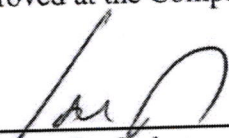


**Knauf A/S
Kirkebjerg Parkvej 9-11 e.
2605 Brøndby**

**ANNUAL REPORT 2016
Registration no. 54050313**

Approved at the Company's annual general meeting on 17.05.2017



Chairman, Ian Stokes

The English text is a translation of the original Danish text. The original Danish text is the governing text for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

CONTENTS

	<u>Page</u>
Company details	2
Statement by the Executive Board and the Board of Directors	3
Independent auditors' report	4
Management's review	6
Accounting policies	8
Income statement	13
Balance sheet	14
Statement of changes in equity	16
Cash flow statement	17
Notes	18

COMPANY DETAILS

COMPANY NAME:

Knauf A/S
Kirkebjerg Parkvej 9-11 e.
2605 Brøndby
Denmark
Registration no. 54050313
Domicile: Brøndby, Brøndby kommune
Established: 14 December 1967

Registered secondary names:

Knauf Danogips A/S
Danoline A/S
Danogips A/S
Knauf Danoline A/S

BOARD OF DIRECTORS:

Ian Stokes, Chairman
Kim Abildgaard
Mette Fogh Hansen
Anne Møller Jensen*)
Jørn Boje Nielsen*)
*) employee representatives

EXECUTIVE BOARD:

Morten la Cour Ørnstrand-Søborg, CEO

AUDITORS:

ERNST & YOUNG
Osvald Helmuths Vej 4
DK-2000 Frederiksberg
Godkendt Revisionspartnerselskab

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Executive Board and the Board of Directors have today discussed and approved the annual report of Knauf A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and their financial position.


We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 03.05.2017

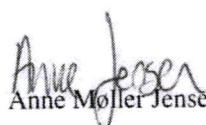
Executive Board

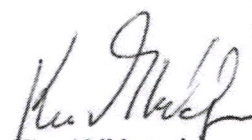

Morten la Cour Ørnstrand-Søborg

Board of Directors


Ian Stokes
(Chairman)


Mette Fogh Hansen


Anne Møller Jensen


Kim Abildgaard


Jørn Boje Nielsen

Independent auditor's report

To the shareholder of Knauf A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Knauf A/S for the financial year 1 January – 31 December 2016 which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, as well as consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are 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 of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" section of our report. 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 in preparing the consolidated financial statements and the parent company financial statements 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 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 consolidated financial statements and parent company financial statements.

Independent auditor's report

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

Independent Auditors' Report (continued)

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ 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.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on our procedures, we conclude that the 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 of the Management's review.

Copenhagen, 03.05.2017

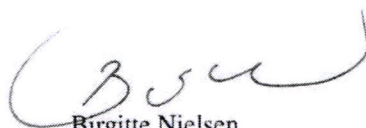
ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR-nr. 30 70 02 28



Peter Gath
State Authorised
Public Accountant



Birgitte Nielsen
State Authorised
Public Accountant

MANAGEMENT'S REVIEW

PRINCIPAL ACTIVITIES

The Group's and parent company activities in 2016, as in previous years, have consisted of production and sale of processed gypsum products.

The Company's activities in the Middle East are managed as a branch. The activities proceed as planned.

FINANCIAL DEVELOPMENT

DKKkm	2016	2015	2014	2013	2012
Consolidated Financial Highlights					
Revenue	968	970	904	925	1,058
Operating income	140	114	103	103	139
Profit/loss from financial income and expense	-4	16	-3	-16	9
Profit from ordinary activities before tax	167	154	112	99	176
Profit for the year	131	118	85	76	133
Non-current assets	458	461	512	560	645
Investments for the year	42	33	45	45	56
Current assets	475	494	477	460	633
Total assets	933	955	990	1,020	1,278
Equity	648	670	745	814	1,015
Provisions	52	53	58	59	60
Long-term liabilities other than provisions	5	4	1	0	0
Short-term liabilities other than provisions	228	228	185	147	203
Total equity and liabilities	933	955	989	1,020	1,278
Cash flow from operating activities	200	223	178	168	104
Cash flow from investing activities	-42	-32	-45	-45	-43
Cash flow from financing activities	-96	-172	-193	-44	-111
Total cash flows	62	19	-60	79	-50
Number of employees	332	339	340	362	357
Financial ratios					
Net profit ratio (EBIT-margin)	14.5%	11.8%	11.4%	11.1%	13.1%
Return on invested capital	30.6%	21.3%	15.7%	12.2%	15.8%
Return on equity (ROE)	19.9%	16.7%	10.9%	8.3%	14.2%
Assets/equity	1.4	1.4	1.3	1.3	1.3

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". Reference is made to definitions and terminology under "Accounting policies".

