AalborgPortlandHolding

ANNUAL REPORT
2018

1 REPORT

6 Aalborg Portland Holding Group
7 Profile
9 Identity, Vision, Mission, Values
10 Performance, financial and equity highlights
12 Management's review for 2018
17 Financial review
19 Risk management

2 FINANCIAL STATEMENTS (GROUP)

24 Income statement
24 Statement of comprehensive income
25 Cash flow statement
26 Balance sheet
28 Statement of shareholders' equity
30 Notes

3 FINANCIAL STATEMENTS (PARENT COMPANY)

70 Income statement
70 Statement of comprehensive income
71 Cash flow statement
72 Balance sheet
74 Statement of shareholders' equity
75 Notes

4 SIGNATURES

88 Statement by the Board of Directors and the Executive Board
89 Independent auditor's report

5 THE GROUP

94 Management
95 Companies in the Group
97 Addresses

1 REPORT

6 Aalborg Portland Holding Group

7 Profile

9 Identity, Vision, Mission, Values

10 Performance, financial and equity highlights

12 Management's review for 2018

17 Financial review

19 Risk management

The Great Belt Bridge, Denmark

AALBORG PORTLAND HOLDING GROUP

Part of the Cementir Group

Aalborg Portland Holding, Denmark, with its head office in Aalborg, is part of the Cementir Group. Aalborg Portland Holding A/S is included in the Group financial statements for Cementir Holding S.p.A., Italy, and Caltagirone S.p.A., Italy.
Cementir Holding S.p.A. has its head office in Rome, is listed on the Italian Stock Exchange in Milan (code CEM) and is part of the listed Caltagirone Group.
www.cementirholding.it

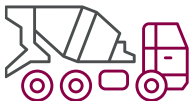
PRODUCTS

GREY CEMENT

is the most important construction material for strengthening infrastructure, building homes and bridges, creating harbours and expanding airports.

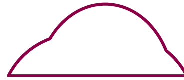
WHITE CEMENT

is for solutions ranging from aesthetics to safety - from terrazzo or bathroom tile grouts to highway safety barriers whose whiteness ensures high visibility night and day in all weathers.



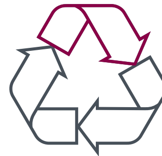
READY-MIXED CONCRETE

is delivered to site ready for casting and is the efficient solution when high-reliability, quality concrete is needed in large volumes.



AGGREGATES

- a wide range of building aggregates such as sand, gravel and granite for the construction industry. The products are mainly used for construction, asphalt and concrete purposes.



WASTE MANAGEMENT

- supply and usage of alternative fuels in order to diversify and optimise the energy resources of the Group.

CEMENTIR HOLDING GROUP

Cementir Holding is an Italian multinational company specialised in the production and distribution of grey and white cement, ready-mixed concrete, aggregates and concrete products. It is also active in the management of urban and industrial waste. The company was formed in Italy in 1947 and is part of the Caltagirone Group. It has been listed on the Milan Stock Exchange since 1955 and is currently in the STAR segment.
Over the years the Cementir Group has grown through major investments and acquisitions throughout the world, becoming the global leader in the production of white cement. The Cementir Group is the only cement manufacturer in Denmark, the third-largest in Belgium and one of the biggest in Turkey. It is also the leading ready-mixed concrete manufacturer in Scandinavia. Cementir is now present in 18 countries across 5 continents. Its strategy is aimed at increasing the integration of its business activities as well as geographical diversification.

PROFILE

NORDIC & BALTIC

A leading cement producer in the Nordic region
Aalborg Portland produces grey and white cement at its plant in Aalborg.
The products are sold in Denmark, USA and neighbouring countries.

Grey cement: **1,583,000 tonnes**
White cement: **755,000 tonnes**

Leading supplier of ready-mixed concrete in the Nordic region
Unicon is market leader within ready-mixed concrete in the Nordic region. Production takes place at 69 plants in Denmark, Norway and Sweden.
Quarrying and sale of aggregates (mainly granite and gravel) from 8 sites in Denmark and Sweden.

Ready-mixed concrete: **2,288,000 m³**
Aggregates: **4,188,000 tonnes**

OVERSEAS

World-leading producer of white cement
Production at plants in USA, Egypt, Malaysia and China. The white cement is sold to a number of markets worldwide.

