



Cembrit Group – Q4 2017
Unaudited interim report

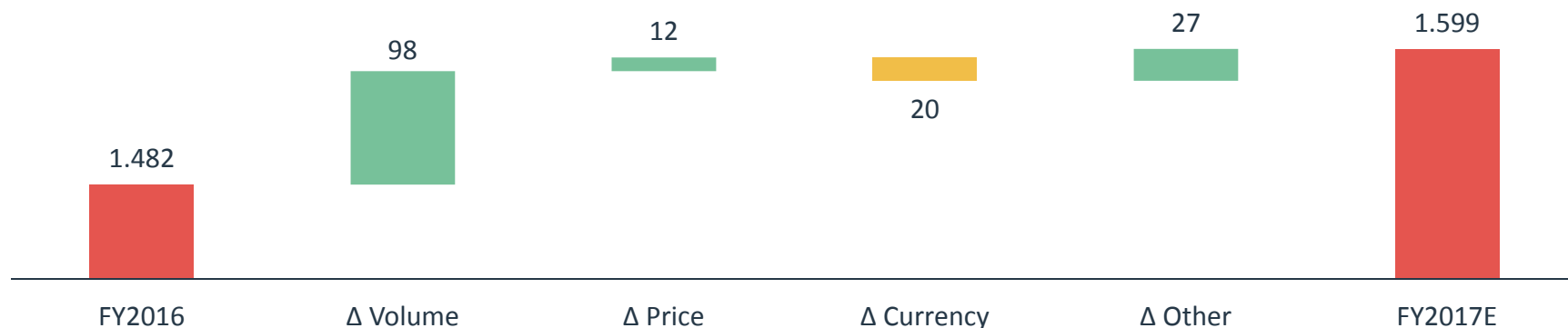
CENBRIT
Building Better Days

2017 – main events

COMMENTARY

- Strong demand across both markets and product categories resulted in revenue growth of 7.9% YoY
- 2017 EBITDA showed solid underlying performance, but was negatively impacted primarily by a delay in the ramp-up of the Hungarian production facility
 - Low yield during ramp-up in Hungary
 - Production and supply chain not at target performance (factories excluding Hungary performing well)
 - ERP implemented, however functionality /efficiency not fully at target level
- The delay in Hungary and poor supply chain management has also resulted in an extraordinarily high inventory level, which lay a temporary strain on Cembrit’s cash position
- New management team following poor transparency, decision making and execution power historically

REVENUE DEVELOPMENT (DKKM)



Market update

COMMENTARY

- The European construction environment was positive for Cembrit in 2017
- EUROCONSTRUCT press release November 2017: "This is the first time that growth has been seen across the board in Europe since Germany's reunification; and it looks like this feat will be repeated in 2018."
- Residential roofing was slightly growing, Agriculture business did stabilize after years of decline and the Cladding business showed solid growth all over Europe
- Especially the light ventilated facade market was growing substantially supported by the trend for energy retrofitting of buildings
- Cembrit was able to gain market shares in key markets like Germany, France, UK & Ireland by expanding it's very competitive product portfolio within these markets and adding sales resources
- Outside of Europe the US market showed a good development with Cembrit gaining market share
- For 2018 Cembrit expects further positive developments in all markets

Initiatives launched since March 2017 bond issue

COMMENTARY

- In response to Cembrit's disappointing operating performance, the Board of Directors of Cembrit has appointed a new CEO, CFO and COO
- Since joining in October 2017 the new CEO has undertaken a thorough current state assessment and launched a number of new initiatives:
 - Operational review process launched end-2017
 - Plan to improve yield at the Hungarian production facility by reducing complexity and strengthening the organisation
 - Dedicated effort to reduce inventory
 - Organisational restructuring launched in Jan-2018 to address inefficiencies and performance incl. revised supply chain responsibility, reorganized HQ functions (including R&D), new regional commercial structure with central support functions, and new analysis for a financial shared service centre
- 90 DKKm equity contribution Jan-2018



Equity contribution

COMMENTARY

- Cembrit's shareholders continue to believe strongly in their investment in Cembrit and fully subscribed for an equity issue of DKK 90 million in January 2018 to maintain healthy liquidity levels while implementing the strategic initiatives
- The cash contribution was received by Cembrit in end-January
- Shareholders have delegated authority to Cembrit's Board of Directors to make an additional equity issue of up to 30 DKKm
- Combined shareholder contribution since acquisition of ~800 DKKm

