



Cembrit A/S

Sohngårdsholmsvej 2, DK-9000 Aalborg
Central Business Registration No. 58711713

Annual report 2017

The Annual General Meeting adopted the annual report on 30/4 2018

Chairman of the Annual General Meeting

Name: Rikke Alsted Houlberg
General Counsel

Entity details

Address

Cembrit A/S
Sohngårdsholmsvej 2, DK-9000 Aalborg

Entity details

Telefon:	+4599372222
Website:	www.cembrit.dk
Central Business Reg. No.:	58711713
Registered office:	Aalborg, Denmark
Financial year:	1 January – 31 December

Board of Directors

Jacob Moesgård, Chairman
Rikke Alsted Houlberg, Vice Chairman
Stefan Liedtke
Maj-Britt Møller
Michael Bjerring

Executive Directors

Morten Rosager Andersen

Company auditors

PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab

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Statement by Management

We have today considered and approved the Annual Report of Cembrit A/S for the financial year 1 January 2017 – 31 December 2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the Entity's financial position at 31 December 2017 and of the results of its operations for the financial year 1 January 2017 – 31 December 2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Aalborg, 25/4-2018

Executive Board




Morten Rosager Andersen
Director

Board of Directors



Jacob Moesgård
Chairman



Rikke Alsted Houlberg
Vice Chairman



Stefan Liedtke



Maj-Britt Møller*



Michael Bjerring*

*employee representative

Independent auditor's reports

To the Shareholders of Cembrit A/S

Opinion

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

We have audited the Financial Statements of Cembrit A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

- to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aalborg, 25/4-2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31



Mikkel Styr
State Authorised Public Accountant
mne26693



Søren Korgaard-Møllerup
State Authorised Public Accountant
mne31477



Management commentary

The main activity of Cembrit A/S is sales of fibre cement products to the Danish market as well as supply of know-how and technical support services on fibre cement building materials

The Company's 49th financial year

The Company is a market leader in sales of fibre cement products in Denmark. The main product lines are corrugated sheets and slates used primarily as roofing and flat sheets for interior and exterior cladding of facades, walls and ceilings.

Development in the year

The income statement of the Company for 2017 shows a profit of DKK 13,548t (2016: DKK 30,512t) and at 31 December 2017 the balance sheet of the Company shows equity of DKK 61,032t (2016: 72,975t).

The Company has from 1 April 2017 transferred the warehouse and logistic activities to the Sister Company Cembrit Logistics A/S.

The result is as expected.

Events occurring after the balance sheet date

From the balance sheet date and until today, no events have occurred which change the evaluation of the annual report.

Expectations for 2018

The level of activity in Denmark in 2018 is expected to be at the same level as of 2017. The focus areas in 2018 will primarily be continued profitability and increased customer focus.

Uncertainty relating to recognition and measurement

Non-recourse guarantee commitments for products sold have been determined based on the Company's expected drain on resources during the warranty period, taking into consideration the historical development of the individual products and comparable products.

Risk factors

General risks

The Company's operational risk is linked to the ability of selling products without substantial quality issues. Furthermore, it is important for the Company to have a strong position on the Danish market to secure consistency of supply to customers.

Intellectual capital resources

The Company is characterized by a dynamic environment within product development, which places great demands on the company when it comes to attracting and retaining skilled and innovative employees.

Employees and working environment

Due to their know-how, networks and competencies the company's employees are a significant competitive factor for the company. Therefore, job satisfaction is of great importance to the company.

The Company has an open and clear employment policy where there is room for diversity and development. In addition, a number of employee benefits to improve their physical, psychological and social well-being are offered. There is continuous focus on improving working conditions and the environment in the Company to retain committed employees and create a positive environment.

Statutory statement on social responsibility in accordance with section 99a of the Danish Financial Statements Act

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

Environment and climate

The objective of Cembrit is to sell fibre cement products on a commercial basis as efficiently as possible with the least impact on the environment and resources. Cembrit focuses on sustainability in the consumption of resources and by optimising transport.