MANAGEMENT'S REVIEW

In 2016, the Knauf A/S Group and the Parent Company realised an ordinary operating margin in line with expectations, which is considered satisfactory.

EXPECTED DEVELOPMENT

For 2017, both revenue and ordinary operating margin are expected to be on level or better than the results for 2016, for both the Group and the Parent Company.

ENVIRONMENT

Our management system has been certified according to ISO 9001, ISO 14001 and OHSAS 18001. The Danish Energy Agency has submitted a carbon permit and allocated credits according to the Danish Carbon Credits Act.

Knauf A/S is not required to prepare an environmental report.

CORPORATE SOCIAL RESPONSIBILITY

The Company has not formulated any actual CSR policies, including policies on climate, environment and human rights. As a responsible manufacturing business, we are conscious that we observe rules and regulations in the countries and local communities in which we operate, and we have formalised our environment and working environment efforts by having our management systems certify according to ISO 14001 and OHSAS 18001.

In 2017, we are going to assess if we need more formalised CSR policies and whether we wish to involve other areas than the environment and working environment.

WOMEN ON THE BOARD

Our aim is to have at least 25% women on our Board of Directors by the end of 2017. At the end of 2016, the Board of Directors counted three members appointed by the company in general meeting – two men and one woman.

WOMEN IN OTHER EXECUTIVE POSITIONS

It is the Company's policy to appoint those most suitable for any executive position while at the same time focusing on improving the qualifications of female talents. We aim at having at least 25% female executives by 2020. To meet this end, Knauf A/S has taken a number of initiatives, including a so-called "PPD – People, Performance, Development" process during which each individual employee's effort and development are discussed twice a year with the employee's immediate superior. This process allows Management to make sure that qualified female employees may be developed into executives and to meet the 25% target by 2020. At the end of 2016 the ratio of female executives has 12,5%.

SUBSEQUENT EVENTS

After the balance sheet date, no events have occurred that affect the financial position of the Company.

ACCOUNTING POLICIES

GENERAL

The annual report has been prepared in accordance with the provisions applying to large reporting class C enterprises under the Danish Financial Statements Act.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 July 2015. This implies changes in the recognition and measurement in the following areas:

Yearly reassessment of residual values of property, plant and equipment

In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity. The change does not impacts the income statement or the balance sheet for 2016 or the comparative figures.

Due to the changed structure in Germany, the Company has reassessed the scope of group entities for this fiscal year. The change means adjustments to the presentation of balance sheet and notes to the financial statements. Comparative figures are adjusted accordingly. The change has not affected equity and profit/loss for the year in terms of value.

Apart from the above new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent company Knauf A/S and its subsidiaries.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances, dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date. Receivables and payables denominated in foreign currencies are translated to DKK at the exchange rates at the balance sheet date. Realised and unrealised foreign exchange gains and losses are recognised in the income statement under financial income and expenses, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of future assets or liabilities are recognised as receivables or payables and as equity. Income and expenses relating to such hedging transactions are transferred to equity on realisation of the hedged item and recognised in the same item as the hedged item.

ACCOUNTING POLICIES

REVENUE

Income from the sale of goods, which are primarily goods of own produce, is recognised in revenue once the most significant awards and risks have passed to the buyer, the income can be made up reliably and payment is expected to be received. The date of the passing of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excl. VAT and taxes charged on behalf of third parties. All types of discounts granted are recognised in revenue.

PRODUCTION COSTS

Production costs comprise costs, including depreciation and salaries incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries and depreciation of production plant.

DISTRIBUTION COSTS

Costs incurred in distributing goods sold during the year and costs relating to sales staff, advertising and depreciation are recognised as distribution costs.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise expenses incurred during the year for Group management and administration, including expenses for administrative staff, office premises and office costs, as well as depreciation.