Managements comments – P&L

- Q4 2017 performance was below management expectations
- In Q4, revenue was 16% higher than Q4 2016 and revenue YTD was 8% above YTD 2017
- Gross profit was 35% lower in Q4 2017 versus Q4 2016. The lower performance is mainly driven by low yield and high waste in Hungary. In order to manage the very high inventory level, most of the production sites expanded the holiday close-down vs. last year which also had a negative impact on performance. Also, inventory write downs and adjustment from inventory count in Hungary have impacted gross profit negatively, partly offset by an update of standard cost prices
- EBITDA was influenced by poor supply chain management which resulted in significantly increased freight costs, costs from lay-off, agency workers, higher sales commission and generally due to costs from new markets (Ireland, Germany and Netherlands). The EBITDA ratio was -1,6% in Q4 2017, reflecting that EBITDA was DKKm 35.2 below Q4 2016
- Amortisations were negative in Q4 2017 due to correction of a mistake in amortisations in previous months in 2017

Consolidated profit and loss statement Q4 2017

All amounts in DKK (000)	Quarter		YTD	
	Q4 2017	Q4 2016	Q4 2017	Q4 2016
Net sales	394.914	339.500	1.599.103	1.481.777
Gross profit	79.223	121.208	367.281	426.372
Gross profit ratio	20,1%	35,7%	23,0%	28,8%
Freight costs	12.185	11.104	42.782	33.438
SG&A excl. freight	73.301	81.308	286.689	293.690
SG&A ratio excl freight	18,6%	23,9%	17,9%	19,8%
Total SG&A incl. freight	85.486	92.412	329.471	327.128
Net other operating income	693	-9	1.815	2.998
EBITDA	-6.418	28.787	39.626	102.242
EBITDA ratio	-1,6%	8,5%	2,5%	6,9%
Depreciations and write downs of tangible assets	22.344	23.569	92.057	81.850
Special non-recurring items	2.203	1.954	4.497	13.686
EBITA	-30.965	3.266	-56.928	6.706
EBITA ratio	-7,8%	1,0%	-3,6%	0,5%
Amortizations and write downs of intangible assets	-4.033	7.528	16.133	16.199
EBIT	-26.932	-4.262	-73.061	-9.494
EBIT ratio	-6,8%	-1,3%	-4,6%	-0,6%
Net financial items	-10.954	-7.449	-89.850	-53.331
EBT	-37.886	-11.712	-162.911	-62.825
EBT ratio	-9,6%	-3,4%	-10,2%	-4,2%
Tax for the period	37.911	12.623	20.562	-6.440
EAT	-75.798	-24.335	-183.473	-56.385
EAT ratio	-19,2%	-7,2%	-11,5%	-3,8%

Managements comments – Balance Sheet and Cash Flow

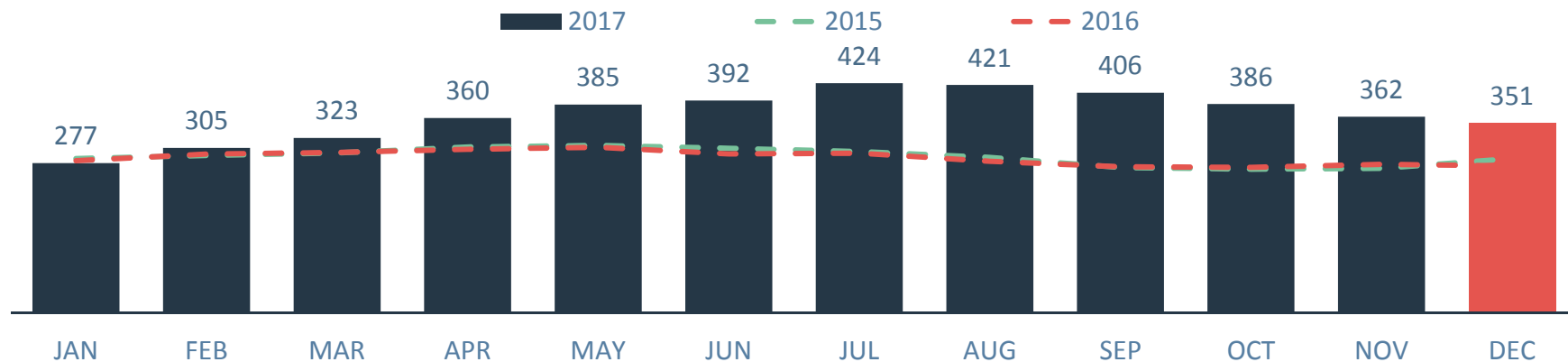
- Net working capital was influenced by the high inventory level (see next slide), driven by the ramp up of the production plant in Hungary as well as the strategic shift towards own branded planks. Accounts payables were extraordinarily high at the end of 2016, which partly explains the very low net working capital level last year
- The balance sheet was influenced by the issuance of company bonds in Q1 2017
- Net interest bearing debt, on a consolidated basis was DKK 853m.
- Interest bearing debt has increased during the year due to a negative change in net working capital and costs related to the bond issue
- As of year-end Cembrit had an undrawn committed revolver facility in Nordea of DKK 63m. In addition, Cembrit had net cash in local banks outside the cash pool system of DKK 14m