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

Further details regarding environment and climate can be found in Cembrit Groups Management Commentary (the ultimate parent company).

Code of Conduct

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

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

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

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

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

- Respect and Fairness
- Basic employee rights

- Equality and non-discrimination
- Harassment-free working environment
- Respect for data privacy

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

Human rights and labour

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

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

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

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

Social responsibility

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

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

Anti-bribery Policy

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

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

Anti-Competition Policy

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

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

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

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

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

Conflict of interest Policy

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

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

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

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

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

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

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

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

Statutory statement on the underrepresented gender in accordance with section 99b of the Danish financial statement act

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

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

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

The current gender ratio in top management, the Board of Directors, is 3 male and 2 female.

The current gender ratio in the executive board is one male.

- It is always Cembrit's overall goal to comply with applicable law, which means to reach the targets in the recommendations from the Danish Business Authorities. It is Cembrit's target, to have at least one woman on the Board of Directors. This target is fulfilled.

Ownership

The Company is 100% owned by Cembrit holding A/S.

Financial highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2013	2014	2015	2016	2017
	DKK (000)	DKK (000)	DKK (000)	DKK (000)	DKK (000)
INCOME STATEMENT					
Revenue	610,794	561,253	544,697	546,954	496,489
Gross profit/loss	137,471	68,919	101,025	107,131	57,964
Operating profit/loss	79,444	8,152	41,893	39,632	18,084
Net financials	(2,692)	(427)	(757)	(456)	(695)
Profit/loss from ordinary activities before tax	76,752	7,725	41,136	39,176	17,389
Profit/loss for the year	56,355	4,843	30,911	30,512	13,548
BALANCE SHEET					
Total assets	301,020	242,291	211,638	237,418	234,872
Equity	121,938	65,034	79,262	72,975	61,032
FINANCIAL RATIOS					
Gross margin	22.5%	12.3%	18.5%	19.6%	11.7%
Net margin	9.2%	0.9%	5.7%	5.6%	2.7%
Return on assets	24.1%	2.8%	18.1%	17.4%	7.4%
Return on equity	70.9%	8.3%	57.0%	51.5%	26.0%
Solvency ratio	40.5%	26.8%	37.5%	30.7%	26.0%

The ratios have been prepared in accordance with the definitions under accounting policies.

Income statement

Notes	2017 DKK (000)	2016 DKK (000)
1 Revenue	496,489	546,954
2 Cost of sales	(438,525)	(439,823)
Gross profit/loss	57,964	107,131
2/4 Distribution expenses	(32,374)	(52,112)
2/3 Administrative expenses	(7,951)	(15,387)
Net other operating items	445	0
Operating profit/loss	18,084	39,632
5 Financial income	1,884	2,523
6 Financial expenses	(2,579)	(2,979)
Profit/loss from ordinary activities before tax	17,389	39,176
7 Tax on profit/loss from ordinary activities	(3,841)	(8,664)
Profit/loss for the year	13,548	30,512
8 Proposed distribution of profit/loss		
Dividend for the financial year recognised in equity	13,548	25,491
Retained earnings	0	5,021
	13,548	30,512

Balance sheet – Assets at 31 December

Notes		2017 DKK (000)	2016 DKK (000)
	Goodwill	0	0
9	Intangible assets	0	0
	Plant and machinery	0	0
	Other fixtures and fittings, tools and equipment	567	0
10	Property, plant and equipment	567	0
	Fixed assets	567	0
11	Inventories	0	68,190
	Trade receivables	18,640	45,295
	Receivables from group enterprises	185,981	108,250
	Other receivables	17,187	2,337
	Deferred tax	12,374	13,189
	Prepayments	106	141
	Receivables	234,288	169,212
	Cash	17	16
	Current assets	234,305	237,418
	Assets	234,872	237,418