OTHER OPERATING INCOME AND COSTS

Other operating income and costs comprise items secondary to the principal activities of the enterprises, including gains and losses on disposal of non-current assets.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest income and expense payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

SHARE OF NET PROFIT IN SUBSIDIARIES

Dividends from investments in subsidiaries are recognised in the parent company's income statement in the financial year in which the dividends are declared. To the extent that dividends exceed the accumulated earnings after the acquisition date, dividends are recognised as a reduction of the investment cost.

INTANGIBLE ASSETS

Goodwill, rights, patents and licences are measured at cost less accumulated amortisation.

Goodwill is amortised on a straight-line basis over its useful life based on an assessment of, among other factors, the acquiree's nature, earnings, market position, stability in the industry and dependence on key staff.

The amortisation period for goodwill and acquired rights is 5-20 years.

In certain situations, the amortisation period is up to 20 years for strategically acquired intangible assets that support a strong market position and a long-term earnings profile, provided that the longer amortisation period is found to better reflect the value of the resources concerned.

The carrying amount of goodwill is assessed on a regular basis and it is written down in the income statement to the recoverable amount if the carrying amount exceeds the expected future net income from the enterprise or activity to which the goodwill relates.

Goodwill, rights, patents and licences are written down to the recoverable amount if this is lower than the carrying amount.

ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation. Property plant and equipment is written down to the recoverable amount if this is lower than the carrying amount.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

The expected useful lives are as follows:

- Buildings and major refurbishment:	20-50 years
- Major plant and machinery:	15-20 years
- IT equipment, fixtures and fittings, tools and equipment:	4-13 years

Depreciation charges are recognised in the income statement under production costs, distribution costs and administrative expenses, respectively.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year.

Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

LEASES

Leases concerning property, plant and equipment in respect of which the Company bears all significant risks and enjoys all significant benefits associated with the title to such assets (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value and the present value of the future lease payments. For purposes of calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount rate. Assets held under finance leases are depreciated as other, similar fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments under operating leases and other rent agreements are recognised in the income statement over the term of the lease/agreement. The Company's aggregate liabilities under operating leases and rent agreements are disclosed under "Contingencies, etc."

INVESTMENTS

Investments in subsidiaries are measured at cost. Write-down is made to the recoverable amount if this is lower than cost. Cost is reduced by dividends received exceeding the accumulated earnings after the acquisition date.

IMPAIRMENT OF NON-CURRENT ASSETS

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

ACCOUNTING POLICIES

INVENTORIES

Inventories are measured at cost in accordance with weighted average prices. Where the net realisable value is lower than cost, inventories are written down to this lower value. The cost of finished goods comprises the cost of raw materials, consumables, direct wages and salaries and indirect production overheads, which comprise indirect materials and wages and salaries, maintenance and depreciation of production machinery used in the production process, buildings and equipment as well as factory administration and management costs.

RECEIVABLES

Receivables are measured at amortised cost. Provision is made for anticipated losses.

CORPORATION TAX AND DEFERRED TAX

Tax for the year comprises current tax and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

DIVIDENDS

Proposed dividends are recognised as a separate item under equity.

LIABILITIES

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

CASH FLOW STATEMENT

The cash flow statement shows the Knauf A/S Group's cash flows from operating, investing and financing activities for the year, the year's change in cash and cash equivalents and the Group's cash and cash equivalents at the beginning and at the end of the year. Cash and cash equivalents comprise cash at bank and in hand.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities comprise raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash which are subject to an insignificant risk of changes in value.

ACCOUNTING POLICIES

SEGMENT INFORMATION

Information is provided on business segments and geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

FINANCIAL RATIOS

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Net profit ratio	$\frac{\text{Operating profit} * 100}{\text{Revenue}}$
Return on investment	$\frac{\text{Operating profit} * 100}{\text{Average invested capital}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Return on equity	$\frac{\text{Profit from ordinary activities after tax} * 100}{\text{Average equity}}$
Assets/equity	$\frac{\text{Total assets}}{\text{Total equity}}$

