CEMBRIT

Annual Report 2019

Cembrit Group A/S

The Annual General Meeting was held on 20/042020

Chairman of the meeting

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Central Business Reg. No. 36477199

“We continue to strengthen the company’s foundation and build on our strong platform in a fibre-cement market that continues to grow and gain share from traditional building materials”

Jørn Mørkeberg Nielsen, CEO

Forward-looking statements

Statements in the Annual Report 2019 concerning the future reflect Cembrit’s current expectations of 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 and competitive conditions.

Cembrit disclaims any liability to update or adjust statements in the Annual Report 2019 about the future or possible reasons for differences between actual and anticipated results except where required by legislation.

Front page picture: Cembrit Patina Original

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2019 in brief

Cembrit continues to focus on creating an efficient operating platform, winning customers in selected markets and becoming a provider of solutions to our customers, and this is starting to make an impact across the business. Like-for-like revenue growth was 2% in 2019, and adjusted EBITDA increased to DKKm 183. For 2020, the focus will be on further improvements in product offerings and services to our customers and further operational improvements.

2019 has been a busy year for Cembrit, with many strategic initiatives starting to make an impact on the company's financials. We continue to win new customers in growth markets and develop our strong business relationships with existing customers. While some markets showed weaker development in Q4 2019, we have seen a positive development in the beginning of 2020, especially in the Nordic, UK & Ireland region. The latest developemnt related to COV-19 has increased the uncertainty with rapid day-to-day developments in many countries, and the development in the coming months is difficult to predict.

Cembrit continues to introduce new and improved products to the market. In 2019 Cembrit introduced the new facade board Patina Inline, with 3D effects inspired by nature. This new product enables Cembrit to meet the rising demand from architects and builders for exterior facades that add character and depth to a building's idiom, allowing it to blend in with the surrounding environment.

The yield-lag issues that we experienced at our Hungarian factory have now been resolved, with yield in Q4 2019 close to that of our other factories. We expect continued full-year effect of this in our financials going forward and increased volume output potential in 2020.

As stated above, 2019 was a busy year, but our efforts have paid off. Compared to 2018, like-for-like revenue was up 2%, adjusted EBITDA increased from DKKm 112 to DKKm 183 and cash flow from operating activities before tax improved by DKKm 43 to DKKm 141.

Implementation of the new lease accounting standard, was implemented in 2019. The new lease standard impacted EBITDA and cash flow from operation positive positive. Further details included in the financial review section of the 2019 Annual Report.

Looking at 2020, marketdata before COV-19 indicates continued low-single-digit construction growth in our markets and fibre cement is expected to gain share from traditional building materials. The market growth expectations are in line with our own expectations and, 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 our hard-working, highly committed employees for their contribution to building a stronger Cembrit, and our customers, suppliers and business partners for the trust and loyalty they have shown us. We look forward to working with you in 2020.

Kent Arentoft — Chairman

Jørn Mørkeberg Nielsen — 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 supplies export markets outside Europe.

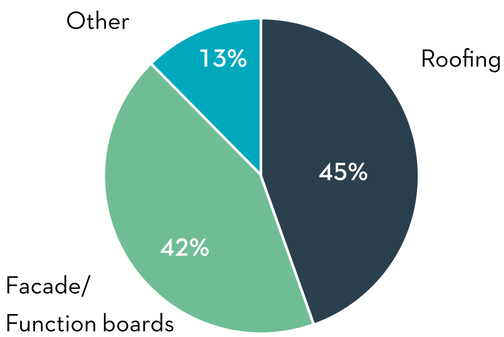
For more than 90 years Cembrit has been one of the leading manufacturers and suppliers of fibre-cement-based building materials in Europe. In 2015, Cembrit was acquired by investment company Solix, which aimed to further develop the Cembrit Group.

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

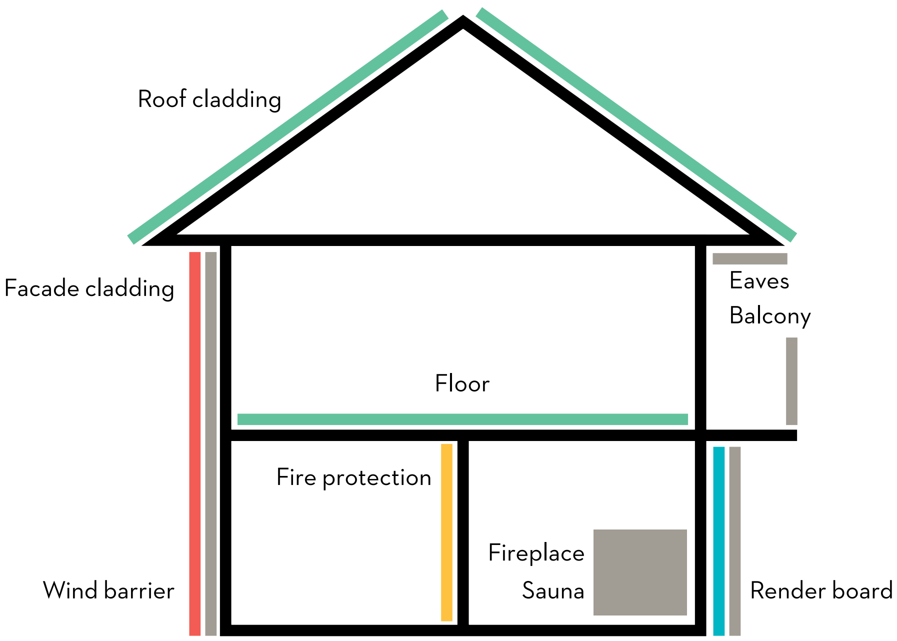
WHAT WE OFFER

Cembrit's products and services are grouped into three segments: Roofing, Facade/function boards (facade, indoor and build) and Other (mainly accessories). In 2019, Roofing accounted for 45% of the Group's revenue, Facade/function boards for 42% and Other for 13%. Further details of the products are given below.

2019 revenue by segment



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

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

Cembrit Patina Original

Cembrit Sauna

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

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 also during completion of the building work.

Cembrit corrugated W177

Cembrit Windstopper

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 80% 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 materials 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

Cembrit has production facilities in Czechia, Finland, Hungary and Poland. In 2019, we continued to focus on health and safety in order to reduce work accidents. Despite these efforts, the lost-time injury frequency (LTIF) increased to 11.2 for 2019 (2018: 7.7). On a positive note, there was a decrease in the severity of the injuries for 2019 compared to 2018. Cembrit continues to hold regular safety weeks at the factories and uses near-misses to improve safety.

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 & Ireland region represents 79% of the Group's revenue, Western Europe 13% and Other markets 8%.

Cembrit has a broad customer base, with relations spanning back several years or decades. Products are sold to an array of different customers, including large construction companies, builders' merchants, etc.

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 1,398 employees at year-end 2019 (2018: 1,352), 90 of whom in Denmark (2018: 107). Different nationalities are represented in the workforce, strengthening 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

Improvement in adjusted EBITDA to DKKm 183 in 2019.

	2015 DKK (000)	2016 DKK (000)	2017 DKK (000)	2018 DKK (000)	2019 DKK (000)
INCOME STATEMENT					
Revenue	1,371,773	1,481,777	1,599,103	1,654,710	1,602,115
Adjusted gross profit	385,317	426,372	367,281	425,795	469,093
Gross profit	385,317	426,372	367,281	425,795	455,396
Adjusted earnings before depreciation, amortisation and impairment (EBITDA)	124,191	102,242	39,626	112,009	183,026
Earnings before depreciation, amortisation and impairment (EBITDA)	124,191	102,242	39,626	112,009	168,000
Earnings before interest and tax (EBIT)	9,535	(9,494)	(73,061)	(23,290)	11,641
Earnings from financial items, net	(38,362)	(53,331)	(93,904)	(75,797)	(70,834)
Earnings before tax (EBT)	(28,827)	(62,825)	(166,965)	(99,087)	(59,193)
Profit/loss for the year	**(24,756)**	**(56,385)**	**(186,635)**	**(84,555)**	**(71,468)**
CASH FLOW					
Cash flow from operating activities	94,088	248,121	(121,090)	84,614	120,072
Cash flow from investing activities	(758,087)	(161,287)	(74,510)	(62,215)	(60,674)
Hereof investments in property, plant and equipment	(153,338)	(123,102)	(38,963)	(52,797)	(55,613)
WORKING CAPITAL	**249,055**	**92,550**	**230,871**	**198,483**	**200,444**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**(551,077)**	**(575,414)**	**(853,394)**	**(806,409)**	**(949,817)**
BALANCE SHEET					
Intangible assets	133,663	155,771	178,619	168,652	152,057
Tangible assets	957,026	990,612	955,630	919,894	990,114
Financial assets	83,188	98,867	86,660	110,051	117,385
Non-current assets	**1,173,877**	**1,245,250**	**1,220,909**	**1,198,597**	**1,259,556**
Current assets	706,633	535,800	617,321	564,403	540,635
Total assets	**1,880,510**	**1,781,050**	**1,838,230**	**1,763,000**	**1,800,191**
Equity	688,752	609,119	456,958	459,700	389,670
Long-term liabilities	597,714	635,218	972,633	951,001	1,026,173
Short-term liabilities	594,044	536,713	408,639	352,299	384,348
Total equity and liabilities	**1,880,510**	**1,781,050**	**1,838,230**	**1,763,000**	**1,800,191**
PROPOSED DIVIDEND TO SHAREHOLDERS	**0**	**0**	**0**	**0**	**0**
DIVIDEND PAID OUT DURING THE YEAR	**0**	**0**	**0**	**0**	**0**
FINANCIAL RATIOS					
Adjusted gross margin	28.1%	28.8%	23.0%	25.7%	29.3%
Gross margin	28.1%	28.8%	23.0%	25.7%	28.4%
Adjusted EBITDA margin	9.1%	6.9%	2.5%	6.8%	11.4%
EBITDA margin	9.1%	6.9%	2.5%	6.8%	10.5%
EBIT margin	0.7%	-0.6%	-4.6%	(1.4%)	0.7%
EBT margin	-2.1%	-4.2%	-10.4%	(6.0%)	(3.7%)
Return on equity	-3.6%	-8.7%	-35.0%	(18.4%)	(16.8%)
Equity ratio	36.6%	34.2%	24.9%	26.1%	21.6%
Net working capital ratio	18.2%	6.2%	14.4%	12.0%	12.5%
Number of employees at 31 December, Group	**1,041**	**1,154**	**1,339**	**1,352**	**1,398**
Number of employees in Denmark	93	99	107	107	90

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

Adjusted gross profit, adjusted EBITDA and related ratios have been introduced in the group financial highlights table above to better reflect the business performance. Further details are included on page 11.

The implementation of IFRS 16 Leases as from 1 January 2109 impacted the financial statements and key ratios for 2019. Comparative figures for 2015-2018 have not been restated.

Financial items received and paid have been reclassified in the cash flow statement from operating activities to financing activities. Comparative figures for 2015-2018 have been restated.

Picture: Cembrit Patina Inline

Market development and our competences

Fibre-reinforced cement products are expected to continue to gain share from traditional building materials.