White cement: **1,879,000 tonnes**

BELGIUM

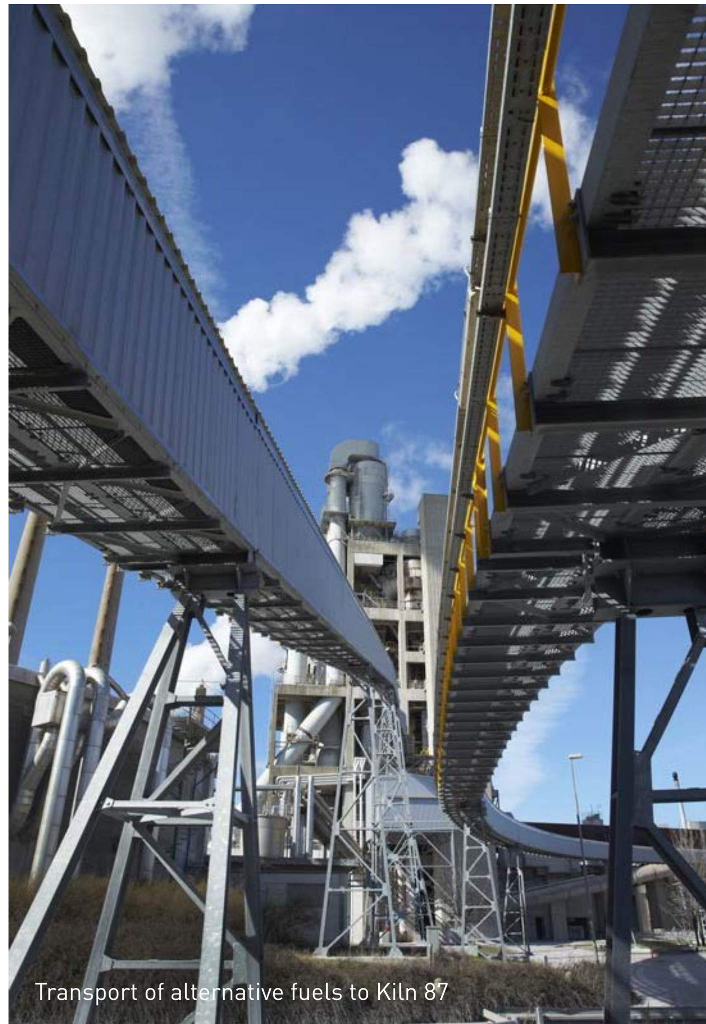
One of the largest producers of cement, ready-mixed concrete and aggregates in Belgium
CCB is a leader in the manufacture of cement that can meet specific implementation criteria: conventional construction and masonry work, work of high aesthetic quality, structures in harsh environments and oil well drilling.
CCB has 10 ready-mixed concrete plants in Belgium and 5 in France.

Grey cement: **1,947,000 tonnes**
Ready-mixed concrete: **929,000 m³**
Aggregates: **5,764,000 tonnes**

TURKEY

Extensive activities in Turkey
Cimentas is among the largest cement groups in Turkey with production at several sites in the country.
Cimentas also has 18 ready-mixed concrete plants.
Recydia AS processes and recycles waste in Turkey and UK.

Grey cement: **3,710,000 tonnes**
Ready-mixed concrete: **1,702,000 m³**
Waste: **500,000 tonnes**

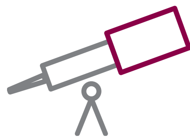


Transport of alternative fuels to Kiln 87

IDENTITY

Cementir is an International Group that:

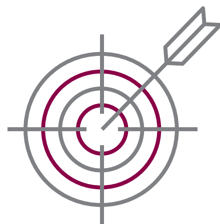
- aspires to be a product leader;
- believes that continuously seeking quality in every business process is the key to success;
- is dynamic on the market, constantly seeking new opportunities;
- gives importance to the growth of its employees, its shareholders and the communities in which it operates;
- believes in sustainable development and works to achieve it;
- believes that diversity is an element of strength and value on which to base its actions.



VISION

We want to maintain our uniqueness on the market through product segmentation and business diversification.

We want to create value, thanks to an agile organization capable of sustaining growth, respecting the environment and fostering integration with local communities.



MISSION

We develop our growth through product leadership and a continuous improvement of processes.

We work dynamically to seize the best opportunities, leveraging our know-how and our people's flexibility.

We adapt our organization to the territory where it operates, to increase its value and to ensure mutual benefit.