INCOME STATEMENT

Note	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
1 Revenue	968,128	969,699	497,519	509,959
2 Production costs	<u>-590,487</u>	<u>-615,520</u>	<u>-288,971</u>	<u>-304,466</u>
GROSS MARGIN	377,641	354,179	208,548	205,493
2 Distribution costs	-143,120	-149,976	-69,227	-72,150
2 Administrative expenses	<u>-94,208</u>	<u>-90,395</u>	<u>-68,190</u>	<u>-61,444</u>
OPERATING INCOME	140,313	113,808	71,131	71,899
Other operating income	<u>30,757</u>	<u>24,662</u>	<u>38,438</u>	<u>31,059</u>
PROFIT BEFORE NET FINANCIALS	171,070	138,470	109,569	102,958
Share of net profit in subsidiaries	-	-	66,914	0
3 Financial income	7,753	25,001	2,981	10,256
Financial expenses	<u>-11,326</u>	<u>-9,091</u>	<u>-5,010</u>	<u>-2,346</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX	167,497	154,380	174,454	110,868
4 Tax on profit from ordinary activities	<u>-36,923</u>	<u>-36,110</u>	<u>-22,664</u>	<u>-24,954</u>
PROFIT FOR THE YEAR	<u>130,574</u>	<u>118,270</u>	<u>151,790</u>	<u>85,914</u>

BALANCE SHEET AT 31 DECEMBER

ASSETS

Note	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
NON-CURRENT ASSETS				
Goodwill	74,562	81,673	0	0
Rights, software and patents	<u>2,475</u>	<u>2,124</u>	<u>2,475</u>	<u>2,124</u>
5 Total intangible assets	<u>77,037</u>	<u>83,797</u>	<u>2,475</u>	<u>2,124</u>
Land and buildings	165,160	167,968	56,298	58,394
Assets under construction	2,309	4,189	2,309	4,189
Production plant, tools and equipment	<u>213,278</u>	<u>205,371</u>	<u>70,544</u>	<u>74,915</u>
6 Total property, plant and equipment	<u>380,747</u>	<u>377,528</u>	<u>129,151</u>	<u>137,498</u>
7 Investments in group enterprises	<u>0</u>	<u>0</u>	<u>267,400</u>	<u>267,400</u>
Investments	<u>0</u>	<u>0</u>	<u>267,400</u>	<u>267,400</u>
TOTAL NON-CURRENT ASSETS	<u>457,784</u>	<u>461,325</u>	<u>399,026</u>	<u>407,022</u>
CURRENT ASSETS				
Raw materials and consumables	22,741	19,681	17,311	15,680
Finish goods and goods for resale	<u>51,733</u>	<u>44,448</u>	<u>30,399</u>	<u>32,539</u>
Total inventories	<u>74,474</u>	<u>64,129</u>	<u>47,710</u>	<u>48,219</u>
Trade receivables	97,913	69,057	58,472	37,793
Amounts owed by group enterprises	62,621	176,461	65,524	180,736
8 Corporation tax receivable	1,576	229	1,576	229
Other receivables	<u>38,085</u>	<u>46,287</u>	<u>12,339</u>	<u>18,960</u>
Total receivables	<u>200,195</u>	<u>292,034</u>	<u>137,911</u>	<u>237,718</u>
Cash at bank and in hand	<u>200,630</u>	<u>138,124</u>	<u>125,058</u>	<u>50,389</u>
TOTAL CURRENT ASSETS	<u>475,299</u>	<u>494,287</u>	<u>310,679</u>	<u>336,326</u>
TOTAL ASSETS	<u>933,083</u>	<u>955,612</u>	<u>709,705</u>	<u>743,348</u>

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES

Note	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
	2016 DKK'000	2015 DKK'000	2016 DKK'000	2015 DKK'000
EQUITY				
9 Share capital	50,000	50,000	50,000	50,000
Retained earnings	597,797	619,589	495,512	514,770
TOTAL EQUITY	647,797	669,589	545,512	564,770
PROVISIONS				
10 Deferred tax	52,233	53,456	38,320	39,917
TOTAL PROVISIONS	52,233	53,456	38,320	39,917
LIABILITIES				
LONG-TERM LIABILITIES:				
11 Lease liability	4,625	4,088	2,552	2,522
Total long-term liabilities	4,625	4,088	2,552	2,522
SHORT-TERM LIABILITIES				
Current portion of long-term liabilities	1,243	876	641	502
Trade payables	134,800	144,722	91,737	109,256
Amounts owed to group enterprises	11,444	7,786	5,305	4,008
8 Corporation tax	14,696	14,372	0	0
Other payables	66,245	60,723	25,638	22,373
Total short-term liabilities other than provisions	228,428	228,479	123,321	136,139
TOTAL LIABILITIES OTHER THAN PROVISIONS	233,053	232,567	125,873	138,661
TOTAL EQUITY AND LIABILITIES	933,083	955,612	709,705	743,348
12 Co2 quota				
13 Contingent liabilities				
14 Staff				
15 Fees paid to auditors appointed at the annual general meeting				
16 Related parties				