Together with our services, fibre-reinforced cement, with its special characteristics, is the key element in our offering. Fibre-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 2019, we experienced mixed market conditions, with some markets showing weaker development in Q4. At the start of 2020, we have seen a very positive development, especially in the Nordic, UK & Ireland region. The market growth has mainly been driven by an increase in new builds rather than renovation. Even trough the start of 2020 have been very positive the latest development related to COV-19 has increased the uncertainty.

At the end of 2018, markets and products 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. Adjusted for these, like-for-like revenue growth was 2% for full-year 2019 (2018: 9%).

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. Cembrit's development and success are 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 2019, 1,398 people were employed at Cembrit (2018: 1,352). 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 1,042 employees in Eastern Europe and 356 in Western Europe.

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

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. Further insight into our processes for occupational health 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 and ISO 14001 certifications, while all production facilities except the facility in Hungary also hold OHSAS 18001 certification. The production facility in Hungary has obtained ISO 14001 certification in 2019, and OHSAS 18001 will be recertified to ISO 45001 over the next two years.

Research & development activities

Cembrit carries out ongoing research into new materials, production techniques and product development. Our research activities have been strengthened in 2019 to ensure faster go-to-market for new products. This initiative will remain in focus during 2020.

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

Cembrit Cover

Financial review

Improved EBITDA and cash flow for 2019 compared to 2018.

Revenue for 2019 amounted to DKKm 1,602 compared to DKKm 1,655 for 2018. Cembrit has phased out certain low-performing products and markets to streamline operations and improve margins. Adjusted for these, like-for-like revenue growth was 2% for 2019. 79% of the revenue relates to the Nordic, UK & Ireland region, 13% to Western Europe and 8% to Other markets. 45% of the revenue relates to Roofing, 42% to Facade/ function boards and 13% to Other.

The yield-lag issue that Cembrit experienced at our Hungarian factory were very close to being resolved by the end of 2019, with yield close to that of our other factories. We expect continued full-year effect in our financials going forward and increased volume output potential in 2020. The improvement in operational efficiency has increased the adjusted gross margin to 29.3% from 25.7% in 2018, with consistent quarter-on-quarter increases throughout 2019.

Strong cost awareness has been in focus during 2019. Sales and distribution costs and administrative costs totalled DKKm 291, down DKKm 23 on 2018.

Adjusted EBITDA (earnings before interest, depreciation and amortisation) has shown a strong development, at DKKm 183 for 2019 (2018: DKKm 112). The adjusted EBITDA margin for 2019 was 11.4%, up from 6.8% in 2018.

IFRS 16, the new lease accounting standard, was implemented in 2019. This requires all leases – except for short-term leases and leases of low-value assets – to be recognised 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. Further information is included in note 1 and 12. The EBITDA impact was DKKm 35.

Adjusted gross profit, adjusted EBITDA and related ratios

Adjusted gross profit, adjusted EBITDA and related ratios have been introduced in the Group financial highlights table on page 7. The total adjustments are DKKm 13.7 for gross profit and DKKm 15.0 for EBITDA, and mainly relate to restructuring of the business and a reduced cost price for facade boards. The production cost for facade boards has been reduced in 2019, ensuring a more profitable facade business. Gross profit for 2019 has been negatively impacted by inventories at 31 December 2018 being at a higher cost price level than the improved production performance in 2019. Accordingly, inventories at 31 December 2018 that were sold in the first half of 2019 yielded Cembrit a lower gross profit than for the products produced in 2019. The adjusted EBITDA margin was 11.4% and the EBITDA margin 10.5% (2018: 6.8%).

Special non-recurring items amounted to DKKm 18.5 (2018: DKKm 31) and mainly related to increased provisions due to the lower interest rate level, which impacts the discounting of long-term other provisions liability, adjustment to the warranty provision and re-organisation of the business to optimise future performance. 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 consolidated financial statements. Furthermore, has special non-recurring items in note 5 been presented as classified as production cost, sales and distribution costs and administrative costs instead of special non-recurring items.

Loss after tax amounted to DKKm 71,5 which was an improvement of DKKm 13 on the 2018 figures. This includes a DKKm 7.5 write-down of a tax asset (tax loss carry-forward) and, adjusted for this, loss after tax was DKKm 64, which was an improvement of DKKm 21 compared to 2018.

Investments

Investments in 2019 totalled DKKm 61, which was in line with 2018 (2018: DKKm 62). Investments in property, plant and equipment increased by DKKm 3 and investments in intangible assets decreased by DKKm 2 compared to 2018.

Cash flow

Cash flow from operating activities before tax amounted to DKKm 141 for 2019 (2018: DKKm 97), mainly driven by improved profitability. In contrast to 2018 working capital only had a minor positive contribution to cash flow from operation before tax for 2019. The improvement in 2018 was mainly related to inventory. The inventory level had previously been very high and, in 2018, was reduced by more than DKKm 50, which had a material positive impact on cash flow from operating activities before tax for 2018. In 2019, Cembrit has almost maintained the inventory level from 2018. Working capital at the end of 2019 was DKKm 200, which is in line with the end of 2018. The company has initiated a working capital improvement project, and there will be a reduction in working capital over the coming 12 months.

Cash flow from operating and investing activities amounted to DKKm 59 for 2019 (2018: DKKm 22).

Deviations Q4 2019 Report and 2019 Annual Report

Only minor deviations between Q4 2019 Interim Financial Report published end February 2020 and the 2019 Annual Report but tax-cost in the income statement has been increased by DKKm 7.5. The increase is mainly related to adjustment to deferred tax prior years.

Equity

Equity at 31 December 2019 amounted to DKKm 390 (2018: DKKm 460) with an equity ratio of 21.6% (2018: 26.1%).

Treasury shares at 31 December 2019 amounted to DKKm 0.6, with a nominal value of DKK 370,056 (2018: DKKm 0.6 and nominal value of DKK 370,056). The share capital consists of 715,240,792 shares of DKK 0.1.

Debt and financial resources

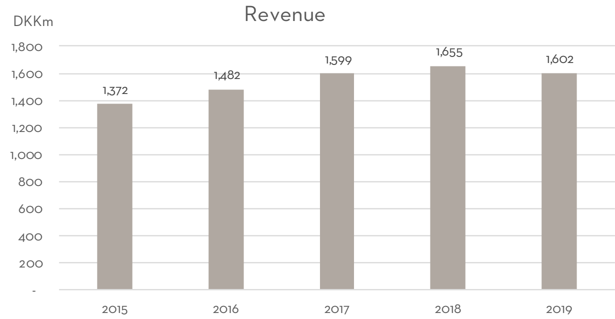
Net interest-bearing debt amounted to DKKm 950, including lease liabilities (cf. IFRS 16) of DKKm 95. Adjusted for the lease liabilities, net interest-bearing debt amounted to DKKm 855, up DKKm 48 on 2018. The increase was mainly the result of lower cash DKKm 36 and an increase in bond debt related to amortised bond transaction costs of DKKm 8.

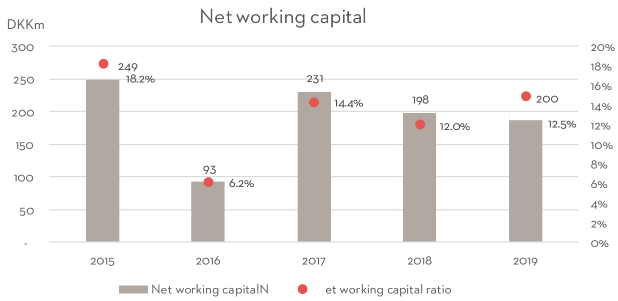
The bonds have been accounted for at amortised cost, and with the transaction cost at year-end 2019 of DKKm 13 (2018: DKKm 19), the carrying amount was DKKm 846 (2018: DKKm 838).

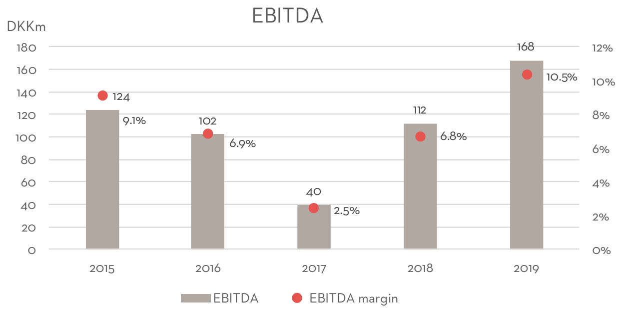
The bonds (EURm 115) will expire in March 2021, and the Group is currently reviewing the refinancing of the bonds. The main bank credit facility also has to be renewed. A positive indication on refinancing of the bonds and the bank credit facility has been received, and a decision by Management on the refinancing is expected in the coming months.

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.**







Adjusted EBITDA for 2019 was DKKm 183 and adjusted EBITDA margitn 11.4%.

Financial expectations for 2019
In the Annual Report 2018, increases in revenue, EBITDA and cash flow were expected for 2019, as well as an improvement in the net debt/EBITDA ratio.

Performance in 2019 was in line with the overall expectations stated in the 2018 Annual Report, with like-for-like revenue growth of 2%, as well as implementation of a number of value-creating strategic projects, including significant efficiency improvements at the plant in Hungary. Furthermore, EBITDA and cash flow from operating and investing activities for 2019 were in line with the expectations stated in the Annual Report 2018, and the net debt/EBITDA ratio improved compared to 2018.

Events occurring after the balance sheet date
There have been no significant events after 31 December 2019 that could materially impact the financial position.

A positive financial development before COV-19 is expected for 2020. Further details are included in the 2020 outlook section of this report.

Cembrit Cover

Risk management

Risk management is fundamental to our business.

