

# CEMBRIT

## 2020

### Interim financial report – 2nd quarter



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[www.cembrit.com](http://www.cembrit.com)

*“Despite COVID-19, we have seen a solid Q2 development. We experienced a negative impact from COVID-19 in the UK, Ireland and Western Europe, where sales were lower than planned, but the Nordic markets were resilient with a positive sales development. Q2 2020 revenue grew 8.4% like for like, and the EBITDA margin was up 6 percentage points on Q2 2019. There is continuing uncertainty in the markets due to COVID-19, but sales overall have so far been in line with our plan.”*

Jørn Mørkeberg Nielsen  
CEO

#### Highlights:

- Revenue up DKKm 74 for H1 2020 to DKKm 868 (like for like revenue growth of 15% on H1 2019)
- EBITDA for H1 amounted to DKKm 134, up DKKm 72 on H1 2019
- Cash flow has improved significantly and available liquidity at the end of Q2 2020 was DKKm 105, up DKKm 74 on Q2 2019.
- Adjusted EBITDA, LTM, of DKKm 244 for Q2 2020 is an all-time high for the Cembrit Group
- Outlook for 2020: Cembrit has performed in line with plan so far, including the important Q3, both in terms of revenue and margins; see Business review for further details
- The Q3 2020 Interim report will be published at the end of November

## Contents

<b>Contents .....</b>	<b>2</b>
<b>Financial highlights .....</b>	<b>3</b>
<b>Business review.....</b>	<b>4</b>
<b>Presentation of the Group.....</b>	<b>9</b>
<b>Statement by Management.....</b>	<b>10</b>
<b>Condensed consolidated income statement .....</b>	<b>11</b>
<b>Condensed consolidated statement of comprehensive income.....</b>	<b>12</b>
<b>Condensed consolidated cash flow statement.....</b>	<b>13</b>
<b>Consolidated statement of changes in equity.....</b>	<b>16</b>
<b>Notes .....</b>	<b>17</b>

## Financial highlights

	Q2 2020 DKK (000)	Q2 2019 DKK (000)	YTD 2020 DKK (000)	YTD 2019 DKK (000)	FY 2019 DKK (000)
<b>INCOME STATEMENT</b>					
Revenue	454,185	440,053	868,135	793,776	1,602,115
Adjusted gross profit	141,064	125,645	268,591	217,684	469,093
Gross profit	141,064	125,645	268,591	206,484	455,396
Adjusted earnings before interest, tax, depr. and amort. (EBITDA)	80,434	50,206	133,569	72,902	183,026
Earnings before interest, tax, depr. and amort. (EBITDA)	80,434	50,206	133,569	61,702	168,000
<b>CASH FLOW</b>					
Cash flow from operating activities before tax	111,900	39,567	110,408	(2,918)	140,624
Cash flow from investments	(14,146)	(13,436)	(32,333)	(23,520)	(60,674)
<b>BALANCE SHEET</b>					
Total assets			1,880,042	1,972,301	1,800,191
Equity			386,375	431,800	389,670
Working capital			197,089	257,942	200,444
Net interest-bearing debt, excluding lease			839,076	890,599	854,767
<b>FINANCIAL RATIOS</b>					
Adjusted gross margin	31.1%	28.6%	30.9%	27.4%	29.3%
Gross margin	31.1%	28.6%	30.9%	26.0%	28.4%
Adjusted EBITDA margin	17.7%	11.4%	15.4%	9.2%	11.4%
EBITDA margin	17.7%	11.4%	15.4%	7.8%	10.5%
Equity ratio			20.6%	21.9%	21.6%

Financial ratios have been calculated as defined in the 2019 Annual Report.

### COVID-19

Some markets have been negatively affected by COVID-19, thereby impacting Cembrit's financial performance for Q2 2020; further details are provided in the Business review. The health and safety of our employees are paramount, and a range of preventive measures were introduced in Q1. Management continues to monitor the situation, including national guidelines provided by the authorities. The measures introduced have been successfully implemented at all sites, supporting ongoing business performance. At the time of writing, all production sites are in operation, and measures have been taken to safeguard the supply chain.

## Business review

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Revenue for Q2 2020 was DKKm 14 higher than for Q2 2019 (nominal growth of 3.2%) and revenue for the last 12 months (1 July 2019 – 30 June 2020) was DKKm 1,676, which is the highest in Cembrit's history.