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER

CONSOLIDATED

Note	DKK'000	Share capital	Retained earnings	Extraordinary dividend	Total
		50,000	619,589		669,589
				-171,048	-171,048
			18,682		18,682
17	Profit for the year		-40,474	171,048	130,574
	Equity 31. december 2016	50,000	597,797	0	647,797

PARENT COMPANY

Note	DKK'000	Share capital	Retained earnings	Extraordinary dividend	Total
		50,000	514,770		564,770
				-171,048	-171,048
17	Profit for the year		-19,258	171,048	151,790
	Equity 31. december 2016	50,000	495,512	0	545,512

CASH FLOW STATEMENT

Note	<u>CONSOLIDATED</u>	
	2016 DKK'000	2015 DKK'000
Operating income	171,070	138,470
18 Adjustments	61,642	74,195
19 Changes in working capital	<u>7,460</u>	<u>36,437</u>
Cash generated from ordinary activities before financial items	240,172	249,102
Interest received	1,065	2,181
Interest paid	<u>-914</u>	<u>-1,112</u>
Cash generated from ordinary activities	240,323	250,171
8 Corporation tax payable	<u>-40,462</u>	<u>-27,010</u>
CASH FLOWS FROM OPERATING ACTIVITIES	199,861	223,161
Acquisition of intangible assets	-1,125	-740
Acquisition of property, plant and equipment	-41,122	-32,000
Disposal of property, plant and equipment	<u>397</u>	<u>639</u>
CASH FLOWS FROM INVESTING ACTIVITIES	-41,850	-32,101
Financial leasing	904	3,800
Loans to affiliated companies	74,639	-3,920
Dividends paid	<u>-171,048</u>	<u>-171,904</u>
CASH FLOWS FROM FINANCING ACTIVITIES	-95,505	-172,024
CASH FLOWS FOR THE YEAR	62,506	19,036
Cash and cash equivalents at beginning of year	<u>138,124</u>	<u>119,088</u>
CASH AND CASH EQUIVALENTS AT YEAR END	<u>200,630</u>	<u>138,124</u>

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

NOTES

1 SEGMENT INFORMATION

The breakdown of revenue by geographical and business segments has not been disclosed, cf. section 96(1) of the Danish Financial Statements Act, as Management of the Group and the Company is of the opinion that making such a disclosure could be very detrimental to the Company. As there are but few manufacturers in the market for gypsum products nationally as well as internationally, a breakdown by geographical and business segments could result in loss of market shares due to the fierce competition.

	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
<u>DKK'000</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
2 Amortisation, depreciation and impairments losses				
Intangible assets	11,249	11,750	774	882
Property, plant and equipment	<u>50,572</u>	<u>53,107</u>	<u>16,587</u>	<u>16,858</u>
	<u>61,821</u>	<u>64,857</u>	<u>17,361</u>	<u>17,740</u>

Amortisation/depreciation changes and impairment losses are recognised in the consolidated financial statements and the parent company financial statements under the following line items:

Production costs	48,721	51,246	14,754	15,020
Distribution costs	370	667	352	644
Administrative expenses	<u>12,730</u>	<u>12,944</u>	<u>2,255</u>	<u>2,076</u>
	<u>61,821</u>	<u>64,857</u>	<u>17,361</u>	<u>17,740</u>

3 FINANCIAL INCOME

Other financial income	6,967	23,446	2,195	8,691
Interest income from subsidiaries	<u>786</u>	<u>1,555</u>	<u>786</u>	<u>1,565</u>
Financial income	<u>7,753</u>	<u>25,001</u>	<u>2,981</u>	<u>10,256</u>

4 TAX ON THE PROFIT FROM ORDINARY ACTIVITIES

Current tax	36,854	39,572	22,424	24,122
Deferred tax adjusted	-1,269	-2,925	-1,597	375
Adjusted tax rate	-499	-994	0	0
Adjustment of tax relating to previous years	<u>1,837</u>	<u>457</u>	<u>1,837</u>	<u>457</u>
Total computed tax	<u>36,923</u>	<u>36,110</u>	<u>22,664</u>	<u>24,954</u>

