

CEMBRIT

2018

Interim financial report – 2nd Quarter



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Presentation of the group

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

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

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

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

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

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

List of Group companies

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

Comments by the CEO

The result for Q2 2018 was overall in line with management's expectations.

Revenue grew 13.0% compared to Q2 2017 with strong growth across markets. The façade/function board products grew by 16.6% whereas the roofing products grew with 7.9%. Especially in May and June Cembrit experienced high sales with May being the 2nd largest sales month in Cembrit history. As a consequence, revenue YTD is 5.5% above last year's level. Gross margin ended at 26.7%, improving gross margin by 0.8% compared to Q2 2017.

Since the beginning of the year a significant number of improvement initiatives have been initiated in the Hungarian plant in order to solve the production issues experienced there since the start up of the factory. All these initiatives are progressing in accordance with plans and resulting in significantly improved yield, more stable production, lower costs and lower inventory in Q2. Furthermore, the sales, marketing and administrative costs in H1 2018 were reduced compared to H1 2017.

Costs related to freight and SG&A amounted to DKKm 78.1, and were impacted by the increasing activity level due to increased sales. YTD total SG&A costs, including freight, amounted to DKKm 158.1 which was 1.5% above last year's cost level.

EBITDA in Q2 2018 ended up at DKKm 45.0, growing 38.8% compared to Q2 2017 which resulted in EBITDA YTD at DKKm 43.5, which was 28.9% above YTD 2017.

Cash flow from operating activities was in line with expectations and ended up at DKKm 3.0, positively impacted by EBITDA. Change in working capital was influenced by seasonality in accounts receivable as well as payables. In addition, inventories grew by DKKm 6.9 in H1 2018 in order to prepare for expected high sales in the 2nd half of 2018. Inventory reduction initiatives in the Hungarian production facility started to show in Q2, reducing the Hungarian inventory level. In total the inventories were DKKm 34.7 lower than the level end of Q2 2017.

Investments in Q2 2018 was at DKKm 5.4, DKKm 18.2 below the level in Q2 2017. Investments in intangible assets ended up at DKKm 1.5 which was DKKm 8.7 lower than Q2 last year where investments was made in the EPR system which was finalized in 2017. Investments in tangible assets ended up at DKKm 3.9 and was driven by maintenance of production assets.

Cash flow from operating and investing activities ended up at DKKm -2.4, compared to a cash flow of DKKm -27.3 in Q2 2017. At half year end, Cembrit had available liquidity of DKKm 73.3 consisting of unutilized credit facilities and available cash.

In January 2018 Cembrit Holding received an equity increase of DKKm 90 from its shareholders to maintain healthy liquidity while implementing new strategic initiatives.

Based on the market outlook and a number of improvement initiatives launched by the new management team since Q4 2017, performance is expected to improve in 2018. The Group expects a minor growth in top line driven by both existing and new markets and sees a potential to improve operating profit and NWC by optimization of the operational set up, general cost savings and inventory reductions.

Financial highlights

	Q2 2018	Q2 2017	YTD 2018	YTD 2017
	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>
INCOME STATEMENT				
Revenue	461.801	408.512	801.817	760.243
Gross profit	123.127	105.840	201.602	189.517
Earnings before depr., amort. and impairm. (EBITDA)	44.998	32.421	43.477	33.740
CASH FLOW				
Cash flow from operating activities	2.969	(3.423)	(89.098)	(212.545)
Cash flow from investments	(5.412)	(23.873)	(11.774)	(42.119)
BALANCE SHEET				
Total assets			1.939.997	2.076.909
Equity			489.718	576.085
Working capital			308.528	264.317
Net Interest Bearing debt			867.953	819.353
FINANCIAL RATIOS				
Gross margin	26,7%	25,9%	25,1%	24,9%
EBITDA margin	9,7%	7,9%	5,4%	4,4%
Equity ratio			25,2%	27,7%