Despite revenue growth in Q2, COVID-19 had a negative impact on sales, most significantly in the UK, Ireland, Western Europe and export markets, although this was offset by growth in the Nordic markets, primarily Denmark and Sweden. Growth in the Nordic markets ensured positive sales growth of DKKm 14 on Q2 2019.

All the factories have performed according to plan and, to some extent, planned maintenance has been postponed in order to meet demand. With the improvement projects starting to have an impact, the gross margin for Q2 2020 was up 2.5 percentage points on Q2 2019 to 31.1%.

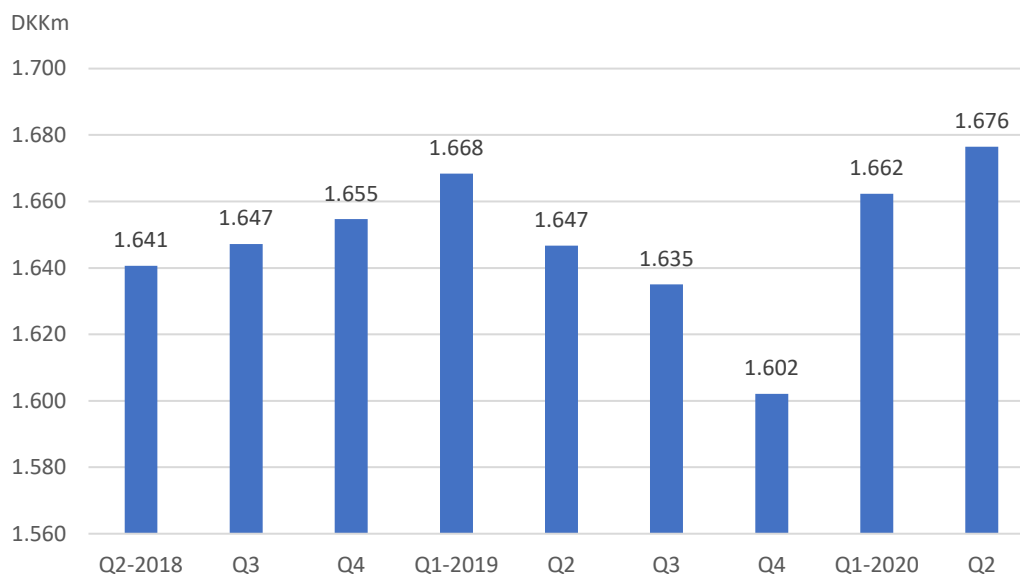
As previously announced, cost-reduction measures were implemented at the end of March 2020 to protect earnings and cash flow. Headcount has been reduced, and planned recruitments were put on hold. Other fixed costs were also reduced as part of the plan. The impact of these measures has improved earnings to some extent in Q2 2020, and the full impact is expected in the second half of 2020.

### **Revenue**

Revenue for Q2 2020 amounted to DKKm 454, compared to DKKm 440 in Q2 2019. As communicated previously, Cembrit has phased out certain low-performing products and markets to streamline operations and improve margins. Adjusted for these, like-for-like revenue growth was up 8% on Q2 2019.

The sales pattern for Cembrit's products is seasonal. Revenue is traditionally highest in the second and third quarters and lowest in the first quarter. The graph below shows LTM (last 12 months) revenue on a quarterly basis, taking the seasonality in Cembrit's business into account.

### Quarterly development in revenue, LTM



### Profitability

Together with continued robust performance across the business, improvements in operational efficiency at the production sites and in sourcing have increased the gross margin to 31.1% in Q2 2020, up 2.5 percentage points on Q2 2019.

Combined with a continued focus on SG&A, the gross margin improvement has increased the EBITDA margin from 11.4% for Q2 2019 to 17.7% for Q2 2020, an improvement of 6.3 percentage points.