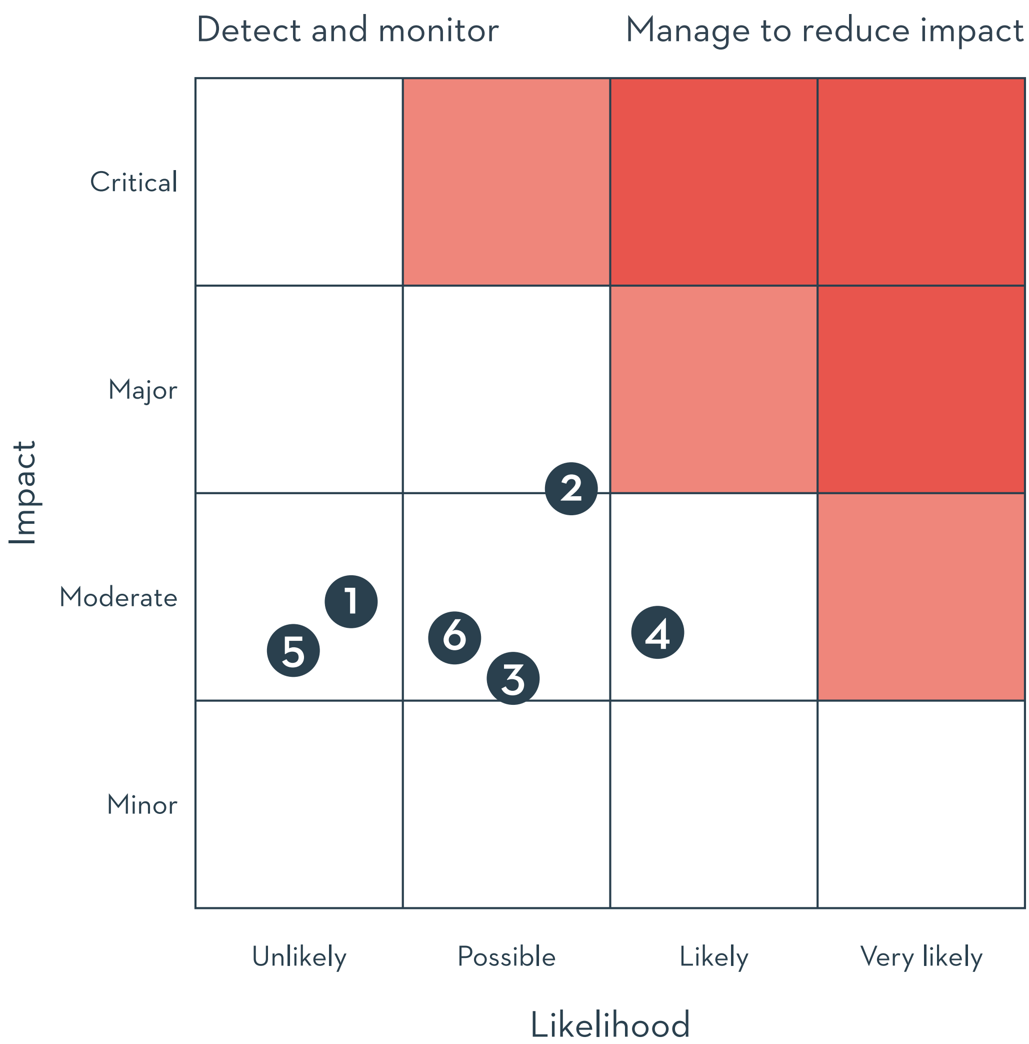
Risk will always play an important part in our business, and we maintain focus on identifying, mitigating and managing risks in our day-to-day work.

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 a decline in the European construction industry in the event of a downturn in the economy.

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

COV-19 is being monitored closely and steps have been taken and further steps might be taken to mitigate the risk to the extent possible.



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 aim to protect 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 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, giving 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 economic developments.
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 a production facility affected in this way up and running again. For instance, we keep stocks of critical spare parts. Business interruption due to events such as fire is covered by insurance.
4 Raw materials and energy	The supply and price of raw materials and energy, and the 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 supplies 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 HUF, 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 Group's development, which means that our employees are our most important resource.	We maintain a continual focus on attracting and retaining employees with the competences required 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 company with a listed bond is observed, there is open communication within the Group regarding information that is relevant for each person. Furthermore, each individual concerned is familiar with their role in the internal control set-up. 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 the financial statements.

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 Ten Principles, which have been grouped into three main sections: labour & human rights, business integrity and environment & climate.
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 UK Modern Slavery Act 2015, Cembrit has incorporated the legislation 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.
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: Businesses should support and respect protection of internationally proclaimed human rights; and

Principle 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;

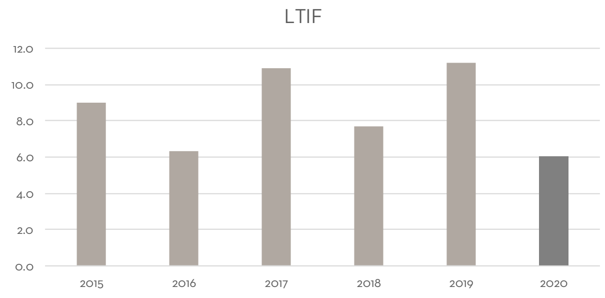
Principle 5: the effective abolition of child labour; and

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.

Cembrit business model is descriped in the 'Cembrit at a Glance' and the 'Market development and our competences' section within the Management's review. Below the key impact from Cembrit's business model on Labour & Human rights, Business Integrity and Invironment & Climate are included in seperate text boxes.

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.



Road and railway transport is 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.

Lost-time injuries

The key health & safety risks within Cembrit relate 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. It was stated in the Annual Report 2018 that we expected to obtain OHSAS 18001 certificate for the production facility in Hungary during 2019;this was not achieved and we plan to obtain the new ISO45001 (Safety) standard for two plants in 2020.

Local policies ensuring, among other things, compliance with local legislation and a 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 production sites and warehouses, including the outsourced warehouse, is shown in the accompanying graph.

In 2019, we focused on employee behaviour in relation to health & safety in order to reduce work accidents. LTIF unfortunately increased from 7.7 in 2018 to 11.2 in 2019, with zero fatalities. The goal is zero lost-time injuries and work-related illness. The increase in LTIF relates to two production facilities. On a positive note, there was a decrease in the severity of the injuries for 2019 compared to 2018. Cembrit continues to hold regular safety weeks at the factories and uses near-misses to improve safety. An LTIF target of 6.0 has been set for 2020.

Human rights

There is always a risk of Cembrit engaging with suppliers who do not fully comply with international and national laws and guidelines relating to human rights. This risk is higher within certain geographies, but problems can arise anywhere. Our review in 2019 did not identify any breaches of human rights. For 2019, a target was set of 40% of Cembrit's major raw material and transport providers agreeing to observe UN Global Compact principles 1-6; the outcome achieved was 55%. The target for 2020 has been increased to 65% of spent for the largest raw material suppliers.

Health & safety objectives	Performance indicators 2020
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	65% of Cembrit's major raw material and transport providers agree to observe UN Global Compact principles 1-6

Gender distribution
Equal opportunities for all employees are important to Cembrit, and accordingly we do not differentiate based on gender, race or religion when people are recruited or promoted.

The industry in which Cembrit operates has an overrepresentation of men, which makes it difficult to ensure a more balanced gender distribution. 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 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 increased in connection with new hires, including managers reporting directly to the Executive Management. The number of women in management positions has been maintained in 2019.

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

Cembrit maintains its target of having at least one shareholder-elected woman on the Board of Directors by 2021. This target was not achieved in 2019, 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).

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

Cembrit has production facilities in Finland, Poland, Czechia 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.

CSR impact on Cembrit's business: business integrity
While Denmark shares the No. 1 position on the Transparency International Index for 2019 with New Zealand, Cembrit operates in parts of the world with a lower level of business integrity. Although 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.

Our review in 2019 did not identify any anti-corruption breaches during the year.

For 2019, a target was set of 40% of Cembrit's major raw material and transport providers agreeing to observe UN Global Compact principle 10 ; the outcome achieved was 55%. The target for 2020 has been increased to 65% of spent for the largest raw material suppliers.

Several initiatives are being implemented to reduce our environmental and climate impact. For example, water from production sites is treated, and waste products are recycled to some extent, which has been in focus during 2019. A target was set in the Annual Report 2018 to launch a pilot to reduce production waste in 2019. This was done and, in 2020, another production facility will use the outcome of the pilot to recycle waste products as well.

A target was set in the Annual Report 2018 to perform an energy review and launch initiatives to reduce energy consumption in 2019. A detailed energy review was duly performed at the production facilities, identifying several areas for energy savings. Some of the projects are now under implementation.

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 key to reducing their energy consumption. In this way, our products help combat climate change on a large scale.

Business integrity objectives	Performance indicators 2020
Ensure compliance with UN Global Compact principle 10 throughout our supply chain	65% 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 uses environmental indicators for energy consumption (by fuel type), raw materials (by type), various recyclable materials and water relative to tons of building materials produced.

For 2019, a target was set of 40% of Cembrit's major raw material and transport providers agreeing to observe UN Global Compact principle 7-9 ; the outcome achieved was 55%. The target for 2020 has been increased to 65% of spent for the largest raw material suppliers.

Environment & climate objectives	Performance indicators 2020
Ensure compliance with UN Global Compact principles 7-9 throughout our supply chain	65% of Cembrit's major raw material and transport providers agree to observe UN Global Compact principle7-9

In terms of output from production, Cembrit uses indicators for emissions to air (CO_2), wastewater, waste (by recycling, landfill and oil/chemical waste) and packaging types. Output indicators developed positively in 2019, except for packaging, which was related to increased use of wood pallets.

To improve our logistics set-up and reduce Cembrit's carbon footprint, the warehouse in Aalborg, Denmark, has been transferred to the southern part of Jutland, Denmark. The new warehouse facilitates rail transport, which reduces Cembrit's carbon footprint compared to our predominant use of road transport.

		2015	2016	2017	2018	2019
Emissions to air - CO_2*	Kg/ton	52.7	55.6	53.5	44.4	44.7
Waste water	Kg/ton	713.0	930.4	857.5	808.7	716.7
Waste	Kg/ton	82.2	70.9	109.4	112.6	112.3
Packaging	Kg/ton	11.4	14.3	21.9	18.1	23.0

* Includes only emissions generated inside the factories.

CSR impact on Cembrit's business: environment & climate

Energy use and carbon footprint are together with waste and resource consumption key elements for Cembrit's work within environment & climate. For instance, has an energy review to identify areas where Cembrit can reduce energy consumption been performed. Our products are maintenance-free and highly durable, which help our end-customers combat climate change on a larger scale.

2020 outlook

Revenue, adjusted EBITDA margin and cash flow from operating activities and investing activites are expected to increase in 2020 compared to 2019. COV-19 will have a negative impact on the 2020 outlook.

The latest development related to COV-19 has increased the uncertainty and given the rapid day-to-day developments in many countries, we are currently unable to accurately assess the magnitude of the impact on our financials. Instead of not providing an outlook for 2020 due to the uncertainties, we have below stated Cembrit's outlook before the latest material implications with closed borders, recommended limitations in movements etc.

Outlook 2020 before COV-19 impact:

- Revenue growth is expected in the range of 4-7%, equivalent to a range of DKKm 1,666-1,714
- Adjusted EBITDA margin is expected in the range of 12-14.5%, equivalent to a range of DKKm 200-245
- Cash flow from operating and investing activities is expected to increase from the full-year 2019 level of DKKm 61 to a range of DKKm 120-160.

Specific assumptions for 2020 outlook:

- Growth of 2.5% in the fibre-cement market in Western Europe and higher growth in Cembrit's key markets (Nordic, UK & Ireland)
- For the UK, the 2020 outlook is based on a negotiated trade deal with EU, which will ensure a continued strong demand
- Satisfactory execution of the improvement projects initiated for 2020
- Exchange rates, primarily EUR, GBP, SEK, NOK, PPL, USD, JPY, HUF and CZK holding at the levels at the end of February 2020
- Energy and raw material costs and salary levels in total are not expected to rise significantly above the levels at the end of February 2020.