VALUES

Dynamism

We look beyond to anticipate and seize the best opportunities. Being dynamic and flexible is the feature that makes us unique on the market and allows us to quickly meet our customers' demands.

Quality

We engage and invest in constantly improving the quality of our products. We seek the efficiency and effectiveness of our processes.

Value of people

We build relationships with our employees and stakeholders that last over time. We believe it is our responsibility to recognize the merits and abilities of our people and anyone working with the Group.

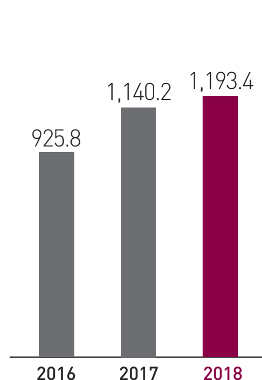
Diversity and inclusion

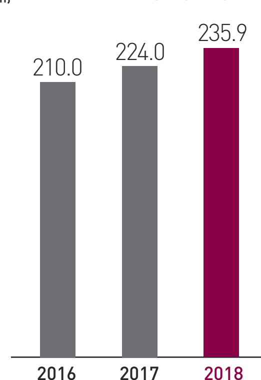
We consider diversity and inclusion a great asset. We work every day promoting diversity in all its forms and expressions.

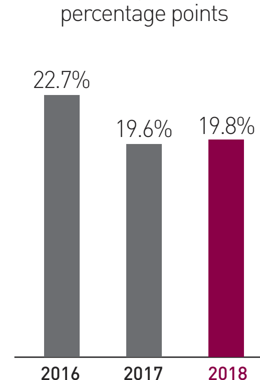
Sustainability

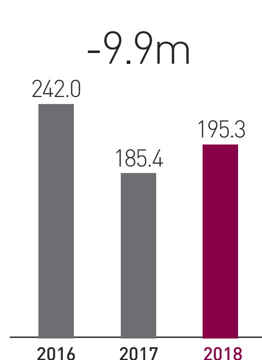
We believe that there can be no success without respect for the environment. We are responsible for the communities in which we live and work. It is our responsibility to take care of our property while safeguarding the environment and natural resources.

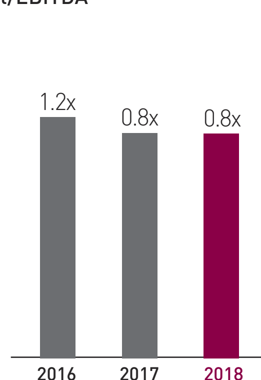
PERFORMANCE, FINANCIAL AND EQUITY HIGHLIGHTS

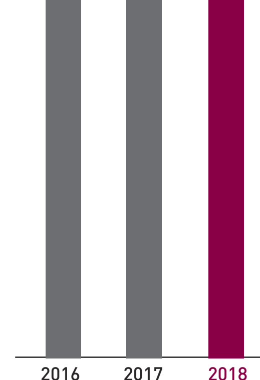












Performance highlights

[EUR '000]	2018	2017	2016	2015	2014	2013	2012
Revenue	1,193,388	1,140,214	925,806	876,309	858,401	670,764	580,330
EBITDA	235,918	224,045	209,963	191,322	192,640	147,386	111,517
EBITDA margin %	*19.8%*	*19.6%*	*22.7%*	*21.8%*	*22.4%*	*22.0%*	*19.2%*
EBIT	152,785	143,455	138,169	116,610	130,931	98,930	64,689
EBIT margin %	*12.8%*	*12.6%*	*14.9%*	*13.3%*	*15.3%*	*14.7%*	*11.1%*
Financial income (expense)	21,415	(13,242)	28,535	1,521	2,222	-2,963	-1,564
Profit before taxes	175,250	134,998	171,831	123,196	136,368	98,237	66,447
Income taxes	32,462	15,784	42,988	25,298	27,394	22,075	11,424
Profit for the year	142,788	119,214	128,843	97,898	108,975	76,162	55,023
Profit for the period margin %	*12.0%*	*10.5%*	*13.9%*	*11.2%*	*12.7%*	*11.4%*	*9.5%*
Group net profit	136,331	116,838	115,319	91,767	89,300	64,736	47,795
Group net profit margin %	*11.4%*	*10.2%*	*12.5%*	*10.5%*	*10.4%*	*9.7%*	*8.2%*