Consolidated income statement

	Q2 2018	Q2 2017	YTD 2018	YTD 2017
	DKK (000)	DKK (000)	DKK (000)	DKK (000)
Revenue	461.801	408.512	801.817	760.243
Production costs	<u>(338.674)</u>	<u>(302.672)</u>	<u>(600.215)</u>	<u>(570.726)</u>
Gross profit	123.127	105.840	201.602	189.517
Freight	(9.527)	(6.201)	(17.050)	(13.487)
Sales and marketing costs	(51.172)	(46.963)	(102.670)	(99.830)
Administrative costs and net other operating income	<u>(17.430)</u>	<u>(20.255)</u>	<u>(38.406)</u>	<u>(42.460)</u>
Earnings before depr., amort. and impairm. (EBITDA)	44.998	32.421	43.477	33.740
Special non-recurring items	(1.551)	(1.656)	(7.376)	(1.714)
Depreciation and impairment of tangible assets	<u>(21.524)</u>	<u>(21.772)</u>	<u>(43.775)</u>	<u>(42.881)</u>
Earnings before amort. and impairm. of intangible assets (EBITA)	21.923	8.993	(7.675)	(10.855)
Amortisation and impairment of intangible assets	<u>(4.662)</u>	<u>(3.977)</u>	<u>(9.323)</u>	<u>(7.719)</u>
Earnings before interest and tax (EBIT)	17.261	5.017	(16.998)	(18.573)
Financial income	28.630	15.726	50.048	28.747
Financial costs	<u>(45.182)</u>	<u>(26.955)</u>	<u>(80.722)</u>	<u>(92.662)</u>
Earnings before tax (EBT)	710	(6.213)	(47.671)	(82.489)
Tax on profit/loss for the period	<u>(2.418)</u>	<u>8.796</u>	<u>4.621</u>	<u>23.768</u>
Profit/loss for the period	(1.709)	2.584	(43.050)	(58.720)

Consolidated statement of comprehensive income

	Q2 2018 DKK (000)	Q2 2017 DKK (000)	YTD 2018 DKK (000)	YTD 2017 DKK (000)
Profit/loss for the period	(1.709)	2.584	(43.050)	(58.720)
Other comprehensive income				
Items that can be reclassified to the income statement:				
Foreign exchange adjustment regarding foreign operations	(13.227)	7.724	(13.565)	19.008
Value adjustments of hedging instruments:				
Value adjustment for the period	(4.740)	5.351	(2.825)	6.370
Value adjustments transferred to revenue	(896)	(148)	(1.555)	(292)
Value adjustments transferred to production costs	540	181	1.871	122
Value adjustments transferred to balance sheet items	0	463	0	837
Tax on other comprehensive income	480	(253)	135	(484)
Other comprehensive income for the period after tax	(17.843)	13.318	(15.939)	25.561
Comprehensive income for the period	(19.552)	15.901	(58.990)	(33.159)
Comprehensive income for the period attributable to :				
Cembrit Group A/S shareholders' share of compreh. inc. for the period	(19.552)	15.901	(58.990)	(33.159)
	(19.552)	15.901	(58.990)	(33.159)

Consolidated cash flow statement

	Q2 2018 DKK (000)	Q2 2017 DKK (000)	YTD 2018 DKK (000)	YTD 2017 DKK (000)
EBIT from P&L	17.261	5.017	(16.998)	(18.573)
Depreciations and write downs of tangible assets	21.524	21.772	43.775	42.881
Amortizations and write downs of intangible assets	4.662	3.977	9.323	7.719
Gain, loss on sold assets and other adjustments	(924)	833	(604)	2.228
Total adjusted EBITDA	42.523	31.599	35.496	34.255
Change in provisions	(719)	(2.741)	(2.288)	(5.088)
Change in working capital	(22.806)	(19.103)	(83.322)	(172.157)
Financial payments received and made	(13.482)	(11.582)	(28.697)	(60.223)
Corporation tax paid	(2.547)	(1.596)	(10.287)	(9.332)
Cash flow from operating activities	2.969	(3.423)	(89.098)	(212.545)
Investments in intangible assets	(1.471)	(10.181)	(5.025)	(20.322)
Investments in tangible assets	(3.940)	(13.409)	(6.406)	(21.549)
Total investments	(5.411)	(23.590)	(11.431)	(41.871)
Disposal of intangible assets	0	(1)	0	0
Disposal of tangible assets	(1)	9	11	51
Total disposals	(1)	8	11	51
Change in other financial assets	0	(291)	(354)	(299)
Cash flow from investments	(5.412)	(23.873)	(11.774)	(42.119)
Cash flow from operating and investing activities	(2.443)	(27.296)	(100.872)	(254.664)
Dividend	0	0	0	0
Capital increases	1.750	125	91.750	125
External banks	(3.921)	19.875	(1.532)	2.227
Leasing	(74)	(197)	(149)	(331)
Changes in NIBD	773	(21.370)	1.606	264.546
Cash flow from financing activities	(1.472)	(1.567)	91.675	266.567
Change in cash funds	(3.915)	(28.863)	(9.197)	11.903