If the key items below deviate from the assumptions on which the 2020 outlook is based, this could have a material impact on the above figures for revenue, adjusted EBITDA and cash flow from operating and investing activities:

- Macroeconomic and geopolitical developments
- Weather conditions
- Developments in the market for building materials in Europe
- Sales volumes and product mix
- Price competition
- Input price developments
- Cost and ease of distribution
- The factories and IT systems running without significant breakdowns

Outlook 2020

Outlook 2020	
Revenue	↑
EBITDA	↑
Cash flow	↑
Net debt/EBITDA ratio	↓

Forward-looking statements

Statements in the Annual Report 2019 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 and competitive conditions. See also the Risk management section of Management's Review.

Cembrit disclaims any liability to update or adjust statements in the Annual Report 2019 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.

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

Both companies are located in Jersey.

No published consolidated financial statements are publicly available for either of direct Cembrit's owners.

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 2019.

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 2019 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 2019.

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, 18 March 2020

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 2019 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2019 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 2019 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2019 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 2019 comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Cembrit Group A/S for the financial year 1 January to 31 December 2019 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. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of two years including the financial year 2019.

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 2019. 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 1,142 million as at 31 December 2019, 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 tangible and intangible assets than goodwill are impaired. The determination of recoverable amount, being the higher 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. Management have applied a discounted cash flow model to assess the value in use of the CGU. The most critical assumptions are revenue growth, operating margins, working capital requirements, and the discount rate. We focused on the impairment testing of intangible and tangible assets because the process is complex and requires determination of significant assumptions by management. Refer to note 1 and 14.	We evaluated the appropriateness of management's identification of the Group's CGU. We evaluated management's assessment of impairment 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 and challenged the assumed revenue growth, operating margins, working capital and requirements used in the models by understanding the process followed by management to determine these forecasts. In order to test the robustness of management's projections and estimates, we compared actual results for 2019 to the 2019 forecast included in the prior year forecast. We assessed the sensitivity-analysis regarding the main assumptions included the valuation model. We compared the discount rate used by management in their calculation to our internally developed benchmark regarding the composition and level of WACC used.
Deferred tax assets including valuation of tax loss carry forwards	
The Group has recognised deferred tax assets of DKK 116 million as at 31 December 2019. Tax losses primarily relate to the Group's operation 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	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 and challenged 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

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 2019 based on budget for 2020 and forecasts for 2021-2024. We focused on the valuation of deferred tax assets because the measurements requires significant estimates made by Management. Refer to note 1, 18 and 19.	regulations within the relevant tax jurisdictions.
Valuation of inventory The Group has recognised inventory of DKK 315 million as at 31 December 2019. 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. The determination of net realizable value being the sales price less costs of completion and costs incurred to implement the sale of the expected sales price, requires significant judgement on the part of management. Furthermore, key judgement made by management in relation to write down of 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.	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. 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.

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.

Copenhagen, 18 March 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Jacob F Christiansen
State Authorised Public Accountant
mne18628

Kristian Højgaard Carlsen
State Authorised Public Accountant
mne44112

Consolidated income statement

Notes		2019 DKK (000)	2018 DKK (000)
	Revenue	1,602,115	1,654,710
4	Production costs	(1,146,719)	(1,228,915)
	Gross profit	**455,396**	**425,795**
4	Sales and distribution costs	(218,387)	(240,458)
4	Administrative costs	(72,929)	(73,571)
3	Other operating income	8,687	6,083
3	Other operating costs	(4,767)	(5,840)
	Earnings before depreciation, amortisation and impairment (EBITDA)	**168,000**	**112,009**
5	Special non-recurring items	(18,516)	(30,803)
12	Depreciation and impairment of tangible assets	(114,918)	(85,806)
	Earnings before amortisation and impairment of intangible assets (EBITA)	**34,566**	**(4,600)**
11	Amortisation and impairment of intangible assets	(22,925)	(18,690)
6	**Earnings before interest and tax (EBIT)**	**11,641**	**(23,290)**
20	Financial income	23,347	19,013
20	Financial costs	(94,181)	(94,811)
	Earnings before tax (EBT)	**(59,193)**	**(99,087)**
18	Tax for the year	(12,275)	14,533
	Profit/loss for the year	**(71,468)**	**(84,555)**
	Profit/loss for the year attributable to:		
	Cembrit Group A/S shareholders' share of profit/loss for the year	(71,468)	(84,555)
		(71,468)	**(84,555)**

Consolidated statement of comprehensive income

	2019 DKK (000)	2018 DKK (000)
Profit/loss for the year	**(71,468)**	**(84,555)**
Other comprehensive income for the year		
Items that can be reclassified to the income statement:		
Foreign exchange adjustment regarding foreign operations	6,642	(7,456)
Value adjustments of hedging instruments:		
Value adjustment for the year	1,411	4,045
Value adjustments transferred to revenue	(1,177)	(2,610)
Value adjustments transferred to production costs	(394)	1,630
Value adjustments transferred to financial income and costs		(956)
Value adjustments transferred to balance sheet items	(5,857)	956
Tax on other comprehensive income	528	(451)
Other comprehensive income for the year after tax	1,153	(4,842)
Comprehensive income for the year	**(70,315)**	**(89,397)**

Consolidated cash flow statement

Notes		2019 DKK (000)	2018 DKK (000)
	Earnings before depreciation, amortisation and impairment (EBITDA)	168,000	112,009
5	Special non-recurring items paid	(18,516)	(30,803)
	Adjustment for profits/(losses) on sale of tangible and intangible assets etc.	(136)	(244)
	Adjusted earning before depreciation, amortisation and impairment (EBITDA)	149,348	80,962
7	Change in provisions	(10,419)	(5,782)
8	Change in working capital	1,695	21,968
	Cash flow from operating activities before tax	140,624	97,148
18	Taxes paid	(20,552)	(12,534)
	Cash flow from operating activities	**120,072**	**84,614**
11	Acquisition of intangible assets	(6,360)	(8,787)
12	Acquisition of tangible assets	(55,613)	(52,797)
12	Disposal of tangible assets	1,299	318
	Disposal of financial assets	0	(949)
	Cash flow from investing activities	**(60,674)**	**(62,215)**
	Capital increase	0	89,999
	Bank loan repaid	0	(12,450)
	Change in cash pool and credit facilities	23,653	0
	Other financial liabilities	1,531	(2,413)
	Leases, principle amount	(30,608)	(291)
9	Financial income, received	5,294	3,922
9	Financial items, paid	(65,864)	(73,459)
	Other	0	2,136
10	**Cash flow from financing activities**	**(65,994)**	**7,444**
	Change in cash and cash equivalents	(6,597)	29,843
	Cash and cash equivalents at 1 January 2019	34,577	6,785
	Foreign exchange adjustments	(3,867)	(2,051)
	Cash and cash equivalents at 31 December 2019	24,113	34,577
22	Total cash and cash equivalents	24,114	34,577
		24,114	34,577

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

Consolidated balance sheet - assets

Notes		2019 DKK (000)	2018 DKK (000)
	Goodwill	12,705	12,705
	Development projects	6,018	5,830
	Consessions, patents, licenses etc.	565	1,552
	Customer relations	62,749	68,977
	Other intangible assets	62,370	70,508
	Advanced payments for intangible assets	7,650	9,080
11	**Intangible assets**	**152,057**	**168,652**
	Land and buildings	402,855	410,379
	Plant and machinery	462,132	486,743
	Operating equipment, fixtures and fittings	16,493	19,046
	Tangible assets in course of construction	15,270	3,726
	Right of use assets	93,364	-
12	**Tangible assets**	**990,114**	**919,894**
13	Other securities and investments	1,342	1,304
19	Deferred tax assets	116,043	108,747
	Financial assets	**117,385**	**110,051**
	Total non-current assets	**1,259,556**	**1,198,597**
16	**Inventories**	**315,027**	**297,370**
17	Trade receivables	156,017	185,954
26	Derivative financial instruments	2,178	1,795
	Other receivables	32,057	23,884
	Prepaid expenses	11,242	20,823
	Receivables	**201,494**	**232,456**
	Cash and cash equivalents	**24,114**	**34,577**
	Total current assets	**540,635**	**564,403**
	TOTAL ASSETS	**1,800,191**	**1,763,000**

Consolidated balance sheet - equity and Liabilities

Notes		2019 DKK (000)	2018 DKK (000)
31	Share capital	71,524	71,524
	Foreign exchange adjustments	18,486	11,844
	Value adjustments of hedging transactions	(5,046)	443
	Retained earnings	304,706	375,889
	Total equity	**389,670**	**459,700**
19	Deferred tax liabilities	65,276	61,284
28	Pension liabilities	435	358
27/28	Other provisions	44,576	49,153
21/22/28	Bond issued / Bank loans	845,895	837,681
21/22/28	Leases	67,080	441
28	Other liabilities	2,911	2,084
	Long-term liabilities	**1,026,173**	**951,001**
	Pension liabilities	175	230
27	Other provisions	10,604	16,501
21/22	Bank loans and credit facilities	27,027	1,807
21/22	Leases	27,834	314
	Prepayments from customers	2,307	217
	Trade payables	171,755	172,887
25	Derivative financial instruments	8,272	2,538
	Current tax liabilities	2,635	8,851
29	Other liabilities	133,577	148,955
	Deferred revenue	161	0
	Short-term liabilities	**384,348**	**352,299**
	Total liabilities	**1,410,521**	**1,303,300**
	TOTAL EQUITY AND LIABILITIES	**1,800,191**	**1,763,000**

Statement of changes in equity

DKK (000)	Share capital	Foreign exchange adjustment	Value adjustment of hedging	Non distributable reserves	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	**71,524**	**11,844**	**443**	**0**	**375,889**	**0**	**459,700**
Comprehensive income for the year							
Profit/loss for the year					(71,468)		**(71,468)**
Other comprehensive income							
Foreign exchange adjustments regarding foreign operations		6,642					**6,642**
Value adjustments of hedging instruments:							
Value adjustments for the year			1,411				**1,411**
Value adjustments transferred to revenue			(1,177)				**(1,177)**
Value adjustments transferred to production costs			(394)				**(394)**
Value adjustments transferred to balance sheet items			(5,857)				**(5,857)**
Tax on other comprehensive income*			528				**528**
Other comprehensive income total	**0**	**6,642**	**(5,489)**	**0**	**0**	**0**	**1,153**
Comprehensive income for the year	**0**	**6,642**	**(5,489)**	**0**	**(71,468)**	**0**	**(70,315)**
Capital increase					285		**285**
Acquisition of treasury shares							**0**
Share-based payment, share options							**0**
Equity at 31 December 2019	**71,524**	**18,486**	**(5,046)**	**0**	**304,706**	**0**	**389,670**

DKK (000)	Share capital	Foreign exchange adjustment	Value adjustment of hedging	Non distributable 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:							**0**
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, share options				(5,382)	7,522		**2,140**
Equity at 31 December 2018	**71,524**	**11,844**	**443**	**0**	**375,889**	**0**	**459,700**

Dividends distributed to shareholders in 2019 were DKK 0 (2018: DKK 0).

The proposed dividend for 2019 amounts to DKK 0 per share (2018: DKK 0 per share).