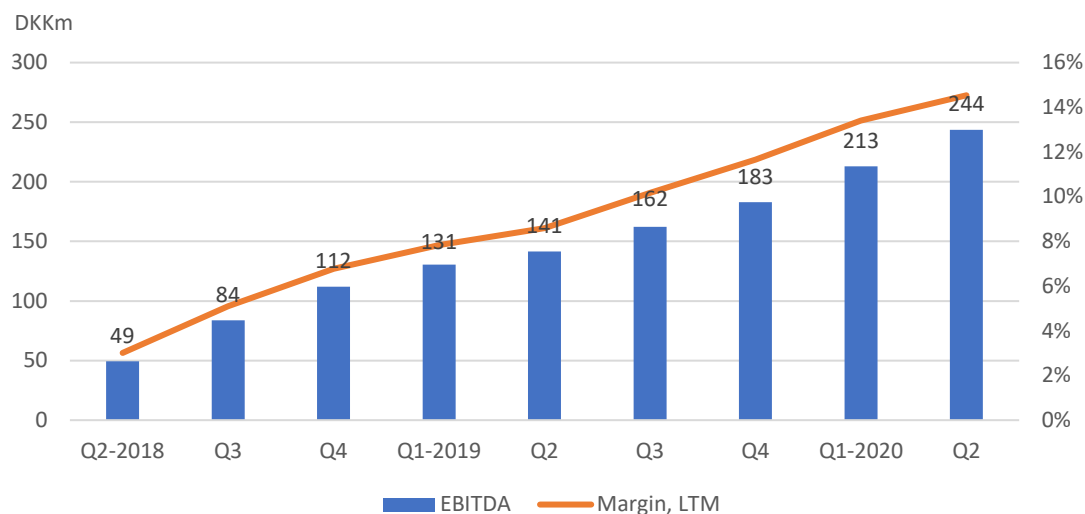
Efforts to improve operational efficiency and increase capacity will continue to be a key driver of Cembrit's margin and EBITDA development in 2020. As well as other strategic initiatives, such as selected price increases and a reduction in low-volume products, the full-year effect of the initiatives that have had a positive impact on the first half of 2020 will support margins going forward.

### Adjusted gross profit, adjusted EBITDA and related ratios

Adjusted gross profit, adjusted EBITDA and related ratios were introduced in the Q3 2019 report, where further details can be found. The adjustments have no impact on Q2 2020 or Q2 2019 but affect full-year 2019 and the quarterly development in adjusted EBITDA, LTM.

The following graph shows adjusted EBITDA, LTM, by quarter, taking the seasonality in Cembrit's business into account.

### Quarterly development in adjusted EBITDA, LTM



The above graph showing adjusted EBITDA, LTM, has not been adjusted to reflect the new lease accounting standard for data before 2019 (adjusted EBITDA, LTM, is based on reported EBITDA for each quarter).

Unadjusted EBITDA, LTM, was DKKm 240 for Q2 2020, an increase of DKKm 30 on Q1 2020 (Q1 2020: DKKm 210).

Special non-recurring items in the income statement are costs of a special nature in relation to Cembrit's activities. These amounted to DKKm 3 for Q2 2020 (Q2 2019: DKKm 2) and are specified in note 6.

Profit after tax for Q2 2020 was DKKm 23, compared to DKKm 1 for Q2 2019. Profit after tax for the first half of 2020 was DKKm 10 compared to a loss of DKKm 33 for the first half of 2019.

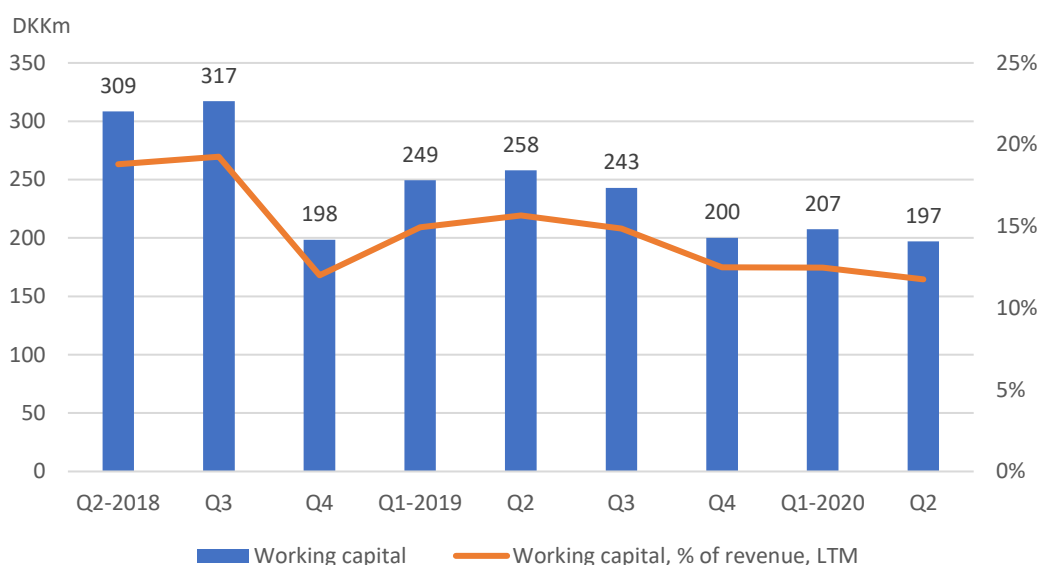
#### Cash flow

Cash flow from operating activities before tax for Q2 2020 amounted to DKKm 112, driven by revenue growth and improvements in profitability and working capital. Cash flow from operating activities before tax for Q2 2020 improved by DKKm 72 compared to Q2 2019.