NOTES

<u>DKK'000</u>	<u>Goodwill</u>	<u>Rights, software and patents</u>	<u>Total</u>
5 INTANGIBLE ASSETS			
CONSOLIDATED			
Cost at 1/1 2016	204,337	7,755	212,092
Transferred from assets under construction	0	305	305
Foreign exchange adjustment	8,858	0	8,858
Additions during the year	<u>0</u>	<u>820</u>	<u>820</u>
Cost at 31/12 2016	<u>213,195</u>	<u>8,880</u>	<u>222,075</u>
Amortisation and impairment loss at 1/1 2016	-122,664	-5,631	-128,295
Foreign exchange adjustment	-5,494	0	-5,494
Amortisation for the year	<u>-10,475</u>	<u>-774</u>	<u>-11,249</u>
Amortisation and impairment loss at 31/12 2016	<u>-138,633</u>	<u>-6,405</u>	<u>-145,038</u>
Carrying amount at 31/12 2016	<u><u>74,562</u></u>	<u><u>2,475</u></u>	<u><u>77,037</u></u>

NOTES

<u>DKK'000</u>	<u>Rights, software and patents</u>	<u>Total</u>
5 INTANGIBLE ASSETS		
PARENT COMPANY		
Cost at 1/1 2016	7,755	7,755
Transferred from assets under construction	305	305
Additions during the year	<u>820</u>	<u>820</u>
Cost at 31/12 2016	<u>8,880</u>	<u>8,880</u>
Amortisation and impairment loss at 1/1 2016	-5,631	-5,631
Amortisation for the year	<u>-774</u>	<u>-774</u>
Amortisation and impairment loss at 31/12 2016	<u>-6,405</u>	<u>-6,405</u>
Carrying amount at 31/12 2016	<u><u>2,475</u></u>	<u><u>2,475</u></u>

NOTES

<u>DKK'000</u>	<u>Land and buildings</u>	<u>Production plant, tools and equipment</u>	<u>Assets under construction</u>	<u>Total</u>
6 PROPERTY, PLANT AND EQUIPMENT				
CONSOLIDATED				
Cost at 1/1 2016	313,809	670,708	4,189	988,706
Transferred from assets under construction	0	3,884	-4,189	-305
Foreign exchange adjustment	9,347	20,263	0	29,610
Additions during the year	2,372	36,441	2,309	41,122
Disposals during the year	<u>-22</u>	<u>-7,471</u>	<u>0</u>	<u>-7,493</u>
Cost at 31/12 2016	<u>325,506</u>	<u>723,825</u>	<u>2,309</u>	<u>1,051,640</u>
Depreciation and impairment loss at 1/1 2016	-145,841	-465,337	0	-611,178
Foreign exchange adjustment	-3,533	-13,148	0	-16,681
Depreciation for the year	-10,981	-39,591	0	-50,572
Depreciation on assets disposed of	<u>9</u>	<u>7,529</u>	<u>0</u>	<u>7,538</u>
Depreciation and impairment loss at 31/12 2016	<u>-160,346</u>	<u>-510,547</u>	<u>0</u>	<u>-670,893</u>
Carrying amount loss at 31/12 2016	<u>165,160</u>	<u>213,278</u>	<u>2,309</u>	<u>380,747</u>
Property, plant and equipment include assets held under finance leases at a total carrying amount of	<u>0</u>	<u>5,803</u>	<u>0</u>	<u>5,803</u>

NOTES

<u>DKK'000</u>	<u>Land and buildings</u>	<u>Production plant, tools and equipment</u>	<u>Assets under construction</u>	<u>Total</u>
6 PROPERTY, PLANT AND EQUIPMENT				
PARENT COMPANY				
Cost at 1/1 2016	141,641	304,973	4,189	450,803
Transferred from assets under construction	0	3,884	-4,189	-305
Additions during the year	1,971	4,278	2,309	8,558
Disposals during the year	<u>-22</u>	<u>-4,558</u>	<u>0</u>	<u>-4,580</u>
Cost at 31/12 2016	<u>143,590</u>	<u>308,577</u>	<u>2,309</u>	<u>454,476</u>
Depreciation and impairment loss at 1/1 2016	-83,247	-230,058	0	-313,305
Depreciation for the year	-4,054	-12,533	0	-16,587
Depreciation on assets disposed of	<u>9</u>	<u>4,558</u>	<u>0</u>	<u>4,567</u>
Depreciation and impairment loss at 31/12 2016	<u>-87,292</u>	<u>-238,033</u>	<u>0</u>	<u>-325,325</u>
Carrying amount at 31/12 2016	<u>56,298</u>	<u>70,544</u>	<u>2,309</u>	<u>129,151</u>
Property, plant and equipment include assets held under finance leases at a total carrying amount of	<u>0</u>	<u>3,169</u>	<u>0</u>	<u>3,169</u>