Consolidated balance sheet – Assets

	30.06.2018 DKK (000)	31.12.2017 DKK (000)	30.06.2017 DKK (000)
Intangible assets	174.253	178.619	172.322
Tangible assets	911.071	955.630	980.279
Other fin. assets	706	352	641
Deferred tax assets	104.228	86.308	117.468
Total non-current assets	1.190.257	1.220.910	1.270.711
Inventories	357.418	350.532	392.090
Accounts receivable	324.877	195.875	332.082
Prepaid expenses	13.011	11.017	12.943
Other receivables	41.214	41.495	39.760
Cash and cash equivalents	13.220	18.401	29.322
Total current assets	749.739	617.321	806.198
Total assets	1.939.997	1.838.230	2.076.909

Consolidated balance sheet – Equity and Liabilities

	30.06.2018 DKK (000)	31.12.2017 DKK (000)	30.06.2017 DKK (000)
Share capital	71.524	41.860	41.761
Reserves	418.194	414.830	534.324
Total shareholders equity	489.718	456.690	576.085
Deferred tax liabilities	63.954	65.820	67.342
Provisions	56.167	54.218	57.076
Pension liabilities and other liabilities	2.096	2.181	2.200
Bond issued	851.737	850.131	825.156
Finance lease	581	551	721
Long-term liabilities	974.534	972.901	952.496
Pension liabilities and other liabilities	276	289	232
Finance lease	313	491	587
Other provisions	12.601	18.360	22.475
Cash pool and external banks	21.937	15.857	20.521
Accounts payable	202.802	164.822	281.701
Current tax liabilities	22.668	8.412	7.758
Prepayments from customers	498	634	4.686
Other short-term liabilities	214.648	199.775	210.367
Short-term liabilities	475.744	408.640	548.328
Total liabilities	1.450.279	1.381.541	1.500.824
Total equity and liabilities	1.939.997	1.838.230	2.076.909

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 2018	41.860	19.300	(2.171)	5.382	392.587	0	456.958
Comprehensive income for the period							
Profit/loss for the period					(43.050)		(43.050)
Other comprehensive income							
Foreign exchange adjustments regarding foreign operations		(13.565)					(13.565)
Value adjustments of hedging instruments:							
Value adjustments for the period			(2.825)				(2.825)
Value adjustments transferred to revenue			(1.555)				(1.555)
Value adjustments transferred to production costs			1.871				1.871
Value adjustments transferred to balance sheet items			0				0
Tax on other comprehensive income*			135				135
Other comprehensive income total	0	(13.565)	(2.374)	0	0	0	(15.939)
Comprehensive income for the year	0	(13.565)	(2.374)	0	(43.050)	0	(58.990)
Capital increase	29.664				62.086		91.750
Acquisition of treasury shares							0
Share-based payment, share options				0			0
Equity at 30 June 2018	71.524	5.735	(4.545)	5.382	411.623	0	489.718
Equity at 1 January 2017	41.761	(8.198)	(7.647)	3.543	579.660	0	609.119
Comprehensive income for the period							
Profit/loss for the period					(58.720)		(58.720)
Other comprehensive income							
Foreign exchange adjustments regarding foreign operations		19.008					19.008
Value adjustments for the period			6.370				6.370
Value adjustments transferred to revenue			(292)				(292)
Value adjustments transferred to production costs			122				122
Value adjustments transferred to balance sheet items			837				837
Tax on other comprehensive income*			(484)				(484)
Other comprehensive income total	0	19.008	6.553	0	0	0	25.561
Comprehensive income for the year	0	19.008	6.553	0	(58.720)	0	(33.159)
Capital increase					125		125
Acquisition of treasury shares							0
Share-based payment, share options							0
Equity at 30 June 2017	41.761	10.810	(1.094)	3.543	521.065	0	576.085

Notes

1 Update of material risk factors and events after reporting period

No significant changes in risk factors have been identified which will affect the Group through the coming quarter. For additional explanations regarding risks and uncertainties, please refer to the Risk Management description in the Annual report 2017 for Cembrit Group.

2 Accounting policies

The Interim Financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and Danish disclosure requirements for listed companies.

Except as stated below, accounting policies applied in preparing the Interim Financial Report are consistent with those applied in preparing the 2017 Annual Report. The 2017 Annual Report provides a full description of Group accounting policies.