Inventory status update

COMMENTARY

- Inventory level significantly higher due to specific issues:
 - Poor logistics planning/execution
 - Change to own-branded Cembrit Plank products
 - High number of semi-finished boards
 - High number of slow-moving items on stock
- Special initiatives to target each of the above issues have been launched

INVENTORY (DKKM)



Consolidated balance sheet Q4 2017

All amounts in DKK (000)		Q4 2017	Q4 2016
Intangible assets		178.619	155.771
Tangible fixed assets		955.630	990.612
Financial fixed assets		86.660	98.867
Total non-current assets		1.220.910	1.245.250
Inventory		350.532	271.730
Accounts receivable		195.875	210.625
Total tax receivables		7.581	2.833
Other receivables and prepayments		44.932	33.639
Cashpool and external banks ⁽¹⁾		497.752	339.322
Total current assets		1.096.672	858.149
Total assets		2.317.581	2.103.399
Equity		456.690	609.119
Provisions		54.218	55.126
Bank loans/bonds		850.131	507.512
Other long-term liabilities		68.552	72.579
Total long-term liabilities		972.901	635.218
Current part of long term debt		780	54.001
Provisions		18.360	27.505
Cashpool and external banks ⁽¹⁾		495.208	340.070
Accounts payable		164.822	234.414
Total tax payables		8.412	5.303
Other short-term liabilities and prepayments		200.408	197.770
Total short-term liabilities		887.991	859.063
Total liabilities		1.860.892	1.494.280
Total equity and liabilities		2.317.581	2.103.399
Net working capital		230.872	92.550
Solvency ratio ⁽²⁾		19,7%	29,0%
Net interest bearing debt		853.393	575.414

Consolidated cash flow statement Q4 2017

All amounts in DKK (000)	YTD			
	Q4 2017	Q4 2016	Q4 2017	Q4 2016
EBIT from P&L	-26.932	-4.263	-73.061	-9.494
Depreciations and write downs of tangible assets	22.343	23.568	92.057	81.850
Amortizations and write downs of intangible assets	-4.033	7.527	16.133	16.199
Gain, loss on sold assets and other adjustments	1.922	-584	3.267	-1.597
Total adjusted EBITDA	-6.700	26.248	38.396	86.958
Change in provisions	-6.398	-6.893	-13.172	-22.051
Change in working capital	58.666	79.852	-114.416	142.121
Financial payments received and made	-12.981	24.817	-91.876	-15.426
Corporation tax paid	-363	-1.111	-12.543	41.093
Cash flow from operating activities	32.224	122.913	-193.611	232.695
Total investments	-16.392	-71.680	-74.559	-161.183
Total disposals	15	144	58	231
Total other investments	290	-	-9	-335
Cash flow from investments	-16.087	-71.536	-74.510	-161.287
Cash flow from operating and investing activities	16.137	51.377	-268.121	71.408
Dividend	-1	-2	-	-1
Acquisition of own shares	-	-	-	-
Capital increases	-813	188	1.500	1.050
External banks	3.976	-191	-14.022	17.667
Leasing	-134	-143	-599	-490
Changes in NIBD	16.530	-44.709	270.323	-95.347
Change in cash funds	35.695	6.520	-10.919	-5.713

NIBD and change in cash funds Q4 2017

All amounts in DKK (000)	YTD			
	Q4 2017	Q3 2017	Q4 2017	Q4 2016
Cash at hand	291	357	291	781
External bank (not part of cash pool)	18.110	14.880	18.110	8.941
Cashpool (asset)	479.351	359.283	479.351	329.600
Total cash funds	497.752	374.520	497.752	339.322
External bank (not part of cash pool)	4.239	4.777	4.239	17.644
Cashpool (liability)	490.969	403.217	490.969	322.349
Cashpool and external banks	495.208	407.994	495.208	339.993
Net cash/revolver	-2.544	33.474	-2.544	671
Bond loan ⁽¹⁾	850.131	829.195	850.131	0
Bank loan	0	0	0	560.722
Bond/bank loan	850.131	829.195	850.131	560.722
FX market value	4.764	6.255	4.764	12.384
Financial lease	1.042	1.176	1.042	1.637
Total NIBD	853.393	870.100	853.393	575.414
Total cash funds	497.752	374.520	497.752	339.322
Cash pool liability	-490.969	-403.217	-490.969	-322.349
Total cash at end	6.783	-28.697	6.783	16.973
Total opening cash balance	-28.697	29.322	16.973	23.170
Cash flow from operating activities	32.224	-32.631	-193.611	232.695
Cash flow from investing activities	-16.087	-16.304	-74.510	-161.287
Cash flow from financing activities	19.558	-9.512	257.202	-77.121
Change in cash funds ⁽²⁾	35.695	-58.447	-10.919	-5.713
FX	-215	428	729	-484
Total cash at end	6.783	-28.697	6.783	16.973