NOTES

	PARENT COMPANY			
<u>DKK'000</u>	<u>2016</u>	<u>2015</u>		
7 INVESTMENTS IN GROUP ENTERPRISES				
Cost at 1/1	<u>267,400</u>	<u>267,400</u>		
Cost at 31/12	<u>267,400</u>	<u>267,400</u>		
Revaluation and impairment loss at 1/1	<u>0</u>	<u>0</u>		
Revaluation and impairment loss at 31/12	<u>0</u>	<u>0</u>		
Carrying amount at 31/12	<u>267,400</u>	<u>267,400</u>		
Specification of investments in group enterprises				
	Ownership	Registered office	Equity	Profit for the year
Norgips Norge AS	100%	3037 Drammen	352,119	42,667
Norgips Svenska AB	100%	70227 Örebro	11,481	3,701
Danogips Limited *	100%	England	-	

* There are no activities and equity in the company

NOTER

<u>DKK'000</u>	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
8 CORPORATION TAX				
Corporation tax payable at 1/1	14,143	2,122	-229	-3,817
Foreign exchange adjustments	482	80	0	0
Adjustment of tax relating to previous years	1,837	457	1,837	457
Settled during the year	-16,462	-2,659	-1,608	3,360
Tax paid on account for the year	<u>-24,000</u>	<u>-24,351</u>	<u>-24,000</u>	<u>-24,351</u>
Tax payment for the year	-24,000	-24,351	-24,000	-24,351
Foreign exchange adjustment	266	-1,078	0	0
Computed tax on income for the year	<u>36,854</u>	<u>39,572</u>	<u>22,424</u>	<u>24,122</u>
Corporation tax payable at 31/12	<u>13,120</u>	<u>14,143</u>	<u>-1,576</u>	<u>-229</u>
Specification of corporation tax payable/receivable at 31/12				
Adjustment at the beginning of the year	<u>14,696</u>	<u>14,372</u>	<u>0</u>	<u>0</u>
Corporation tax receivable	<u>-1,576</u>	<u>-229</u>	<u>-1,576</u>	<u>-229</u>

NOTES

<u>DKK'000</u>	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
9 SHARE CAPITAL				
The share capital consists of the following shares:				
2 shares of DKK 25,000 thousand each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
The Company's share capital has remained unchanged over the past 5 years.				
10 DEFERRED TAX				
Deferred tax at 1/1	53,456	57,953	39,917	39,542
Foreign exchange adjustments at the beginning of the year	545	-578	0	0
Adjustment of tax rate from 27,0 % to 25,0 % in Norway	-499	-994	0	0
Adjustment of deferred tax	<u>-1,269</u>	<u>-2,925</u>	<u>-1,597</u>	<u>375</u>
Deferred tax at 31/12	<u>52,233</u>	<u>53,456</u>	<u>38,320</u>	<u>39,917</u>
Deferred tax relates to:				
Intangible assets and property, plant & equipment	54,544	56,081	9,078	8,958
Current assets	1,565	1,162	849	782
Liabilities other than provisions	-3,876	-3,787	-1,619	-672
Balances of recapture	<u>-</u>	<u>-</u>	<u>30,012</u>	<u>30,849</u>
Total	<u>52,233</u>	<u>53,456</u>	<u>38,320</u>	<u>39,917</u>

NOTES

	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
<u>DKK'000</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
11 LONG-TERM LIABILITIES				
Repayment next year	1,243	876	641	502
Long-term portion	<u>4,625</u>	<u>4,088</u>	<u>2,552</u>	<u>2,522</u>
Total 31/12	<u>5,868</u>	<u>4,964</u>	<u>3,193</u>	<u>3,024</u>
Residual after 5 years	<u>318</u>	<u>373</u>	<u>254</u>	<u>323</u>

12 CO2 QUOTA

Knauf A/S has been granted 23,817 quota (2015: 24,162 quota) for the period 2016. During 2016, Knauf A/S has utilised 19,017 quota (2015: 19,262 quota).

13 CONTINGENT LIABILITIES

Knauf A/S has issued a DKK 289 thousand guarantee, regarding rent liability.