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

Notes to the consolidated financial statements

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1. Estimates by management and accounting policies

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 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 in progress 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 for the next 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 where an outflow of economic benefits 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 and contingent liabilities are disclosed in note 30.

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
Cembrit has adopted all new or revised and amended International Financial Reporting Standards (IFRSs) and interpretations (IFRICs) issued by IASB and endorsed by the EU effective for the financial year 2019.

Cembrit has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 figure, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new standard are recognized in the opening balance sheet 1 January 2019.

Previously lease agreements have been divided into two different categories, where operating lease has not been recognized in the balance sheet, and the lease costs were charged to the Profit and Loss.

On adopting IFRS 16 all leases have been recognized in the balance sheet with a corresponding lease liability except for short-term leases and low value assets. Leased assets are depreciated over the lease term, and payments are allocated between installments on the lease obligation and interest expense, classified as financial expenses. The lease term used for the Groups lease contracts are the non-cancelled period or estimated term when the lease contracts were entered into.

For full-year 2019, the EBITDA impact was DKKm 34.8, EBIT impact DKKm 2.6 and operating cash flow impact DKKm 30.4. Non-current assets at 31 December 2019 were up DKKm 93.4 and net interest-bearing debt was up DKKm 94.9.

The Cembrit Group's leases primarily comprise forklift trucks, cars and rental of warehouses and premises.

Measurement of lease liabilities	
Operating lease commitments disclosed 31 December 2018 (note 30)	71,462
Discounted using the lessee's incremental borrowing rate at the date of initial application	66,785
Other adjustments to the disclosure as of 31 December 2018	-5,021
Add: finance lease liabilities recognised as at 31 December 2018	755
(Less): short-term and low value leases not recognised as a liability	-1,588
Lease liability recognised 1 January 2019	60,931

The interest rates used at 1 January 2019 are specified in note 22.

The group elected to adopt the new rules applying the simplified transition approach, thus the comparative figures for 2018 have not been restated and follow IAS 17 instead of IFRS 16.

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 recognised when Cembrit has transferred control of products sold to the buyer and it is probable that Cembrit will collect the consideration to which it is entitled for transferring the products. Control of the products is transferred at a point in time, typically on delivery.

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
- 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 and 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 and financial items.

Financial items have been classified as financing activities to better reflect the operational performance. In 2018 financial items were classified as operating activities. The comparative figures have been adjustet.

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

	2019	**2018**
	DKK (000)	DKK (000)
Revenue by geographical area		
Denmark	503,334	484,178
United Kingdom	220,619	236,907
Sweden	161,830	174,568
Nordic (excl. Denmark and Sweden) and Ireland	380,478	423,559
West Europe (excl. United Kingdom)	203,231	211,320
Other	132,623	124,178
	1,602,115	**1,654,710**
Revenue by product group		
Roofing	727,163	737,522
Façade/function boards	670,274	712,364
Other	204,678	204,824
	1,602,115	**1,654,710**
Assets by geographical area		
Denmark	147,617	102,259
Nordic excl. Denmark, the UK and Ireland	251,699	235,513
East Europe	705,711	718,423
Other	37,144	32,351
	1,142,171	**1,088,546**

Assets by geographical area comprise intangible and tangible assets.

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.

	2019	2018
	DKK (000)	DKK (000)
Other operating income		
Rent income	0	1,135
Profit on disposal of tangible assets	1,312	0
Other income	7,375	4,948
	8,687	**6,083**
Other operating costs		
Loss on disposal of tangible assets	(398)	0
Provisions	0	(2,332)
Other costs	(4,369)	(3,508)
	(4,767)	**(5,840)**
Total other operating income and costs	**3,920**	**243**

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 2019 is DKK 0 (2018: DKKm 0).

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

	2019	2018
	DKK (000)	DKK (000)
Wages, salaries and fees	233,137	218,284
Contribution plans and other social costs, etc.	45,414	47,222
Other staff costs	14,839	19,005
	293,390	**284,511**
Hereof recognised as IPO in Inventories	(4,570)	(715)
	288,820	**283,796**
The amounts are included in the items:		
Production costs	112,266	101,408
Sales and distribution costs	130,904	137,188
Administrative costs	45,650	45,200
	288,820	**283,796**
Number of employees at 31 December	**1,398**	**1,352**

	2019	2018
Remuneration of the Board of Directors and the Key Management*	DKK (000)	DKK (000)
Wages, salaries and fees	8,028	8,086
Contribution plans and other social costs, etc.	200	333
	8,228	**8,419**
Hereof Management	7,286	7,499
Hereof Board of Directors	942	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 58.4 million warrants (2018: 54.3 million warrants) as management and other key employees have been granted 4.1 million new warrants in 2019 and no warrants have forfeited in 2019. 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 2019 is DKK 0 (2018: DKK 0). At the same time management and other key employees has acquired shares in the company corresponding to 1,8% of the share capital at 31 December 2019 (31 December 2018: 1,6%).

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:

	2019	**2018**
	DKK (000)	DKK (000)
Inventory write-down	0	10,000
M&A activities	0	5,727
Restructuring	7,416	15,076
Other	11,100	0
	18,516	**30,803**

Restructuring for 2019 DKKm 7.4 mainly consist of costs related to re-organisation of the business to optimize the future performance.

Other Special non-recurring items for 2019 DKKm 11.1 consists of increased provisions due to a lower interest level, which impacts the discounting of long-term other provisions liability and adjustment to the warranty provision.

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:

	Reported income statement YTD 2019 DKK (000)	Special items YTD 2019 DKK (000)	Adjusted income statement YTD 2019 DKK (000)	Reported income statement YTD 2018 DKK (000)	Special items YTD 2018 DKK (000)	Adjusted income statement YTD 2018 DKK (000)
Revenue	1,602,115	0	1,602,115	1,654,710	0	1,654,710
Production costs	(1,146,719)	(12,036)	(1,158,755)	(1,228,915)	(14,576)	(1,243,491)
Gross profit	**455,396**	**(12,036)**	**443,360**	**425,795**	**(14,576)**	**411,219**
Sales and distribution costs	(218,387)	(2,108)	(220,495)	(240,458)	(13,469)	(253,927)
Administrative costs and net other operating income	(69,009)	(4,372)	(73,381)	(73,328)	(2,758)	(76,086)
Earnings before depr., amort. and impairm. (EBITDA)	**168,000**	**(18,516)**	**149,484**	**112,009**	**(30,803)**	**81,206**
Special non-recurring items	(18,516)	18,516	0	(30,803)	30,803	0
Depreciation and impairment of tangible assets	(114,918)	-	(114,918)	(85,806)	-	(85,806)
Earnings before amort. and impairm. of intangible assets (EBITA)	**34,566**	-	**34,566**	**(4,600)**	-	**(4,600)**
Amortisation and impairment of intangible assets	(22,925)	-	(22,925)	(18,690)	-	(18,690)
Earnings before interest and tax (EBIT)	**11,641**	-	**11,641**	**(23,290)**	-	**(23,290)**
Financial items, net	(70,835)	-	(70,835)	(75,798)	-	(75,798)
Earnings before tax (EBT)	**(59,194)**	-	**(59,194)**	**(99,088)**	-	**(99,088)**
Tax on profit/loss for the period	(12,275)	-	(12,275)	14,533	-	14,533
Profit/loss for the period	**(71,469)**	-	**(71,469)**	**(84,555)**	-	**(84,554)**

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.

	2019	2018
	DKK (000)	DKK (000)
Revenue	1,602,115	1,654,710
Production costs	(1,231,083)	(1,312,308)
Gross profit	**371,032**	**342,402**
Sales and distribution costs	(247,872)	(243,534)
Administrative costs	(96,923)	(91,598)
Other operating income and costs	3,920	243
Special non-recurring items	(18,516)	(30,803)
Earnings before interest and tax (EBIT)	**11,641**	**(23,290)**
Depreciation, amortization and impairment consist of:		
Impairment and Amortization of intangible assets	(22,925)	(18,690)
Write-down and Depreciation of tangible assets	(82,716)	(85,806)
Write-down and Depreciation of leased assets	(32,202)	0
	(137,843)	**(104,496)**
Depreciation, amortization and impairment are split on:		
Production costs	(84,364)	(83,393)
Sales and distribution costs	(29,485)	(3,076)
Administrative costs	(23,994)	(18,027)
	(137,843)	**(104,497)**

7. Change in provisions

	2019	2018
	DKK (000)	DKK (000)
Warranty	(9,471)	(5,568)
Other provisions	(948)	(214)
	(10,419)	**(5,782)**

8. Change in working capital

	2019	2018
	DKK (000)	DKK (000)
Inventories	(14,535)	52,134
Trade receivables	31,952	8,060
Trade creditors	(2,629)	7,016
Prepayments	11,762	(10,230)
Other receivables and other liabilities	(24,855)	(35,012)
	1,695	**21,968**

9. Financial payments received and made

	2019	2018
	DKK (000)	DKK (000)
Financial payments received	5,294	3,922
Financial payments made	(65,864)	(73,459)
	(60,570)	**(69,537)**

10. Changes in liabilities arising from financing activities

2019

	Leases due within 1 year	Leases due after 1 year	Borrow. Due within 1 year	Borrow. Due after 1 year	Total
Net debt as at 1 Jan	(314)	(441)	(1,807)	(837,681)	(840,243)
Cash flow	30,608	0	(25,184)	0	5,424
Foreign exchange adjustments	0	0	0	0	0
Other non-cash movements	(58,128)	(66,639)	(36)	(8,214)	(133,017)
Net debt as at 31 Dec	(27,834)	(67,080)	(27,027)	(845,895)	(967,836)

2018

	Finance leases due within 1 year	Finance leases due after 1 year	Borrow. Due within 1 year	Borrow. Due after 1 year	Total
Net debt as at 1 Jan	(491)	(551)	(4,239)	(850,132)	(855,413)
Cash flow	177	108	2,413	12,451	15,149
Foreign exchange adjustments	0	2	19	0	21
Other non-cash movements	0	0	0	0	0
Net debt as at 31 Dec	(314)	(441)	(1,807)	(837,681)	(840,243)

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 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	Conses-sions, patents, licenses etc.	Customer relations	Other in-tangible assets	Advance payments for intangi-ble assets	Total
Cost at 1 January 2019	12,705	7,962	5,073	94,670	93,183	9,080	222,673
Foreign exchange adjustments	0	0	104	0	0	4	108
Additions	0	1,874	202	0	1,897	2,387	6,360
Disposals	0	0	(319)	0	0	0	(319)
Transferred between categories	0	0	248	0	0	(248)	0
Cost at 31 December 2019	**12,705**	**9,836**	**5,308**	**94,670**	**95,080**	**11,223**	**228,822**
Amortisation and impairment at 1 January 2019	0	(2,132)	(3,521)	(25,693)	(22,675)	0	(54,021)
Foreign exchange adjustments	0	0	(99)	0	0	0	(99)
Disposals	0	0	280	0	0	0	280
Amortizations	0	(1,686)	(1,293)	(6,228)	(7,855)	0	(17,062)
Impairment	0	0	(110)	0	(2,180)	(3,573)	(5,863)
Amortisation and impairment at 31 December 2019	**0**	**(3,818)**	**(4,743)**	**(31,921)**	**(32,710)**	**(3,573)**	**(76,765)**
Carrying amount at 31 December 2019	**12,705**	**6,018**	**565**	**62,749**	**62,370**	**7,650**	**152,057**
Cost at 1 January 2018	12,705	5,492	4,967	94,673	90,058	6,105	214,000
Foreign exchange adjustment	0	0	(80)	(3)	(22)	(9)	(114)
Additions	0	2,470	186	0	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 adjustment	0	0	58	(29)	21	0	50
Amortisations	0	(1,338)	(1,544)	(6,226)	(9,582)	0	(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**

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.