Working capital at the end of Q2 2020 was DKKm 197 (11.7% of revenue, LTM), down from DKKm 258 at the end of Q2 2019 (15.7% of revenue, LTM). The lower working capital is driven by a reduction in inventories and accounts receivable and extended payment terms from governments (e.g. for VAT) as part of COVID-19 measures, which has been partly offset by lower accounts payable.

The graph below shows working capital in DKKm at the end of the quarter and working capital as a percentage of revenue, LTM. Management continues to target further improvements to working capital, focusing on inventories and accounts receivable.

### Quarterly development in working capital



Investments in Q2 2020 totalled DKKm 14 (Q2 2019: DKKm 13), which related to several maintenance and capacity improvement projects to safeguard and improve production efficiency and capacity.

Available liquidity at the end of Q2 2020 was DKKm 105, compared to DKKm 31 at the end of Q2 2019 and DKKm 79 at the end of Q4 2019. This development was the result of the seasonality in sales, extended payment terms from governments due to COVID-19 and an increased focus on working capital. The remainder of the high sales season (Q2 and Q3) will continue to improve cash flow, although this will be partly offset by the postponed government payments. Further details are included in note 4.

### Capital structure

Total equity at the end of Q2 2020 was DKKm 386 with an equity ratio of 20.6%. Foreign exchange adjustments regarding foreign operations impacted equity negatively.

Consolidated net interest-bearing debt at 30 June 2020 amounted to DKKm 929, including lease liabilities (cf. IFRS 16) of DKKm 90.

As stated in the Q1 2020 Interim financial report, the Group has been reviewing refinancing of the EURm 115 bond that will expire in March 2021. The Group will take active steps to secure refinancing of the bond on or before the expiry date. The main bank credit facility was extended to early 2021 in Q1 2020.

## Outlook

Cembrit maintains the financial outlook for 2020 as stated in the 2019 Annual Report:

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

While certain markets, particularly the UK and Ireland, have been negatively impacted, the Group has so far continued to perform according to plan, including Q3.

COVID-19 continues to represent a risk.

### DISCLAIMER

This Interim financial report contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of Cembrif Group A/S, may cause actual developments and results to differ materially from the expectations expressed in this report.



## Presentation of the Group

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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, commercial, industrial and agricultural buildings, offices and public buildings, including for both new build and renovation projects.

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

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

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

Cembrit produces first-class fibre-cement products. Cembrit's products and solutions offer exciting new design opportunities for creating attractive, durable settings for people's lives.

Further details are included in the 2019 Annual Report and on Cembrit's website, [www.cembrit.com](http://www.cembrit.com).

## Statement by Management

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The Board of Directors and the Executive Board have considered and adopted the Interim financial report of Cembrit Group A/S for the 6-month period ended 30 June 2020.

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 additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial statements give a true and fair view of Cembrit Group A/S's assets, equity, liabilities and financial position at 30 June 2020, and of the results of the Group's activities and cash flow for the period 1 January to 30 June 2020.

We also find that the Business review, together with the notes, provides a fair statement of developments in the activities and financial situation of the Group, the financial results for the period, the general financial position of the Group, and a description of the major risks and elements of uncertainty faced by the Group.

