	0
	Other liabilities	10,910	8,635
	Short-term liabilities	**12,034**	**8,635**
	Total liabilities	**849,715**	**858,766**
	TOTAL EQUITY AND LIABILITIES	**1,571,194**	**1,532,176**

8 **Contingent liabilities**

9 **Ownership**

10 **Accounting policies**

Parent company – statement of changes in equity

DKK (000)	Share capital	Other non-distributable reserves	Retained earnings	Total
Equity at 1 January 2018	**41,860**	**1,889**	**629,661**	**673,410**
Capital increase	29,664		60,335	**89,999**
Share-based payment, reversal		(1,889)	4,029	**2,140**
Profit/loss for the year			(44,070)	**(44,070)**
Equity at 31 December 2018	**71,524**	**0**	**649,955**	**721,479**

	Share capital	Other non-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 of 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**

Parent company - notes

1 Staff costs

In 2015, the Cembrit Group established a Management incentive programme for a part of the Group's Management.

2 Financial income

	2018 DKK (000)	2017 DKK (000)
Interest receivable, other	719	148
Interest income from subsidiaries	10,459	14,659
	11,178	**14,807**

3 Financial expenses

	2018 DKK (000)	2017 DKK (000)
Interest payable, related parties	4,191	724
Interest payable on borrowings	47,771	61,102
Interest payable, other	11,984	5,745
	63,946	**67,571**

4 Proposed distribution of profit/loss

	2018 DKK (000)	2017 DKK (000)
Shareholders in Cembrit Group A/S	(44,070)	(51,685)
	(44,070)	**(51,685)**

5 Investments in subsidiaries

DKK (000)	Total
Cost at 1 January 2018	1,497,455
Additions	0
Cost at 31 December 2018	**1,497,455**
Impairment at 1 January 2018	0
Impairment at 31 December 2018	**0**
Carrying amount at 31 December 2018	**1,497,455**
Cost at 1 January 2017	1,497,455
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**

Name and registered office	Country	Direct Group holding
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%
DKCF ApS	Denmark	100%
Cembrit SAS	France	100%
LLC Cembrit	Russia	100%
Cembrit BV	Netherlands	100%

6 Equity

The share capital consists of 715,240,792 shares of DKK 0.1.

7 Borrowings

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

	2018	**2017**
	DKK (000)	DKK (000)
Within one year	0	0
Between one and five years	837,681	850,131
After five years	0	0
Total	**837,681**	**850,131**

8 Contractual liabilities and contingent liabilities

At the end of December 201,8 shares in some of the subsidiaries in the Group have been put up as collateral for the bank loan in Cembrit Holding A/S. Book value of the equity 31 December 2018 in these subsidiaries was DKKm 179 (2017: DKKm 198).

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 scheme.

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 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act governing enterprises of reporting class D.

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 are no staff costs in the Company.

Financial income

Financial income comprises interest income from receivables from Group enterprises.

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 2018, the Company and its Danish subsidiaries were jointly taxed with the other Danish Group enterprises. The share of the joint taxation income/expense was 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.

Group financial highlights, EUR

	2015 EUR (000)	2016 EUR (000)	2017 EUR (000)	2018 EUR (000)
INCOME STATEMENT				
Revenue	184,052	198,812	214,554	222,014
Gross profit	51,698	57,207	49,279	57,129
Earnings before interest, tax, depreciation and amortisation (EBITDA)	16,663	13,718	5,317	15,028
Earnings before interest and tax (EBIT)	1,279	(1,274)	(9,803)	(3,125)
Financial items, net	(5,147)	(7,155)	(12,599)	(10,170)
Earnings before tax (EBT)	(3,868)	(8,429)	(22,402)	(13,295)
Profit/loss for the year	**(3,322)**	**(7,565)**	**(25,041)**	**(11,345)**
CASH FLOW				
Cash flow from operating activities	9,823	31,221	(28,548)	2,023
Cash flow from investing activities	(101,713)	(21,640)	(9,997)	(8,347)
- of which investments in property, plant and equipment	(20,574)	(16,517)	(5,228)	(7,084)
WORKING CAPITAL	**33,353**	**12,394**	**30,918**	**26,580**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**(73,799)**	**(77,058)**	**(114,284)**	**(107,992)**
BALANCE SHEET				
Intangible assets	17,900	20,860	23,920	22,585
Property, plant and equipment	128,162	132,660	127,975	123,190
Financial assets	11,140	13,240	11,605	14,738
Non-current assets	**157,202**	**166,760**	**163,501**	**160,513**
Current assets	94,630	71,753	82,670	75,583
Total assets	**251,833**	**238,513**	**246,171**	**236,096**
Equity	92,236	81,572	61,195	61,562
Long-term liabilities	80,044	85,067	130,252	127,355
Short-term liabilities	79,553	71,875	54,724	47,179
Total equity and liabilities	**251,833**	**238,513**	**246,171**	**236,096**
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%	25.7%
EBITDA margin	9.1%	6.9%	2.5%	6.8%
EBIT margin	0.7%	(0.6%)	(4.6%)	(1.4%)
EBT margin	(2.1%)	(4.2%)	(10.4%)	(6.0%)
Return on equity	(3.6%)	(8.7%)	(35.1%)	(18.5%)
Solvency ratio	36.6%	34.2%	24.9%	26.1%
Net working capital ratio	18.2%	6.2%	14.4%	12.0%
Number of employees at 31 December, Group	**1,041**	**1,154**	**1,339**	**1,352**
Number of employees in Denmark	93	99	107	107

* The figures have been translated at the EUR/DKK exchange rate of 746.73.

The definitions of the financial ratios are specified in note 38 and are unchanged from last year.

CEMBRIT

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