An impairment of DKKm 5.9 has been recognised in 2019 (2018: DKKm 0). The impairment mainly relates to development projects and IT software, which has been phased out.

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
- Right of use assets, 1-10 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.

Right-of-use assets

Lease assets are 'right-of-use assets' arising from a lease agreement. Lease assets are initially measured at cost consisting of the amount of the initial measurement of the lease’s liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received and the initial estimate of refurbishment costs and any initial directs costs incurred by Cembrit as the lessee. Cembrit has three different types of leases:

• Rental of premises
• Company cars, trucks etc.

The lease assets are depreciated on a straight-line basis over the lease term. The lease asset can be adjusted due to modifications to the lease agreement or reassessment of lease term.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less.

Lease liabilities
Lease liabilities are initially equal to the present value of the lease payments during the lease term that are not yet paid.

At initial recognition each contract is individually assessed to assess the likelihood of exercising a potential extension option in the contract. The option to extend the contract period will be included in the calculation of the lease liability if it is reasonably certain that Cembrit will exercise the option.

Leases
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 balance sheet shows the following amounts relating to leases:

	2019
Right-of-use assets:	DKK (000)
Land and buildings	68,030
Plant and machinery	12,606
Operating equipment, fixtures and fittings	12,728
	93,364

Amounts recognised in the statement of profit or loss:	**2019**
	DKK (000)
Land and buildings	17,755
Plant and machinery	5,073
Operating equipment, fixtures and fittings	10,373
Total depreciations charged to the income statement relating to IFRS 16	33,201
Interest expense (included in finance cost)	4,432
Expense relating to short-term and low-value leases (Cost of goods sold, distribution expenses and administrative expenses)	1,645
Total cash outflow for leases in 2019	36,685
Future cash outflows to which the lessee is potentially exposed that are not recognised is estimated to be approximately	2,600

The nature of the lessee's leasing activities is disclosed above.

The Group has the following groups of tangible assets:

DKK (000)	Land & buildings	Plant & machinery	Operating equipment, fixtures & fittings	Tangible assets in course of construction	Right of use assets	Total
Cost at 1 January 2019	474,259	653,530	32,197	5,232	-	1,165,218
Adjustment to opening	0	0	(1,254)	0	60,931	59,677
Foreign exchange adjustment	3,505	8,450	264	139	(184)	12,174
Additions	5,858	16,995	5,349	27,411	64,393	120,006
Disposals	(5)	(1,567)	(166)	0	0	(1,738)
Transferred between categories	2,102	10,385	199	(15,933)	426	(2,821)
Other adjustments	0	0	0	(52)	0	(52)
Cost at 31 December 2019	**485,719**	**687,793**	**36,589**	**16,797**	**125,566**	**1,352,464**
Depreciation and impairment at 1 January 2019	(63,880)	(166,787)	(13,151)	(1,506)	-	(245,324)
Adjustment to opening	0	0	1,254	0	0	1,254
Foreign exchange adjustment	(1,698)	(6,955)	(197)	(21)	0	(8,871)
Disposals	0	1,522	166	0	0	1,688
Depreciations	(17,286)	(56,263)	(8,168)	0	(32,202)	(113,919)
Transferred between categories	0	2,822	0	0	0	2,822
Other adjustments	0	0	0	0	0	0
Depreciation and impairment at 31 December 2019	**(82,864)**	**(225,661)**	**(20,096)**	**(1,527)**	**(32,202)**	**(362,350)**
Carrying amount at 31 December 2019	**402,855**	**462,132**	**16,493**	**15,270**	**93,364**	**990,114**
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	0	-	6,226
Depreciation	(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**
Hereof asset held under a finance lease	**0**	**427**	**0**	**0**	**0**	**427**

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 (2018: 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. Deposits are measured at amortised cost. Other securities and investments consist of long-term deposits.

	2019 DKK (000)	2018 DKK (000)
Cost at 1 January	2,172	1,220
Additions	38	952
Cost at 31 December	**2,210**	**2,172**
Adjustments 1 January	(868)	(868)
Disposals	0	0
Adjustments 31 December	**(868)**	**(868)**
Carrying amount at 31 December	**1,342**	**1,304**

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 2019, 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 2019.

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	Develop-ment projects	Consessions, patents, licenses etc.	Customer relations	Other intangible assets	Advance payments for intangible assets	Total
Cembrit	12,705	6,018	565	62,749	62,370	7,650	152,057

Key assumptions

Beside the intangible assets - as specified above - the tangible and financial assets have been tested as part of the impairment test.

Investments	2019	2018
Annual growth rate in budget 2020-24	5-21%	6-11%
Annual growth rate in terminal period	1.5%	1.5%
Discount Rate after tax	8.6%	9%
Discount Rate before tax	10.9%	12%
EBIT margin in budget 2020-24	7-13%	7-11%
EBIT margin in terminal period	13%	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 2019-24 budget period follow the Group strategy for investments. For the period after 2024, 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 2019, no further 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:

	2019	2018
	DKK (000)	DKK (000)
Inventories	315,026	297,370
Trade receivables	156,017	185,954
Other receivables	34,230	16,394
Prepaid expenses	11,242	20,823
	516,515	**520,541**
Prepayments from customers	(2,307)	(217)
Trade payables	(171,755)	(172,887)
Other liabilities	(141,850)	(148,954)
Deferred revenue	(160)	0
	(316,072)	**(322,058)**
Working capital of the Group	**200,444**	**198,483**

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.

	2019	**2018**
	DKK (000)	DKK (000)
Raw materials and consumables	41,016	25,158
Semi-finished goods	41,375	28,562
Finished goods and goods for resale	232,636	243,650
Inventories at 31 December	**315,027**	**297,370**
Impairment at 1 January	7,976	16,842
Foreign exchange adjustment	79	25
Additions	5,547	705
Disposals	(3,367)	(1,080)
Reversals	(3,296)	(8,516)
Write down at 31 December	**6,939**	**7,976**

17. Trade and other receivables

Accounting policy

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 2%.

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

Trade receivables at 31 December 2019 amounted to DKKm 156 (2018: DKKm 186).

Specification of changes in write down of trade receivables	**2019**	**2018**
	DKK (000)	DKK (000)
Impairment at 1 January	505	516
Foreign exchange adjustment	10	(3)
Additions	252	410
Reversals	0	(308)
Realised	(265)	(110)
Write down, trade receivables at 31 December	**502**	**505**

Overdue receivables not written-down fall due as follows:

Maturity period:	**2019** DKK (000)	**2018** DKK (000)
Due < 2 month	27,859	64,819
Due 2-6 month	5,018	5,043
Due 6-12 month	1,814	1,247
Due > 12 month	0	0
	34,691	**71,109**

The loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

	2019 DKK (000)		**2018** DKK (000)	
	Gross amount	Loss allowance	Gross amount	Loss allowance
Not due	118,339	0	114,856	0
Due < 2 month	29,361	2	64,882	37
Overdue <30 days	5,491	42	5,405	181
Overdue 30> <60 days	2,031	0	1,131	0
Due 2-6 month	1,844	458	1,327	287
	157,066	502	187,601	505

At 31 December 2019, other receivables - including corporation income tax receivable and derivative financial receivables - amounted to DKKt 34,236 (2018: DKKt 25,679).

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.

	2019	**2018**
	DKK (000)	DKK (000)
Current tax on the profit/loss for the year	(15,466)	(16,007)
Withholding tax	39	0
Adjustment of deferred tax	10,004	30,615
Adjustment of tax rate on deferred tax	(5)	(0)
Adjustments regarding previous years, deferred taxes	(5,918)	(2,885)
Adjustments regarding previous years, current taxes	(175)	3,351
Other adjustments	(754)	(541)
Tax for the period	(12,275)	14,533
Effective tax rate	**-20.7%**	**14.7%**
Reconciliation of tax		
Tax according to Danish tax rate	13,860	21,537
Difference in the tax rates in foreign subsidiaries relative to Danish tax rate	1,015	2,445
Withholding taxes	39	1
Non-taxable income and non-deductible costs	(10,520)	(9,097)
Difference in the tax rate between P&L and Balance	(38)	(0)
Non-recogntion of deferred tax	(7,288)	(172)
Differences due to adjustment of tax rate	(6)	(0)
Adjustments regarding previous years, deferred tax	(5,918)	(2,885)
Adjustments regarding previous years, current tax	(176)	3,351
Other adjustments	(3,244)	(647)
Effective tax	**(12,275)**	**14,533**

Corporate income tax paid in 2019 amounted to DKKm 21 (2018: corporate income tax received DKKm 13).

Tax on other comprehensive income	2019	2018
	DKK (000)	DKK (000)
Value adjustments of hedging instruments	528	(451)
	528	**(451)**

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)	2019							
Deferred tax consists of	1 Jan	Foreign exchan-ge trans-lation	Adjust. to previous years	Changed tax rate	Incl. in other compre-hensive income	Other	Incl. in profit/ loss	31 Dec
Intangible assets	(14,651)	(11)	0	0	0	0	1,638	(13,024)
Tangible assets	(61,714)	(170)	0	(179)	0	0	(18,252)	(80,315)
Current assets	(8,570)	(947)	0	(1)	528	(1,227)	174,036	163,819
Liabilities	26,671	855	15	0	0	0	(155,010)	(127,469)
Tax loss carry-forward, etc.	105,727	410	285	23	0	0	1,311	107,756
Net deferred tax assets/(liabilities)	**47,463**	**137**	**300**	**(157)**	**528**	**(1,227)**	**3,723**	**50,767**

DKK (000)	2018							
Deferred tax consists of	1 Jan	Foreign exchan-ge trans-lation	Adjust. to previous years	Changed tax rate	Incl. in other compre-hensive income	Other	Incl. in profit/ loss	31 Dec
Intangible assets	(14,825)	26	0	(29)	0	0	177	(14,651)
Tangible assets	(47,782)	(18)	(11,298)	(164)	0	0	(2,452)	(61,714)
Current assets	4,909	(8)	(17,241)	0	(72)	0	3,842	(8,570)
Liabilities	13,955	(220)	11,662	(26)	(99)	18	1,381	26,671
Tax loss carry-forward, 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**

Net deferred tax, DKKt 50,767 (2018: DKKt 47,463), is presented as deferred tax assets and deferred tax liabilities as follows:

Continuing activities	Deferred Tax Assets 2019 DKK (000)	Deferred Tax Liability 2019 DKK (000)	Deferred Tax Assets 2018 DKK (000)	Deferred Tax Liability 2018 DKK (000)
Intangible assets	2,265	15,289	6,206	20,857
Tangible assets	6,347	84,645	6,380	68,094
Current assets	182,477	18,868	8,624	17,194
Liabilities	42,764	170,692	29,715	3,044
Tax loss carry-forward, etc.	106,407	0	105,727	0
	340,260	**289,494**	**156,652**	**109,189**
Set-off with legal entities and jurisdictions	(224,217)	(224,218)	(47,905)	(47,905)
	116,043	**65,276**	**108,747**	**61,284**

Maturity profile of tax assets not recognized in balance sheet	**2019** DKK (000)	**2018** DKK (000)
Within one year	0	0
Between one and five years	0	0
After five years	45,746	32,724
	45,746	**32,724**

Deferred tax assets not recognized in the balance sheet consists of	**2019** DKK (000)	**2018** DKK (000)
Temporary differences	0	(5,522)
Tax losses	45,746	38,246
	45,746	**32,724**

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 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.