Copenhagen, 24 August 2020

### **Executive Board**

*Jørn Mørkeberg Nielsen*  
CEO

*Michael Christensen*  
CFO

### **Board of Directors**

*Kent Arentoft*  
Chairman

*Denis Viet-Jacobsen*

*Jan Warrer*

*Johan Cervin*

*Sigge Haraldsson*

## Condensed consolidated income statement

	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
	DKK (000)	DKK (000)	DKK (000)	DKK (000)	DKK (000)
Revenue	454,185	440,053	868,135	793,776	1,602,115
Cost of goods sold	<u>(313,121)</u>	<u>(314,408)</u>	<u>(599,544)</u>	<u>(587,292)</u>	<u>(1,146,719)</u>
<b>Gross profit</b>	<b>141,064</b>	<b>125,645</b>	<b>268,591</b>	<b>206,484</b>	<b>455,396</b>
Sales and distribution costs	(42,252)	(56,235)	(95,572)	(108,423)	(218,387)
Administrative costs and other operating income, net	<u>(18,378)</u>	<u>(19,204)</u>	<u>(39,450)</u>	<u>(36,359)</u>	<u>(69,009)</u>
<b>Earnings before interest, tax, depr. and amort. (EBITDA)</b>	<b>80,434</b>	<b>50,206</b>	<b>133,569</b>	<b>61,702</b>	<b>168,000</b>
Special non-recurring items	(2,826)	(2,050)	(7,565)	(3,828)	(18,516)
Depreciation and impairment of property, plant and equipment	<u>(27,405)</u>	<u>(25,698)</u>	<u>(55,635)</u>	<u>(49,341)</u>	<u>(114,918)</u>
<b>Earnings before amort. and impairm. of intangible assets (EBITA)</b>	<b>50,203</b>	<b>22,458</b>	<b>70,369</b>	<b>8,533</b>	<b>34,566</b>
Amortisation and impairment of intangible assets	<u>(1,792)</u>	<u>(4,723)</u>	<u>(5,431)</u>	<u>(9,455)</u>	<u>(22,925)</u>
<b>Earnings before interest and tax (EBIT)</b>	<b>48,411</b>	<b>17,735</b>	<b>64,938</b>	<b>(922)</b>	<b>11,641</b>
Financial items, net	<u>(20,043)</u>	<u>(16,852)</u>	<u>(50,613)</u>	<u>(35,564)</u>	<u>(70,834)</u>
<b>Earnings before tax (EBT)</b>	<b>28,368</b>	<b>883</b>	<b>14,325</b>	<b>(36,486)</b>	<b>(59,193)</b>
Tax on profit/loss for the period	<u>(5,284)</u>	<u>(110)</u>	<u>(4,231)</u>	<u>3,406</u>	<u>(12,275)</u>
<b>Profit/loss for the period</b>	<b>23,084</b>	<b>773</b>	<b>10,094</b>	<b>(33,080)</b>	<b>(71,468)</b>

## Condensed consolidated statement of comprehensive income

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	Q2 2020 DKK (000)	Q2 2019 DKK (000)	YTD 2020 DKK (000)	YTD 2019 DKK (000)	FY 2019 DKK (000)
<b>Profit/loss for the period</b>	<b>23,084</b>	<b>773</b>	<b>10,094</b>	<b>(33,080)</b>	<b>(71,468)</b>
<b>Other comprehensive income</b>					
<b>Items that can be reclassified to the income statement:</b>					
Foreign exchange adjustment regarding foreign operations	8,287	8,853	(19,954)	5,472	6,642
Value adjustments of hedging instruments:					
Value adjustments for the period	(3,178)	(2,053)	(3,178)	(2,019)	1,411
Value adjustments transferred to revenue	2,765	98	1,676	(92)	(1,177)
Value adjustments transferred to cost of goods sold	1,234	(232)	1,510	(416)	(394)
Value adjustments transferred to balance sheet items	1,536	3,273	281	2,335	(5,857)
Tax on other comprehensive income	61	(585)	6,276	(383)	528
<b>Other comprehensive income for the period after tax</b>	<b>10,705</b>	<b>9,354</b>	<b>(13,389)</b>	<b>4,897</b>	<b>1,153</b>
<b>Comprehensive income for the period</b>	<b>33,789</b>	<b>10,127</b>	<b>(3,295)</b>	<b>(28,183)</b>	<b>(70,315)</b>
Comprehensive income for the period attributable to:					
Shareholders in Cembrit Group A/S	33,789	10,127	(3,295)	(28,183)	(70,315)
	<b>33,789</b>	<b>10,127</b>	<b>(3,295)</b>	<b>(28,183)</b>	<b>(70,315)</b>