Balance sheet – Equity & liabilities at 31 December

Notes		2017	2016
		DKK (000)	DKK (000)
	Contributed capital	21,000	21,000
	Retained earnings	26,484	26,484
	Proposed dividend for the financial year	13,548	25,491
12	Equity	61,032	72,975
13	Other provisions	5,326	8,624
	Provisions	5,326	8,624
	Trade payables	4,723	54,691
	Payables to group enterprises	98,528	21,354
	Corporation tax	3,026	6,478
14	Other payables	62,237	73,296
	Current liabilities other than provisions	168,514	155,819
	Liabilities	168,514	155,819
	Equity and liabilities	234,872	237,418
15	Contingent assets, liabilities and other financial obligations		
16	Related Parties		
17	Events occurring after the balance sheet date		
18	Accounting policies		

Statement of changes in equity

2017	Contributed capital	Retained earnings	Proposed dividend for the financial year	Total
	DKK (000)	DKK (000)	DKK (000)	DKK (000)
Equity beginning of year	21,000	26,484	25,491	72,975
Ordinary dividend paid	0	0	(25,491)	(25,491)
Profit/loss for the year	0	0	13,548	13,548
Equity end of year	21,000	26,484	13,548	61,032

Notes to the financial Statements

1. Revenue

	2017	2016
	<u>DKK (000)</u>	<u>DKK (000)</u>
Geographical segments		
Revenue, Denmark	452,470	446,138
Revenue, exports	<u>44,019</u>	<u>100,816</u>
	496,489	546,954

2. Staff

	2017	2016
	<u>DKK (000)</u>	<u>DKK (000)</u>
Staff costs		
Wages and salaries	18,681	22,862
Pension costs	515	289
Other social security costs	<u>263</u>	<u>378</u>
	19,459	23,529

Wages and Salaries, pensions and other social security expenses are recognised in the following items:

Cost of sales	930	1,526
Distribution expenses	17,103	19,620
Administrative expenses	<u>1,426</u>	<u>2,383</u>
	19,459	23,529

Average number of employees	<u>31</u>	<u>47</u>
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According to section 98 B(3) of the Financial Statements Act, remuneration to the Executive Board has not been disclosed.

3. Fee to auditor appointed at Annual General Meeting

According to section 96 (3) of the Danish Financial Statements Act, fees to auditor elected at Annual General Meeting has not been disclosed.

4. Depreciation and impairment

	2017 <u>DKK (000)</u>	2016 <u>DKK (000)</u>
Depreciation on property, plant and equipment	<u>39</u>	<u>875</u>
	<u>39</u>	<u>875</u>
Depreciation are allocated as shown below:		
Distribution expenses	<u>39</u>	<u>875</u>
	<u>39</u>	<u>875</u>

5. Financial income

	2017 <u>DKK (000)</u>	2016 <u>DKK (000)</u>
Interest received from group enterprises	0	1
Other financial income	<u>1,884</u>	<u>2,522</u>
	<u>1,884</u>	<u>2,523</u>

6. Financial expenses

	2017	2016
	<u>DKK (000)</u>	<u>DKK (000)</u>
Interest paid to group enterprises	(36)	(101)
Other financial expenses	<u>(2,543)</u>	<u>(2,878)</u>
	<u>(2,579)</u>	<u>(2,979)</u>

7. Tax on profit/loss for the year

	2017	2016
	<u>DKK (000)</u>	<u>DKK (000)</u>
Current tax	3,026	6,478
Change in deferred tax	815	2,161
Adjustment relating to previous years	<u>0</u>	<u>25</u>
	<u>3,841</u>	<u>8,664</u>

8. Proposed distribution of profit/loss

	2017	2016
	<u>DKK (000)</u>	<u>DKK (000)</u>
Dividend for the financial year recognised in equity	13,548	25,491
Retained earnings	<u>0</u>	<u>5,021</u>
	<u>13,548</u>	<u>30,512</u>