	2019	2018
	DKK (000)	DKK (000)
Financial income		
Interest income from banks and receivables	5,289	3,745
Other financial income	5	177
Interest income from financial assets that is measured at amortised cost in the income statement	**5,294**	**3,922**
Fair value adjustment	667	956
Foreign exchange gains, realised	16,669	12,158
Foreign exchange gains, unrealised	717	1,977
	23,347	**19,013**
Financial costs		
Interest payable on bank loans	(61,475)	(58,400)
Interest, leasing	(4,432)	0
Interest payable, other and other financial expenses	(10,310)	(13,841)
Interest expense from financial liabilities that are measured at amortised cost in the income statement	**(76,217)**	**(72,241)**
Fair value adjustment of derivative financial instruments	(1)	(912)
Foreign exchange losses, realised	(17,506)	(17,194)
Foreign exchange losses, unrealised	(457)	(4,464)
	(94,181)	**(94,811)**

Foreign exchange gains and losses which are related to accounts receivables and accounts payables are presented net. The comparable figures for 2018 has been re-stated accordingly.

21. Maturity structure of financial liabilities

	IFRS 16 contractual liabilty 2019 DKK (000)	IFRS 16 liabilty (carrying amount) 2019 DKK (000)	Contractual liability 2019 DKK (000)	Liability (carrying amount) 2019 DKK (000)	Contractu al liability 2018 DKK (000)	Liability 2018 DKK (000)
Within one year	31,727	27,834	73,159	20,688	48,868	2,121
Between one and five years	40,816	31,542	857,374	852,234	895,519	838,122
After five years	36,858	35,538	0	0	0	0
Total	**109,401**	**94,914**	**930,533**	**872,922**	**944,387**	**840,243**

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

Of the total derivate financial instruments DKKm 0.4 (liability) fall in 2021. The remain part full due within one year.

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

2019

	Currency	Contractual liability	2019 DKK (000)	Effective interest rate	Maturity structure interest payments < 1 year	1 -5 years	> 5 years
Company bond	EUR	903,286	(845,895)	6.3%	80%	20%	0%
Lease liabilities	*	109,401	(94,914)	**	27%	64%	9%
Credit facilities	CZK	3,505	(3,374)	3.0%	100%	0%	0%
Credit facilities	***	23,742	(23,653)	3.9%	100%	0%	0%
Total debt		**1,039,934**	**(967,836)**				
Total cash and cash equivalents			24,114				
Financial instruments and other fin. receivables			(6,094)				
Net interest-bearing receivables/(debt)			**(949,817)**				

* The lease liability is mainly in DKK/EUR

** The interest rate varies between 2,3%-5,7% depending on the type of lease

*** The credit facility is mainly i DKK

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).

	Currency	Contractual liability	2018 DKK (000)	Effective interest rate	< 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)**				

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 2019 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 buying and selling in foreign currencies. At 31 December 2019 the receivables and payables relate to the following currencies: DKK, EUR, GBP, SEK, NOK, CZK, JPY, PLN and HUF. If these currencies (apart from DKK and EUR) had been 10% lower at 31 December, profit before tax would have been down by DKKm 4.9 (2018: DKKm 7.5). 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 2019 would have been reduced by DKKm 53.7 (2018: DKKm 51.7) 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 2019 came in at DKKm 854.9 excl. IFRS 16 leasing and DKKm 949.8 including IFRS 16 leasing, which had been implemented in 2019 (2018: DKKm 806.4, excl. IFRS 16 leasing), 100% (2018: 100%) of which is financed at floating rate in line with Group policy.

The interest rate on the bond is variable with a base and a minimum of 5,5%. As of 31 December the base is zero.

Rente er variabel men med minum på 5.5% - indtil videre har vi betalt 5.5% pga. base er nul eller under nul.

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. The market value of the swap is DKKm -0.4

With regard to the Group's floating-rate financing, an annual 1-percentage-point 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 8.5 excl. IFRS 16 leasing and DKKm 9.5 including IFRS 16 leasing (2018: DKKm 8.4, excl. IFRS 16 leasing) and on equity of DKKm 6.7, excl. IFRS 16 leasing and DKKm 7.4 including IFRS 16 leasing (2018: DKKm 6.6, excl. IFRS 16 leasing). 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 honor 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.

The revolving credit facility mature in 2020 and the issued bond mature in 2021. The weighted average maturity is 1.2 years (2018: 2.2 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 79.1 (2018: DKKm 114.8).

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 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% (2018: 44%) of total sales. Receivables in Denmark 19% (2018: 14%) 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 24% (2018: 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 2019 amounted to DKKm 156.6 (2018: DKKm 187.1), which, based on individual assessments, have been written down to DKKm 156.0 (2018: DKKm 186.0).

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 -0.4 in 2019 (2018: DKKm - 1). At 31 December 2019, the fair value of the Group's hedge agreements that are not recognised as hedge accounting amounted to DKKm - 0.4 (2018: DKKm - 1).

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.

	2019	**2018**
	DKK (000)	DKK (000)
Cash flow hedge reserve recognised in other comprehensive income	(1,411)	(4,045)
Reclassified from other comprehensive income into income statement	7,428	24

At 31 December 2019, the fair value of the Group's cash flow hedge instruments amounted to DKKm - 57 (2018: DKKm 0.6).

Notional principal amount (DKKm) 2019:

					Sale					
Purchase	**CZK**	**DKK**	**EUR**	**GBP**	**HUF**	**NOK**	**PLN**	**SEK**	**Other**	**Total**
CAD	-	-	-	4	-	-	-	-	-	**4**
CZK	-	115	-	46	-	-	2	-	-	**163**
EUR	-	-	-	2	-	12	1	35	-	**50**
HUF	6	-	-	3	-	29	4	27	-	**69**
JPY	33	-	-	-	5	-	2	-	-	**40**
PLN	1	42	-	7	-	-	-	-	-	**50**
USD	9	-	3	1	2	-	2	-	-	**17**
Total	**49**	**157**	**3**	**63**	**7**	**41**	**11**	**62**	**-**	**393**

The forward contracts fall due from January 2020 to January 2021.

Notional principal amount (DKKm) 2018:

					Sale					
Purchase	**CZK**	**DKK**	**EUR**	**GBP**	**NOK**	**PLN**	**RUB**	**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.

Interest rate swap

At 31 December 2019 the market value of the Group's interest rate swap was DKKm -0.4 (2018: DKKm -1.1). The loss on interest rate swap contracts in 2019 has been recognised in the income statement as financial items as the interest rate swap is not deemed efficient.

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)

The bond is accounted at amortised cost.

2019	**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	2,178	0	2,178
Total financial assets	**0**	**2,178**	**0**	**2,178**
Financial liabilities				
Financial liabilities measured at fair value via other comprehensive income:				
Derivative financial instruments used to hedge future cash flow	0	8,272	0	8,272
Financial obligations measured at amortised cost	0	0	944,183	944,183
Total financial liabilities	**0**	**8,272**	**944,183**	**952,455**

The value of level 3 financial assets and liabilities is based on amortised cost, which in all materiality equals fair value. There were no significant transfers between level 1 and level 2 in 2019.

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:	0	0	0	0
Derivative financial instruments used to hedge future cash flow	0	1,795	0	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	0	2,538	0	2,538
Financial obligations measured at amortised cost	0	0	840,243	840,243
Total financial liabilities	**0**	**2,538**	**840,243**	**842,781**

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 2018.

26. Categories of financial instruments

	2019 DKK (000)	2018 DKK (000)
Financial assets		
Derivative financial instruments used for hedging	2,178	1,795
Financial assets at amortised cost	180,131	220,531
Financial liabilities		
Derivative financial instruments used for hedging	8,272	2,538
Liabilities at amortised cost:		
Company bond	845,895	837,681
Lease	94,914	755
RCF and external banks	3,354	1,807
Trade and other payables	171,755	172,887

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 an outflow of economic benefits is probable 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)

2019

DKK (000)	Warranties	Other	Total
Provisions at 1 January 2019	47,590	18,064	65,654
Exchange rate and other adjustments	442	321	763
Provision for the year	18,438	5,398	23,836
Used during the year	(17,630)	(5,351)	(22,981)
Reversals	(10,278)	(1,814)	(12,092)
Provisions at 31 December 2019	**38,562**	**16,618**	**55,180**

The maturity of provisions is specified as follows:	
Short-term liabilities	10,604
Long-term liabilities	44,576
	55,180

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)
Provision 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

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.

	2019 DKK (000)	2018 DKK (000)
Maturity structure of long-term liabilities:		
Deferred tax liability	65,276	61,284
Other provisions	20,847	27,799
Pension liabilities	435	358
Bank loans	845,895	837,681
Finance Lease	67,080	441
Other liabilities	2,911	2,084
Within one to five years	**1,002,444**	**929,647**
Other provisions	23,729	21,354
After five years	**23,729**	**21,354**
	1,026,173	**951,001**

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.

	2019 DKK (000)	2018 DKK (000)
Minimum rent and operating lease commitments:		
Maturity within one year	0	23,776
Maturity between one and five years	0	47,686
Maturity after five years	0	0
	0	**71,462**
Operating lease expenses recognised in the income statement	0	39,192

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 dividend 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	
	2019 DKK (000)	**2018** DKK (000)
1 January	71,524	41,860
Capital increase during the year	0	29,664
31 December	**71,524**	**71,524**

Share capital and dividend

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

Dividend distributed to the shareholders in 2019 was DKKm 0.0 (2018: DKKm 0.0).

32. Charged assets

At the end of December 2019 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 2019 in these subsidiaries was DKKm 172 (2018: DKKm 179).

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.

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	DKK (000)	DKK (000)	DKK (000)	DKK (000)
Statutory audit	3,155	1,646	37	37
Other assurance engagements	S	0	0	0
Tax and VAT consultancy	190	314	0	0
Other services	0	-64	0	0
	3,345	**1,896**	**37**	**37**

The fee for non-audit services delivered by PricewaterhouseCoopers to the Group amounted to DKKm 0,2 (2018: DKKm 0.3) 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 consist of the Group's Board of Directors and Executive Management plus close relatives of these persons and controlling parties listed in note 36. 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 2019 or 2018.