## Condensed consolidated cash flow statement

	Q2 2020 DKK (000)	Q2 2019 DKK (000)	YTD 2020 DKK (000)	YTD 2019 DKK (000)	FY 2019 DKK (000)
EBIT from income statement	48,411	17,735	64,938	(922)	11,641
Depreciation and impairment of property, plant and equipment	27,405	25,698	55,635	49,341	114,918
Amortisation and impairment of intangible assets	1,792	4,723	5,431	9,455	22,925
Gain/loss on sold assets and other adjustments	(847)	3,192	(178)	(955)	(136)
<b>Total adjusted EBITDA</b>	<b>76,761</b>	<b>51,348</b>	<b>125,826</b>	<b>56,919</b>	<b>149,348</b>
Change in provisions	6	189	913	(373)	(10,419)
Change in working capital	35,133	(11,970)	(16,331)	(59,464)	1,695
<b>Cash flow from operating activities before tax</b>	<b>111,900</b>	<b>39,567</b>	<b>110,408</b>	<b>(2,918)</b>	<b>140,624</b>
Corporation tax paid	(2,724)	(5,614)	(5,376)	(12,604)	(20,552)
<b>Cash flow from operating activities</b>	<b>109,176</b>	<b>33,953</b>	<b>105,032</b>	<b>(15,522)</b>	<b>120,072</b>
Investments in intangible assets	(1,419)	(1,101)	(3,335)	(1,883)	(6,360)
Investments in property, plant and equipment	(12,793)	(12,299)	(29,064)	(21,601)	(54,314)
<b>Total investments</b>	<b>(14,212)</b>	<b>(13,400)</b>	<b>(32,399)</b>	<b>(23,484)</b>	<b>(60,674)</b>
Disposal of property, plant and equipment	74	9	74	9	0
<b>Total disposals</b>	<b>74</b>	<b>9</b>	<b>74</b>	<b>9</b>	<b>0</b>
Change in other financial assets	(8)	(45)	(8)	(45)	0
<b>Cash flow from investments</b>	<b>(14,146)</b>	<b>(13,436)</b>	<b>(32,333)</b>	<b>(23,520)</b>	<b>(60,674)</b>
<b>Cash flow from operating and investing activities</b>	<b>95,030</b>	<b>20,517</b>	<b>72,699</b>	<b>(39,042)</b>	<b>59,398</b>
Other	0	0	0	0	1,531
Capital increases	0	282	0	282	0
External financing	(43,054)	0	(24,042)	0	23,653
Financial payments received and made	(21,548)	(13,892)	(36,420)	(33,665)	(60,570)
Leases	(5,801)	(9,383)	(11,647)	(19,737)	(30,608)
Changes in NIBD	(8,725)	2,053	0	4,107	0
<b>Cash flow from financing activities</b>	<b>(79,128)</b>	<b>(20,940)</b>	<b>(72,109)</b>	<b>(49,013)</b>	<b>(65,994)</b>
<b>Change in cash funds</b>	<b>15,902</b>	<b>(423)</b>	<b>590</b>	<b>(88,055)</b>	<b>(6,596)</b>
Cash and cash pool balance at beg. of period	8,168	(54,830)	24,114	32,771	34,577
Foreign exchange adjustments	2,016	4,337	1,382	4,368	(3,867)
Change in cash funds	15,902	(423)	590	(88,055)	(6,596)
<b>Cash and cash equivalents at period-end</b>	<b>26,086</b>	<b>(50,916)</b>	<b>26,086</b>	<b>(50,916)</b>	<b>24,114</b>

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

## Condensed consolidated balance sheet – Assets

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	<b>30.06.2020</b> DKK (000)	<b>30.06.2019</b> DKK (000)	<b>31.12.2019</b> DKK (000)
Intangible assets	150,083	161,178	152,057
Property, plant and equipment	955,008	1,018,209	990,114
Other financial assets	1,344	1,349	1,342
Deferred tax assets	138,506	128,877	116,043
<b>Total non-current assets</b>	<b>1,244,941</b>	<b>1,309,613</b>	<b>1,259,556</b>
Inventories	273,651	299,255	315,027
Accounts receivable	271,072	294,358	156,017
Prepaid expenses	14,102	12,479	11,242
Other receivables	50,190	44,603	34,235
Cash	26,086	11,993	24,114
<b>Total current assets</b>	<b>635,101</b>	<b>662,688</b>	<b>540,635</b>
<b>Total assets</b>	<b>1,880,042</b>	<b>1,972,301</b>	<b>1,800,191</b>