The Interim Financial Report have not been audited or subject to a review by the auditors.

The Report is presented in Danish kroner (DKK) which is the presentation currency of the activities of the Group and the functional currency of the parent company. All figures refer to thousands of Danish kroner (DKK '000) unless otherwise specified.

Consolidated report

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

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

Translation of foreign currency

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

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

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

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

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

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

Changes in accounting policies

Cembrit Group A/S has from 1 January 2018 implemented the following new reporting standards (IAS and IFRS) and amendments (IFRIC):

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15
- IFRS 22 Foreign Currency Transactions and Advance Consideration

Implementation of the new standards, amendments and interpretations have not had any material impact on the Group's financial statements.

3 Significant estimates and assessments by Management

The preparation of the Interim Financial Report requires that the Management makes estimates and assumptions, which by definition will seldom equal the actual results, that affect the reported amounts and disclosures in the statements and in the notes to the financial statements.

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

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

4 Net Interest Bearing Debt and change in cash funds explanation

	30.06.2018 DKK (000)	31.12.2017 DKK (000)	30.06.2017 DKK (000)
Cash at hand	311	291	306
External bank (not part of cash pool)	11.802	18.110	11.554
Cash pool (asset)	1.107	(0)	17.462
Total cash funds	13.220	18.401	29.322
External banks (not part of cash pool)	(2.661)	(4.239)	(20.522)
Cash pool (liability)	(19.276)	(11.618)	0
Total cash pool and external banks	(21.937)	(15.857)	(20.521)
Net cash/revolver	(8.717)	2.544	8.801
Bond loan	851.737	850.131	825.156
FX market value	6.604	4.764	1.689
Financial lease	894	1.042	1.309
Total NIBD	867.953	853.393	819.353
Total cash funds	13.220	18.401	29.322
Cash pool (liability)	(19.276)	(11.618)	0
Total cash at end of period	(6.056)	6.784	29.322
Total opening balance	6.784	16.973	16.973
Cash flow from operating activities	(89.097)	(193.611)	(212.544)
Cash flow from investing activities	(11.774)	(74.510)	(42.119)
Cash flow from financing activities	91.675	257.202	266.567
Change in cash funds	(9.196)	(10.919)	11.904
FX	(3.644)	730	445
Total cash at end	(6.056)	6.784	29.322
Available liquidity	73.308	84.569	90.826

5 Segment information

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

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

Accounting policy

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

	Q2 2018	Q2 2017	YTD 2018	YTD 2017
	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>
Revenue by geographical area				
Nordic	369.186	331.536	640.921	622.208
West Europe	57.062	48.042	105.517	93.420
Other	35.553	28.934	55.379	44.615
	461.801	408.512	801.817	760.243
Revenue by product group				
Roofing	210.903	195.523	358.996	354.090
Façade/function boards	193.260	165.699	344.374	320.530
Other	57.638	47.290	98.447	85.623
	461.801	408.512	801.817	760.243
Assets by geographical area				
Nordic			326.284	341.068
East Europe			730.017	775.227
Other			33.650	26.464
			1.089.951	1.142.759

6 Special non-recurring items

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

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

	Q2 2018	Q2 2017	YTD 2018	YTD 2017
	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>
Sales activities	-3	0	3.263	0
M&A activities	0	1.155	0	1.155
Restructuring	1.530	501	4.090	559
	<u>1.527</u>	<u>1.656</u>	<u>7.353</u>	<u>1.714</u>

Statement by Management

The Board of Directors and the Executive Board have considered and adopted the Interim Financial Report of Cembrit Group A/S for the three-month period ended 30 June 2018.


The Interim Financial Report, which has not been audited or reviewed by the Company auditor, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and Danish disclosure requirements for interim reports of listed companies.

In our opinion, the Interim Financial Statements give a true and fair view of the Cembrit Group's assets, equity, liabilities and financial position at 30 June 2018 and the results of the Group's activities and the cash flow for the three-month period ended 30 June 2018.

We also find that the Management's commentary provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, the general financial position of the Group and a description of major risks and elements of uncertainty faced by the Group.

Copenhagen, 22.8-2018

Executive Board


Jørn Mørkeberg Nielsen
CEO


Jacob Moesgård
CFO

Board of Directors


Kent Arentoft
Chairman


Denis Viet Jacobsen


Jan Wærrer


Johan Olof Cervin


Sigge Lennart Haraldsson