9. Intangible assets

	Goodwill DKK (000)
Cost beginning of year	22,269
Disposals for the year	(14,953)
Cost end of year	7,316
Amortisation and impairment losses beginning of year	(22,269)
Disposals for the year	14,953
Amortisation and impairment losses end of year	(7,316)
Carrying amount end of year	0

10. Property, plant and equipment

	Plant and machinery DKK (000)	Other fixtures and fittings, tools and equipment DKK (000)
Property, plant and equipment		
Cost beginning of year	3,481	6,868
Additions	0	606
Disposals	(3,481)	(4,665)
Cost end of year	0	2,809
Depreciation and impairment losses beginning of year	(3,481)	(6,868)
Depreciation for the year	0	(39)
Depreciation and impairment on disposed tangible assets	3,481	4,665
Depreciation and impairment losses end of year	0	(2,242)
Carrying amount end of year	0	567

11. Inventories

	2017 <u>DKK (000)</u>	2016 <u>DKK (000)</u>
Inventories		
Raw materials and consumables	0	815
Work in progress	0	7,688
Finished goods and goods for resale	0	59,687
	0	68,190

12. Equity

There have been no changes in the share capital during the last 5 years.

13. Other provisions

	2017 <u>DKK (000)</u>	2016 <u>DKK (000)</u>
Warranty provisions	5,326	8,624
	5,326	8,624

Other provisions comprise expected non-recourse guarantee commitments etc. Based on previous experience in respect of the level of repairs and returns, other provisions of DKK 5,326t (2016: DKK 8,624t) have been recognized for expected warranty claims. These provisions are subject to uncertainty.

14. Other payables

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

15. Contingent assets, liabilities and other financial obligations

The company is part of the Danish joint taxation where Cembrit Group A/S is the administrative company. Therefore, the company is jointly and severally liable within this joint taxation regarding corporation taxes and any obligation to withhold tax at source according to both the Danish Corporation Tax Act's provisions as well as the Danish Withholding Tax Act's provisions on this matter.

Rental and lease commitments total DKK 2.4m (2016: DKK 12.5m).

Cembrit A/S does not have any other contingent liabilities or collateral.

16. Related Parties

Cembrit A/S is 100% owned by Cembrit Holding A/S.

Cembrit A/S is included in the Consolidated financial statement of the ultimate parent company, Cembrit Group A/S.

The Group Annual Report of Cembrit Group A/S may be obtained on the following address:

Cembrit Group A/S
Sohngårdsholmsvej 2
9000 Aalborg.

There has not been transactions with related parties that have not been carried out at arms length.

17. Events occurring after the balance sheet date

From the balance sheet date and until today, no events have occurred which change the evaluation of the annual report.

18. Accounting policies

Basis of Preparation

This Annual Report of Cembrit A/S for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2017 are presented in TDKK.

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 statement of Cembrit Group A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, write-downs and provisions as well as reversals due to altered accounting estimates of amounts which were previously recognized in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments. The company has one activity/business area.

Income statement

Revenue

Revenue is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reason able certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises finished goods and goods for resale.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Balance sheet**Intangible assets**

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight line basis over its useful life, which is assessed at 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

- | | |
|---|------------|
| – Plant and machinery: | 15 years |
| – Other fixtures and fittings, tools and equipment: | 3-15 years |

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value.

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Cash

Cash comprises cash in hand and bank deposits.

Equity**Dividend**

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by setoff against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax

receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial highlights

Explanations of financial ratios:

Ratios	Calculation formula
Gross margin (%)	$\frac{\text{Gross profit} * 100}{\text{Revenue}}$
Net margin (%)	$\frac{\text{Profit (loss) for the year} * 100}{\text{Revenue}}$
Return on assets (%)	$\frac{\text{Profit before tax} * 100}{\text{Average assets}}$
Return on equity (%)	$\frac{\text{Profit before tax} * 100}{\text{Average equity}}$
Solvency ratio (%)	$\frac{\text{Equity at year end} * 100}{\text{Total assets at year end}}$