## Condensed consolidated balance sheet – Equity and liabilities

	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>31.12.2019</b>
	DKK (000)	DKK (000)	DKK (000)
Share capital	71,524	71,524	71,524
Reserves	314,851	360,276	318,146
<b>Total shareholders' equity</b>	<b>386,375</b>	<b>431,800</b>	<b>389,670</b>
Deferred tax liabilities	54,599	59,477	65,276
Provisions	45,656	52,582	44,576
Pension liabilities and other liabilities	3,219	2,468	3,346
Bond issued	0	841,788	845,895
Lease liabilities	68,178	78,837	67,080
<b>Long-term liabilities</b>	<b>171,652</b>	<b>1,035,152</b>	<b>1,026,173</b>
Pension liabilities and other liabilities	166	234	175
Lease liabilities	21,852	28,080	27,834
Other provisions	7,951	13,455	10,604
Bond issued	850,003	0	0
External financing	2,985	62,909	27,027
Accounts payable	166,476	194,668	171,755
Current tax liabilities	33,973	22,079	2,635
Prepayments from customers	855	617	2,468
Other short-term liabilities	237,754	183,307	141,850
<b>Short-term liabilities</b>	<b>1,322,015</b>	<b>505,349</b>	<b>384,348</b>
<b>Total liabilities</b>	<b>1,493,667</b>	<b>1,540,501</b>	<b>1,410,521</b>
<b>Total equity and liabilities</b>	<b>1,880,042</b>	<b>1,972,301</b>	<b>1,800,191</b>

## Consolidated statement of changes in equity

DKK (000)	Share capital	Foreign exchange adjustment	Value adjustments of hedging instruments	Non distributable reserves	Retained earnings	Proposed dividend	Total
<b>Equity at 1 January 2020</b>	71,524	18,486	(5,046)	0	304,706	0	389,670
<b>Comprehensive income for the period</b>							
Profit/loss for the period					10,094		10,094
<b>Other comprehensive income</b>							
Foreign exchange adjustments regarding foreign operations		(19,954)					(19,954)
Value adjustments of hedging instruments:							
Value adjustments for the period			(3,178)				(3,178)
Value adjustments transferred to revenue			1,676				1,676
Value adjustments transferred to cost of goods sold			1,510				1,510
Value adjustments transferred to balance sheet items			281				281
Tax on other comprehensive income			6,276				6,276
Other comprehensive income, total	<u>0</u>	<u>(19,954)</u>	<u>6,565</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,389)</u>
<b>Comprehensive income for the year</b>	<u>0</u>	<u>(19,954)</u>	<u>6,565</u>	<u>0</u>	<u>10,094</u>	<u>0</u>	<u>(3,295)</u>
Capital increase							0
<b>Equity at 30 June 2020</b>	<u>71,524</u>	<u>(1,468)</u>	<u>1,519</u>	<u>0</u>	<u>314,800</u>	<u>0</u>	<u>386,375</u>
<b>Equity at 1 January 2019</b>	71,524	11,835	452	5,382	370,507	0	459,700
<b>Comprehensive income for the period</b>							
Profit/loss for the period					(33,080)		(33,080)
<b>Other comprehensive income</b>							
Foreign exchange adjustments regarding foreign operations		5,472					5,472
Value adjustments for the period			(2,019)				(2,019)
Value adjustments transferred to revenue			(92)				(92)
Value adjustments transferred to cost of goods sold			(416)				(416)
Value adjustments transferred to balance sheet items			2,335				2,335
Tax on other comprehensive income			(383)				(383)
Other comprehensive income, total	<u>0</u>	<u>5,472</u>	<u>(575)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,897</u>
<b>Comprehensive income for the year</b>	<u>0</u>	<u>5,472</u>	<u>(575)</u>	<u>0</u>	<u>(33,080)</u>	<u>0</u>	<u>(28,183)</u>
Capital increase					283		283
<b>Equity at 30 June 2019</b>	<u>71,524</u>	<u>17,307</u>	<u>(123)</u>	<u>5,382</u>	<u>337,710</u>	<u>0</u>	<u>431,800</u>



# Notes

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## **1 Update on material risk factors**

No significant changes in risk factors have been identified that will affect the Group in the coming quarter. Risk will always play an important part in our business, and identifying, mitigating and managing risk are in focus in our day-to-day work. Besides the COVID-19 impact, the key risks are safety, market, production, raw materials and energy prices, foreign exchange rates and human resources. Detailed descriptions of these risks are provided in the 2019 Annual Report. For information on COVID-19, please refer to the Business review and Financial highlights sections of this report.

The sales pattern is seasonal, with revenue highest in the second and third quarters and lowest in the first quarter. Further information is included in the Business review.

## **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 additional Danish disclosure requirements for listed companies.

The Q2 2020 Interim financial report has not been audited.

Except as stated below, the recognition and measurement principles applied in preparing the Interim financial report are consistent with those applied in preparing the 2019 Annual Report. The 2019 Annual Report provides a full description of the accounting policies.

### *Changes to accounting policies*

The following new standards, amendments and interpretations effective as of 1 January 2020 have been adopted:

- Conceptual Framework for Financial Reporting
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IFRS 3: Definition of a Business

None of these have an impact on Cembrit’s Interim financial report.