Financial and equity highlights

[EUR '000]	2018	2017	2016	2015	2014	2013	2012
Net average capital employed (a)	1,308,514	1,150,826	1,218,592	940,117	988,916	931,442	532,859
Total assets	1,828,792	1,639,339	1,722,610	1,283,593	1,281,560	1,202,828	778,251
Total equity	927,639	783,763	769,262	780,996	767,375	666,358	505,696
Group shareholders' equity	767,571	695,275	667,398	654,177	592,381	476,245	445,758
Net interest-bearing debt	195,279	185,360	241,984	68,142	117,028	141,631	24,238

(a) Intangible assets + tangible assets + working capital
(b) Inventories, trade receivables and trade payables

Profit and equity ratios

	2018	2017	2016	2015	2014	2013	2012
Return on Equity (a)	16.8%	15.2%	16.6%	12.6%	15.2%	13.0%	11.3%
Return on average capital employed (ROCE) (b)	9.9%	12.1%	9.6%	9.6%	10.9%	12.0%	9.9%
Equity ratio (c)	50.7%	47.8%	44.7%	60.8%	59.9%	55.4%	65.0%
Net gearing ratio (d)	21.1%	23.7%	31.5%	8.7%	15.3%	21.3%	4.8%
Net interest-bearing debt / EBITDA	0.8x	0.8x	1.2x	0.4x	0.6x	1.0x	0.2x

(a) Net profit / Average equity
(b) EBIT after effective tax rate / Net average capital employed
(c) Total equity / Total assets
(d) Net interest-bearing debt / Total equity

Cash flows

[EUR '000]	2018	2017	2016	2015	2014	2013	2012
Cash flows from operating activities (CFFO)	140,912	168,281	171,070	144,463	129,318	139,122	104,416
Cash flows from investing activities (CFFI)	-172,850	-89,610	-334,691	-52,028	-59,487	-210,837	-114,511
Free cash flow (FCF)	-31,938	78,671	-163,621	92,435	69,831	-71,715	-10,095

Employees

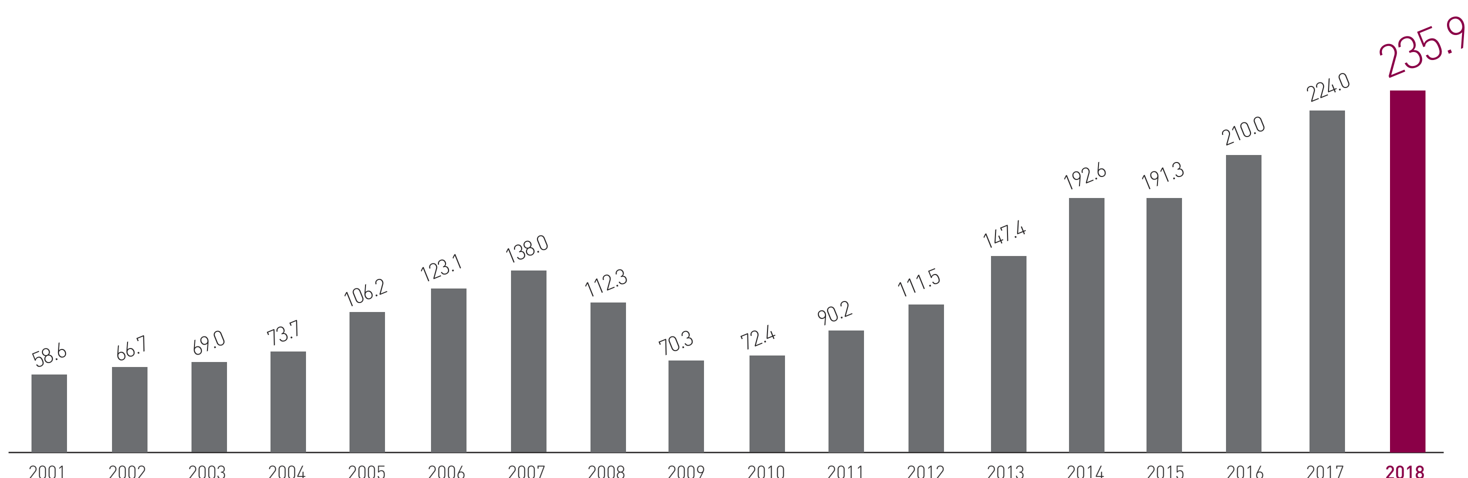
	2018	2017	2016	2015	2014	2013	2012
Number of employees (at 31 Dec.)	3,011	2,939	2,918	2,580	2,583	2,650	1,531
Number of employees in Denmark	720	735	722	722	690	701	690