Knauf A/S has issued a NOK 500 thousand guarantee, regarding Norwegian customs.

Rent and lease contracts (operational leasing)

	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
<u>DKK'000</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Within 1 year	5,485	4,723	4,100	4,247
Between 1 and 5 years	4,550	4,539	2,864	4,285
After 5 year	0	0	0	0

NOTES

	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
	2016	2015	2016	2015
14 STAFF				
Average number of employees	332	339	205	208

	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
DKK'000	2016	2015	2016	2015
Wages and salaries	192,414	185,230	123,908	115,884
Pensions	11,188	10,678	7,875	7,474
Social security costs	13,725	12,933	1,656	948
Other personal cost	12,947	28,456	4,842	7,017
	<u>230,274</u>	<u>237,297</u>	<u>138,281</u>	<u>131,323</u>
Total remuneration and emolument to the Executive Board and Boards of directors, DKK'000	<u>2,227</u>	<u>1,989</u>	<u>2,227</u>	<u>1,989</u>

Staff costs are recognised in the consolidated financial statements and the parent company financial statements under the following line items:

Production costs	118,270	129,395	63,562	65,800
Distribution costs	54,652	58,314	29,020	26,337
Administrative expenses	57,352	49,588	45,699	39,186
	<u>230,274</u>	<u>237,297</u>	<u>138,281</u>	<u>131,323</u>

15 FEES PAID TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

DKK'000	2016	2015	2016	2015
Statutory audit	521	505	235	230
Assurance services	112	109	5	5
Tax consultancy	67	36	52	22
Other services	68	91	38	86
Total	<u>768</u>	<u>741</u>	<u>330</u>	<u>343</u>
Of which other auditors	<u>438</u>	<u>398</u>	<u>0</u>	<u>0</u>

NOTES

16 RELATED PARTIES

Knauf A/S' related parties comprise:

Control

Knauf International GmbH, D 97343 Iphofen, Germany, which fully owns the share capital of Knauf A/S.

Knauf A/S is included in the consolidated financial statements of Gebr. Knauf Verwaltungsgesellschaft KG, Iphofen, whose financial statements may be requested on www.ebundesanzeiger.de

Other related parties

The Company's related parties comprise companies in the Knauf Group.

Transactions with related parties

Knauf A/S have had the following transactions with related parties

	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
DKK'000	2016	2015	2016	2015
Sale of goods to subsidiaries	0	0	18,140	13,496
Sale of goods to other group companies	107,050	123,668	107,050	123,668
Purchase of goods & services from other group companies	125,197	109,916	48,965	52,148
Interest income from parent company	113	302	113	302
Interest income from other group companies	673	1,253	673	1,253
Interest income from subsidiaries	0	0	0	10
Changes for service to subsidiaries	0	0	7,607	6,442
Changes for service to other group companies	29,979	25,752	29,979	25,752
Receivables from subsidiaries	0	0	2,998	4,494
Receivables from parent company	3,718	78,356	3,717	78,356
Receivables from other group companies	58,903	98,105	58,809	97,886
Payables to subsidiaries	0	0	0	14
Payables to other group companies	11,444	7,786	5,305	3,994

	<u>CONSOLIDATED</u>		<u>PARENT COMPANY</u>	
DKK'000	2016	2015	2016	2015
17 PROFIT APPROPRIATION				
Proposed profit appropriation				
Extraordinary dividend - (paid-out in the year)	171,048	171,904	171,048	171,904
Retained earnings	-40,474	-53,634	-19,258	-85,990
	130,574	118,270	151,790	85,914

NOTES

<u>DKK'000</u>	<u>CONSOLIDATED</u>	
	<u>2016</u>	<u>2015</u>
18 ADJUSTMENTS		
Amortisation of intangible assets	11,249	11,750
Depreciation of property, plant and equipment	50,572	53,107
Gain on disposal of non-current assets	-136	447
Adjustment to other provisions	0	-359
Other adjustments, including tax and exchange rate adjustments	<u>-43</u>	<u>9,250</u>
Total	<u>61,642</u>	<u>74,195</u>
19 CHANGES IN WORKING CAPITAL		
Changes in inventories	-10,345	-8,061
Changes in receivables	18,547	10,254
Changes in short-term liabilities other than provisions	<u>-742</u>	<u>34,244</u>
Total	<u>7,460</u>	<u>36,437</u>