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

The latest development related to COV-19 has increased the uncertainty and given the rapid day-to-day developments in many countries, we are currently unable to assess the magnitude of the impact on our financials.

Beside COV-19 as stated above 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 2019 and financial year 2020 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 2019. Based on an analysis carried out by Cembrit Group A/S, the application of IFRS 16 - see below - has had a material impact on neither the consolidated financial statements or the separate financial statements for the parent company in 2019, and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

IFRS 16 'Leases'

With effective date 1 January 2019, IFRS 16 Leases has replaced IAS 17 Leases and has changed the classification and measurement 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. Further information is included in note 1 and note 12.

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 2019. The new accounting standards comprises, IAS 1 and IAS 8 Definition of Material.

New IFRSs which have not yet been endorsed by EU

In addition to the above, IASB has issued new or amended standards (IFRSs) and interpretations (IFRIC), which have not yet been endorsed by the EU. The new accounting standards comprises IFRS 3 Business combinations and IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

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'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

Adjusted gross profit, adjusted EBITDA and related ratios

Adjusted gross profit, adjusted EBITDA and related ratios are included in the Group financial highlights table. Further details are included in the Financial review section.

39. List of Group companies

Company name	Country	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 GmbH	Germany	100%
DKCF ApS	Denmark	100%
Cembrit SAS	France	100%
Cembrit BV	Netherland	100%

Cembrit Group Financial Statements
Parent company - income statement

Notes		2019 DKK (000)	2018 DKK (000)
	Other external cost	(1,527)	(66)
1	Staff costs	0	0
	Operating profit / loss	**(1,527)**	**(66)**
2	Financial income	13,501	11,178
3	Financial costs	(67,406)	(63,946)
	Profit / loss before tax	**(55,432)**	**(52,834)**
	Tax for the year	12,605	8,764
	Profit/loss for the year	**(42,827)**	**(44,070)**
4	Proposed distribution of profit / loss:		
	Shareholders in Cembrit Group A/S	(42,827)	(44,070)
		(42,827)	**(44,070)**

Parent company - balance sheet

ASSETS		2019	2018
		DKK (000)	DKK (000)
Notes			
5	Investment in subsidiaries	1,497,455	1,497,455
6	Financial receivable, subsidiaries	29,588	59,468
7	Deferred tax	23,375	10,905
	Financial assets	**1,550,418**	**1,567,828**
	Total non-current assets	**1,550,418**	**1,567,828**
	Other receivables	0	1,382
	Receivables	**0**	**1,382**
	Cash and cash equivalents	**38**	**1,984**
	Total current assets	**38**	**3,366**
	TOTAL ASSETS	**1,550,456**	**1,571,194**

EQUITY AND LIABILITIES		2019	2018
Notes		DKK (000)	DKK (000)
	Share capital	71,524	71,524
	Other undistributable reserves	0	0
	Retained earnings	607,410	649,955
8	**Total equity**	**678,934**	**721,479**
9	Borrowings	845,895	837,681
	Long-term liabilities	**845,895**	**837,681**
	Payables to subsidiaries	23,209	8,867
	Current tax liabilities	0	1,124
	Other liabilities	2,418	2,043
	Short-term liabilities	**25,627**	**12,034**
	Total liabilities	**871,522**	**849,715**
	TOTAL EQUITY AND LIABILITIES	**1,550,456**	**1,571,194**

11 **Contingent liabilities**
13 **Ownership**
14 **Accounting policies**

Parent company
- statement of changes in equity

DKK (000)	Share capital	Other un-distributable reserves	Retained earnings	Total
Equity at 1 January 2019	**71,524**	**0**	**649,955**	**721,479**
Capital increase	0	0	282	**282**
Profit/loss for the year	0	0	(42,827)	**(42,827)**
Equity at 31 December 2019	**71,524**	**0**	**607,410**	**678,934**

	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	0	60,335	**89,999**
Share-based payment, reversal	0	(1,889)	4,029	**2,140**
Profit/loss for the year	0	0	(44,070)	**(44,070)**
Equity at 31 December 2018	**71,524**	**0**	**649,955**	**721,479**

Parent company - notes

1 Staff costs

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

There are no employees in the Company, hence no staff costs".

2 Financial income

	2019 DKK (000)	2018 DKK (000)
Interest receivable, other	1,857	719
Interest income from subsidiaries	11,644	10,459
	13,501	**11,178**

3 Financial expenses

	2019 DKK (000)	2018 DKK (000)
Interest payable, related parties	9,358	4,191
Interest payable on borrowings	47,877	47,771
Interest payable, other	10,171	11,984
	67,406	**63,946**

4 Proposed distribution of profit/loss

	2019 DKK (000)	2018 DKK (000)
Shareholders in Cembrit Group A/S	-42,827	-44,070
	-42,827	**-44,070**

5 Investments in subsidiaries

DKK (000)	Total
Cost at 1 January 2019	1,497,455
Additions	0
Cost at 31 December 2019	**1,497,455**
Impairment at 1 January 2019	0
Impairment at 31 December 2019	**0**
Carrying amount at 31 December 2019	**1,497,455**
Cost at 1 January 2018	1,497,455
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**

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 GmbH	Germany	100%
DKCF ApS	Denmark	100%
Cembrit SAS	France	100%
Cembrit BV	Netherlands	100%

6 Financial receivable, subsidiaries

DKK (000)	Total
Cost at 1 January 2019	59,468
Additions	0
Repayment	(29,880)
Cost at 31 December 2019	**29,588**

7 Deferred tax asset

Deferred tax asset relates to Tax loss carry forwards. 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.

For further details we refer to note 19 of the consolidated financial statements.

8 Equity

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

9 Borrowings

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

	2019 DKK (000)	**2018** DKK (000)
Within one year	0	0
Between one and five years	845,895	837,681
After five years	0	0
Total	**845,895**	**837,681**

10 Auditor's fee

Reference is made to note 33 to the consolidated financial statements concerning fees to statutory auditor.

11 Contractual liabilities and contingent liabilities

At the end of December 2019 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 2019 in these subsidiaries was DKKm 172 (2018: DKKm 179).

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.

12 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 financial position.

13 Ownership

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

- Xilos Dakota Separate Limited Partnership, Jersey - Holds more than 50% of the share capital / votes in the Company

- Xilos Co-Investment No. 1 Separate Limited Partnership, Jersey - Holds between 20-24,99% of the share capital / votes in the Company.

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

14 Accounting policies

The annual report of Cembrit Group A/S for 1 January – 31 December 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act governing enterprises of reporting class D.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Cembrit Group, the Company has not prepared a cash flow statement.

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 2019, 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.

Impairment

Where the cost on investments in subsidiaries exceeds the recoverable amount, write-down is made to this lower value

Financial receivables

Financial receivables are measured at amortised cost, usually equaling 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.

Financial liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by amortisation of the value adjustment of the loan at the time of borrowing.

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

Consolidated Financial Statements
Group financial highlights - EUR*

	2015 EUR (000)	2016 EUR (000)	2017 EUR (000)	2018 EUR (000)	2019 EUR (000)
INCOME STATEMENT					
Revenue	183,645	198,372	214,079	221,523	214,482
Adjusted gross profit	51,584	57,080	49,169	57,003	62,799
Gross profit	51,584	57,080	49,169	57,003	60,966
Adjusted earnings before depreciation, amortisation and impairment (EBITDA)	16,626	13,688	5,305	14,995	24,502
Earnings before depreciation, amortisation and impairment (EBITDA)	16,626	13,688	5,305	14,995	22,491
Earnings before interest and tax (EBIT)	1,276	(1,271)	(9,781)	(3,118)	1,558
Earnings from financial items, net	(5,136)	(7,140)	(12,571)	(10,147)	(9,483)
Earnings before tax (EBT)	(3,859)	(8,411)	(22,352)	(13,265)	(7,924)
Profit/loss for the year	**(3,314)**	**(7,548)**	**(24,986)**	**(11,320)**	**(9,568)**
CASH FLOW					
Cash flow from operating activities	12,596	33,217	(16,211)	11,328	16,075
Cash flow from investing activities	(101,488)	(21,592)	(9,975)	(8,329)	(8,123)
Hereof investments in property, plant and equipment	(20,528)	(16,480)	(5,216)	(7,068)	(7,445)
WORKING CAPITAL	**33,342**	**12,390**	**30,908**	**26,572**	**26,834**
NET INTEREST-BEARING RECEIVABLES/(DEBT)	**(73,775)**	**(77,033)**	**(114,247)**	**(107,957)**	**(127,156)**
BALANCE SHEET					
Intangible assets	17,894	20,854	23,912	22,578	20,357
Tangible assets	128,121	132,617	127,934	123,150	132,551
Financial assets	11,137	13,236	11,602	14,733	15,715
Non-current assets	**157,152**	**166,707**	**163,448**	**160,461**	**168,622**
Current assets	94,600	71,730	82,643	75,559	72,377
Total assets	**251,752**	**238,437**	**246,092**	**236,020**	**240,999**
Equity	92,206	81,545	61,175	61,542	52,167
Long-term liabilities	80,018	85,039	130,210	127,314	137,378
Short-term liabilities	79,527	71,852	54,706	47,164	51,454
Total equity and liabilities	**251,752**	**238,437**	**246,092**	**236,020**	**240,999**
PROPOSED DIVIDEND TO SHAREHOLDERS	**0**	**0**	**0**	**0**	**0**
DIVIDEND PAID OUT DURING THE YEAR	**0**	**0**	**0**	**0**	**0**
FINANCIAL RATIOS					
Adjusted gross margin	28.1%	28.8%	23.0%	25.7%	29.3%
Gross margin	28.1%	28.8%	23.0%	25.7%	28.4%
Adjusted EBITDA margin	9.1%	6.9%	2.5%	6.8%	11.4%
EBITDA margin	9.1%	6.9%	2.5%	6.8%	10.5%
EBIT margin	0.7%	-0.6%	-4.6%	(1.4%)	0.7%
EBT margin	-2.1%	-4.2%	-10.4%	(6.0%)	(3.7%)
Return on equity	-3.6%	-8.7%	-35.0%	(18.4%)	(16.8%)
Equity ratio	36.6%	34.2%	24.9%	26.1%	21.6%
Net working capital ratio	18.2%	6.2%	14.4%	12.0%	12.5%
Number of employees at 31 December, Group	**1,041**	**1,154**	**1,339**	**1,352**	**1,398**
Number of employees in Denmark	93	99	107	107	90

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

Adjusted gross profit, adjusted EBITDA and related ratios have been introduced in the group financial highlights table above to better reflect the business performance. Further details are included on page 11.

The implementation of IFRS 16 Leases as from 1 January 2109 impacted the financial statements and key ratios for 2019. Comparative figures for 2015-2018 have not been restated.

Financial items received and paid have been reclassified in the cash flow statement from operating activities to financing activities. Comparative figures for 2015-2018 have been restated.

* The figures have been translated at the EUR/DKK exchange rate of 746.97

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