Sales volumes

[EUR '000]	2018	2017	2016	2015	2014	2013	2012
Grey and white cement (tonnes)	9,745	10,110	8,263	7,654	7,939	4,384	3,227
Ready-mixed concrete (m^3)	4,919	4,948	4,253	3,663	3,454	2,539	1995
Aggregates (tonnes)	9,953	9,335	4,462	3,813	3,259	3,234	3,490

EBITDA performance

[EURm]



MANAGEMENT'S REVIEW FOR 2018

New investments supported increased revenue and earnings

Challenging conditions in certain markets within the Group resulted in large differences in growth and sales opportunities among the business units around the world. Progress was recorded in USA, Belgium and China, stagnation took place in the Nordic region and conditions in Turkey remained difficult.

Overall, earnings realised by the Aalborg Portland Holding Group in 2018 lived up to expectations.
In the USA, Aalborg Portland Holding (APH) strengthened its position as global market leader in white cement. The Group acquired an additional 38.75% stake in Lehigh White Cement Company (LWCC) at the end of March 2018, thereby gaining control with a total shareholding of 63.25%. LWCC has two production plants in Pennsylvania and in Texas, import terminals and a distribution network covering the whole of the United States, and is the market leader in white cement with sales of 650,000 tonnes. Revenue amounted to EUR 134m on an annualised basis. The company was consolidated in the Group's accounts from 1 April 2018. The investment made for the increased stake amounted to USD 108m on a cash and debt free basis.
In October 2016, Aalborg Portland Holding acquired the Belgian cement group Compagnie des Ciments Belges S.A. (CCB), and in 2018 the CCB group contributed with revenue of EUR 248m, against EUR 234m the previous year. Earnings were also satisfactory and higher than the previous year.
In the Nordic region, the Group experienced a weak decline in volume sales in Denmark and Norway. Sales of cement and ready-mixed concrete decreased slightly in Denmark. A moderate upward trend in the export of white cement from Aalborg to nearby markets and to the USA was repeated in 2018.
Setback was reported in Egypt, where revenue and earnings were predominantly impacted by challenging market conditions. Development in China and particularly the USA was characterised by growth, mainly due to the acquisition of the increased stake in LWCC. In the Cimentas group, revenue and earnings in 2018 were again negatively impacted by devaluation of the Turkish lira as well as keen price competition.
Overall, the Group realised revenue of EUR 1,193m in 2018, against EUR 1,140m the previous year, an increase of EUR 53m or 5%.
Earnings before depreciation and amortisation (EBITDA) were EUR 236m, 5.3% higher than in 2017 when EBITDA was EUR 224m. Consolidated EBITDA ratio was 19.8%, against 19.6% the previous year.
Calculated in EUR, both revenue and EBITDA were negatively impacted by several currency devaluations amounting to EUR 77m and EUR 10m, respectively.
Earnings before interest and tax (EBIT) amounted to EUR 153m. This was 7% higher than in 2017 when EBIT was EUR 143m.
Net financial items amounted to an income of EUR 21m in 2018. When control was gained of LWCC in the USA through acquisition of the increased stake, the carrying amount of the former 24.5% stake was adjusted at fair value. This adjustment positively influenced financial items in the consolidated financial statement by EUR 40m. The net financial items were negatively influenced by exchange losses on financial balances of EUR 10m, primarily as a result of the Turkish currency devaluation.
Hereafter, earnings before tax were EUR 175m compared with EUR 135m in 2017.

A solid balance sheet and strong cash flow from operations

A healthy economy and strong financial base provide opportunities for long-term value-adding investments. In 2018, constant focus on high operating efficiency and working capital management led to a positive operational cash flow (CFFO) of EUR 141m. The cash flow almost funded the year's investments of partly EUR 66m in improvements, energy savings and environmental projects, partly in investments in a further

strengthening of the Group's position in the white cement market, primarily through the investment in USA at EUR 88m.

The Group had a free cash flow of EUR -32m. At year-end 2018, the net interest-bearing debt was EUR 195m, against EUR 185m the year before, which at 0.8 x EBITDA is low compared with the company's earnings.