### 3 Significant estimates and assessments by Management

Preparation of the Interim financial report requires Management to make estimates and assumptions – which might deviate from actual results – that affect the reported amounts and disclosures in the financial statements and in the notes.

Management bases its estimates on historical experience and other assumptions considered relevant at the time. These estimates and assumptions form the basis for the recognised 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 reviewed on an ongoing basis.

### 4 Credit facilities and available liquidity

	<b>Q2 2020</b> DKK (000)	<b>Q2 2019</b> DKK (000)	<b>FY 2019</b> DKK (000)
Bond issued	850,003	841,788	845,895
Credit facilities	82,025	82,025	82,025
Total facilities	<b>932,028</b>	<b>923,813</b>	<b>927,920</b>
Cash	26,086	11,993	24,114
Utilised	(852,988)	(904,697)	(872,922)
Available liquidity	<b>105,126</b>	<b>31,109</b>	<b>79,112</b>

The bond amount to be repaid at 30 June 2020 was DKKm 859 (EURm 115), and the transaction costs, which are amortised, were DKKm 9. Accordingly, the carrying amount of the bond loan at the end of Q2 2020 was DKKm 850 (Q1 2020: DKKm 848).

Available liquidity increased by DKKm 72 during Q2 2020, mainly as a result of significantly higher sales and earnings and decreased working capital. The improvement in working capital is partly related to the extended payment terms from governments (e.g. for VAT). Cembrit's business is seasonal, with revenue highest in the second and third quarters and lowest in the first quarter, which impacts cash flow and available liquidity.

### 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 chosen to reflect Cembrit's global functional responsibility set-up. This set-up consolidates functions by type, and Management

reviews the Group's results to assess performance. Thus, there is only one operating segment, which is unchanged from year-end 2019.

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

	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>FY 2019</b>
	DKK (000)	DKK (000)	DKK (000)	DKK (000)	DKK (000)
<b>Revenue by geographical area</b>					
Denmark	173,201	142,268	312,466	236,485	503,334
UK	47,091	55,895	103,614	101,988	220,619
Sweden	48,725	41,158	90,685	80,010	161,830
Nordic (excl. Denmark and Sweden) and Ireland	102,208	98,249	201,625	189,708	380,478
Western Europe (excl. UK and Ireland)	48,504	58,669	92,426	114,803	203,231
Other	34,456	43,814	67,319	70,782	132,623
	<b>454,185</b>	<b>440,053</b>	<b>868,135</b>	<b>793,776</b>	<b>1,602,115</b>
<b>Revenue by product group</b>					
Roofing	207,739	202,075	403,124	355,368	727,163
Facade/function boards	188,920	183,396	359,066	341,664	670,274
Other	57,526	54,582	105,945	96,744	204,678
	<b>454,185</b>	<b>440,053</b>	<b>868,135</b>	<b>793,776</b>	<b>1,602,115</b>
<b>Assets by geographical area</b>					
Denmark			147,047	154,251	147,617
Nordic (excl. Denmark), the UK and Ireland			262,982	293,719	251,699
Eastern Europe			683,758	716,015	705,711
Other			11,304	15,402	37,144
			<b>1,105,091</b>	<b>1,179,387</b>	<b>1,142,171</b>

Assets by geographical area comprise intangible assets and property, plant and equipment.

## 6 Special non-recurring items

Special non-recurring items are used in connection with presentation of the income statement to distinguish consolidated EBITDA from exceptional items in order to give a true and fair view of the Group's operating activities.

A high level of Management attention is applied to ensure that only exceptional items not associated with the Group's ordinary operations are classified as special non-recurring items. The same classification is used for the internal reporting to the Board of Directors. Special non-recurring items provide insight into the running of the business and how the business is monitored by Management.

Special non-recurring items are disclosed in the income statement. They comprise income and costs and are specified below:

	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>FY 2019</b>
	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>	<u>DKK (000)</u>
Restructuring	0	(2,050)	(283)	(3,828)	(7,416)
Other	<u>(2,826)</u>	<u>0</u>	<u>(7,282)</u>	<u>0</u>	<u>(11,100)</u>
	<b><u>(2,826)</u></b>	<b><u>(2,050)</u></b>	<b><u>(7,565)</u></b>	<b><u>(3,828)</u></b>	<b><u>(18,516)</u></b>

## **7 Financial risks and derivative financial instruments**

Cembrit's financial risk exposure is unchanged compared to the disclosure in the consolidated financial statements in the 2019 Annual Report.

## **8 Events after the balance sheet date**

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