At year-end 2018, equity was EUR 928m, and the equity ratio was 51% against 48% the previous year. Return on equity was 17%, while return on capital employed (ROCE) was 10.1%, against 10.7% in 2017.

Ongoing innovation

Innovation is a cornerstone of the Group's strategy and business model and in 2018 again led to notable results, including significant reduction in consumption of energy and natural resources.

Ongoing research is conducted into new cements that emit less CO_2 in production. The Group wishes to continue and potentially strengthen these activities, but this is only possible in a climate where conditions are conducive to the necessary long-term investments.

The Group is engaged on a range of projects that support society's goals for sustainability:

- Use of the Group's patented FUTURECEM technology to develop cement that can be produced with reduced CO_2 emission.
- Preparation for construction of the planned wind farm at the Aalborg cement plant in Denmark that will enable electricity consumption to be supplied predominantly by renewable energy.
- New investments in Denmark intended to further increase the use of CO_2-neutral fuels in cement production.
- Development of advanced, new products based on white cement.

Danish cement technology leads the world due to productive cooperation between research and manufacture. To maintain this position, it is imperative that cement continues to be made in Denmark so that technology development and active production can take place side by side and in dialogue with customers.

Nordic & Baltic

The Nordic & Baltic region realised a weak decline in revenue of 2% which embraced all the Nordic countries. In Denmark, there was a moderate fall in cement sales to the domestic market, while exports of white cement increased. In Norway, building activity was characterised by a downward trend in housing and commercial construction. Revenue and earnings were further impacted by a weakening of the Swedish and Norwegian currencies.

The investment in a new storage terminal in south-west France has strengthened the Group's position in one of Europe's largest markets for white cement. Investments in the Benelux countries have also strengthened the Group's European market leadership in white cement.

In the ready-mixed concrete segment, investment is in progress to consolidate the Group's market position in the Nordic region. A new concrete plant – the largest in Denmark – was built in Odense and commissioned at the start of 2018. In Norway, a new concrete plant was opened in Larvik at the start of 2018, another plant is planned, and upgrade of an existing plant is scheduled for completion in mid-2019.

In 2017, Aalborg Portland's largest production line for grey cement underwent a massive makeover. The investment of EUR 10.7m, has resulted in more stable, more efficient and above all more sustainable cement production. Thus, the Group's ambitions to reduce the consumption of fossil fuels and to source 60% of energy consumption from alternative fuels were already achieved in 2018. This percentage was even exceeded in some periods, approaching 100% on certain days. Projects aimed at further reducing the use of fossil fuels are continuing.

At the cement plant in Aalborg, projects are continuously under way that promote sustainability in both production and use of products and contribute to the circular economy in society.

In 2018, an agreement was signed with the city utility company Aalborg Forsyning for supply of district cooling to North Jutland's new general hospital, which is scheduled for completion in 2020 and lies in eastern Aalborg just 3 km from the Aalborg Portland plant. Cold water in the deep lake in the company's chalk quarry will be used to provide both comfort cooling and process cooling for the hospital.

Excess heat from cement production has been used to supply heating to around 20,000 Aalborg households for several years. However, potential exists to supply a further 25,000 households via the district heating network, thereby providing approx. 50% of the City of Aalborg's heat requirement and at the same time contributing significantly to the goal of phasing out the use of fossil fuels at the city's power station by 2028. Aalborg Portland is assisting constructively in the studies of the possibilities for utilising this potential and has pointed out in this context that the necessary investment could be made profitable by adjusting the billing price for the supply of heat and by reducing the tax on excess heat.

Overall, earnings for the Nordic & Baltic region were satisfactory, despite a slight decrease on 2017 as a result of sales conditions in main markets and rising energy costs. The Group will therefore maintain focus on operational excellence and optimisation of costs, thus creating improved earnings performance across the organisation through consistent and structured processes.

Special levies are applied in Denmark to which European competitors are exempt and which therefore represent a considerable burden for the Group. The Danish government's decision to phase out the PSO levy over a period of five years from 2017 to 2021 therefore has very great significance for the competitiveness of Danish production companies, including for production of cement in Aalborg. This relaxation has brought conditions more closely into line with those applying to similar production companies elsewhere in Europe. A removal of these levies will encourage long-term investments in new production and promote employment in Denmark.

The CO_2 quota allocation after 2020, which is currently being negotiated in the EU, remains a significant element of uncertainty. As Aalborg Portland has substantial export activities outside the EU it is imperative that this is taken into consideration, and in such a way that production and jobs can remain in Denmark. Securing a fair quota allocation and abolishing the NOx levy will create a platform for further investments in Danish production, and thereby safeguard and increase the number of Danish jobs.

Belgium

Compagnie des Ciments Belges S.A. (CCB), situated in south-west Belgium, became part of the Aalborg Portland Holding Group in October 2016. The cement factory in Gaurain, which has an annual capacity of 2.3m tonnes, is the largest in France and Benelux and presides over raw material reserves that are sufficient for 80 years' production. The company has a significant share of the Belgian market and considerable exports to both France and the Netherlands.

CCB also has extensive production of aggregates, amounting to 4.8m tonnes annually, mainly gravel and stone supplied from two sites with substantial raw material reserves. Furthermore, CCB is one of the largest ready-mixed concrete manufacturers in Belgium with 10 plants, a further five plants in northern France and total sales of almost 1m m^3.

The Belgian group realised revenue of EUR 248m in 2018, a solid increase of 6% on 2017. Earnings also showed an upward trend and were of a satisfactory level.

Expanding sales opportunities have led to a decision to increase capacity at CCB by re-starting Kiln 2 which has not been operating for 10 years.

As planned, after intensive focus on integrating CCB with the APH Group's matrix organisation and IT platform, CCB's business processes were transferred in spring 2018 to the Group's SAP platform. Another focus area has been market penetration in France, the aim being to safeguard and administer the substantial export of cement and aggregates to the French market as well as sale and production of ready-mixed concrete at the five production plants in northern France acquired in 2017.

Efforts have also been concentrated on maintaining a strong market position, based on high product quality, and constant focus on customer needs and product development.

Focus on work environment, safety training and company-wide involvement has reduced the number of accidents significantly over the last five years. The Gaurain factory is certified according to ISO 14001, and due to targeted efforts 40% of cement production is now based on alternative fuels. The goal is a further reduction in the use of fossil fuels.

The acquisition of CCB in Belgium has strengthened the APH Group's position in Western Europe. Close coordination with the other European activities will generate synergy in sales, production and logistics.

Overseas

Through its production facilities in the Nordic and Overseas regions the Aalborg Portland Holding Group is the global leading supplier of white cement.

In 2018, the plant in *China*, the largest white cement factory in Asia, again recorded growth in both sales and earnings based on rising domestic demand for quality cement. Production efficiencies also contributed to higher earnings.

In *Malaysia*, the increased capacity has strengthened the company's position as the largest producer and exporter of white cement in south-east Asia and Australia. The company experienced growth in sales, but earnings were lower than in 2017 due to higher energy prices and freight rates and a weakening of the local currency.

The plant in *Egypt* is the world's largest white cement production unit. In 2018, the Group invested EUR 3.8m in acquiring an additional stake in Sinai White Portland Cement Co., increasing its holding by 4.7% to 71.1%. Sales decreased significantly (29%) on 2017 due to military action against terrorism in northern Sinai. This action halted all transport to and from the plant during the first part of the year. The situation had normalised by the end of the year, but revenue and earnings were considerably lower than in 2017.

In *North America*, the Group strengthened its position as mentioned by increasing its stake in LWCC from 24.5% to 63.25%. The transaction was announced on 14 February 2018 and closed end-March, after which LWCC was consolidated as a subsidiary in the Group's financial statements. With production in Pennsylvania and Texas, imports from the owners, and distribution throughout North America, the company is a market leader in white cement with annual sales of 650,000 tonnes. In 2018, the acquisition of LWCC contributes positively to revenue and earnings (EBITDA) by EUR 104m and EUR 17m, respectively.

Turkey

Cimentas, one of the largest cement groups in western Turkey, has production at two strategically sited cement plants in Izmir and Edirne, and at a further two factories in Kars and Elazig in the east of the country. Combined capacity was 5.4m tonnes in 2018, and sales of grey cement and clinker amounted to 3.7m tonnes, a decrease of 18% on 2017. Revenue increased in local currency, but was negatively influenced by continued political uncertainty and heightened competition resulting from development of new production capacity.

Due to soft development in sales prices amid high inflation (22%) and a weakened currency, EUR revenue and earnings were down on 2017. The Turkish lira (TRY) decreased in value by an average of 26% against 2017.

Besides cement production, Cimentas has 18 concrete plants, and volume sales amounted to 1.7m m^3 in 2018 compared with 1.6m m^3 in 2017. The company also has municipal and industrial waste management operations as well as renewable energy activities in UK and Turkey. These activities must be seen in context with the steadily increased use of alternative fuels in the production of cement.

Sustainability and social responsibility

The Aalborg Portland Holding Group has a long tradition of socially and environmentally responsible behaviour in the countries in which it operates. The Group is committed to making significant contribution to realising

society's climate goals and therefore invests substantial amounts in continued environmental improvements. Cement production in Aalborg takes place in symbiosis with city and society. As mentioned, heat from production provides district heating for 20,000 households in Aalborg. And in 2018 more than 700,000 tonnes of alternative raw materials and fuels from industry and society – an increase of 10% on 2017 – were utilised in cement production in resource-efficient partnerships.

The Group's cement plant in Aalborg (Aalborg Portland A/S) publishes a detailed annual environmental report. Besides presenting policies and results achieved, the report describes the company's environmental, energy and health & safety management systems and its certifications.

The APH Group's Statutory Report on Corporate Social Responsibility, cf. Section 99(a) of the Danish Financial Statements Act, can be found in "Sustainability Report 2018" published by the Group's owner, Cementir Holding. The report is available at www.cementirholding.it.

In accordance with Danish regulations governing the gender composition of management in large companies, cf. Section 139(a) of the Danish Companies Act and Section 99(b) of the Danish Financial Statements Act, the Group's policy on gender equality is being extended to recruitment and promotion, the decisive consideration still being to find the best qualified people for all company positions.

The Group wishes to increase the proportion of female managers in order to obtain a balanced composition of management, and in 2019 focus will continue to be given to attracting female candidates for management positions. As the number of employees in the Group's parent company is below 50, no targets and policies have been formulated for female representatives at management level.

The Board of Directors of the Group's parent company has one female and six male AGM-elected members. The aim is to have two female AGM-elected members before the end of 2021.

Payments to authorities

In accordance with Danish regulations governing payments to authorities in large companies, cf. Section 99(c) of the Danish Financial Statements Act, the Group has direct and indirect tax payments. Reference is made to note 8.

Expectations to 2019

The global economy is showing signs of stagnation and even recession in certain areas, although substantial uncertainty and variances still exist between markets. In addition, high volatility is expected in the foreign exchange market, which may significantly influence the Group's revenue, earnings and equity. Continued rising energy prices and freight rates will also impact earnings in 2019.

In the *Nordic & Baltic* region, moderate growth in building and construction activity is expected in Denmark, which continues to be the Group's largest single market. The building segment is positively influenced by a small number of large commercial projects and public construction projects, but these are close to being finalised, while moderate growth in activity is expected in other segments. Exports of white cement are expected to continue at a high level. Cement production in Aalborg has been strengthened by the large investments that have increased capacity, operating reliability and the use of alternative fuels. This is important in relation both to environmental impact and rising prices of fossil fuels. In Norway, moderately increased activity is anticipated due to major infrastructure projects, while the level of housing and commercial construction is expected to be unchanged.

In *Belgium*, CCB's integration in and adjustment to the Group's matrix organisation and IT platform are expected to have an increased effect in 2019. The decision to commission a further production line will also contribute positively.

In the *Overseas* region, considerable progress is expected in US sales, revenue and earnings in 2019 due to the full-year impact of the increased shareholding in LWCC. Overall revenue and earnings from operations in Egypt, China and Malaysia are expected to be on par with 2018.

In *Turkey*, the difficult market conditions are expected to continue, leading to a decline in sales. Revenue and earnings in both cement and ready-mixed concrete are expected to be lower than in 2018. There is a continued risk that Group earnings may be impacted by possible further devaluation of the Turkish lira.

Despite continued low growth in some of the important markets the Aalborg Portland Holding Group expects earnings (EBITDA) in 2019 to be higher than in 2018.

To this must be added the effect of the implementation from 2019 of the lease accounting standard IFRS 16. Everything else being equal, this will increase EBITDA by approx. EUR 20m and net interest-bearing debt by approx. EUR 75m. Reference is made to pages 66-67 of the Annual Report concerning the impact of IFRS 16 on the income statement and the balance sheet.

FINANCIAL REVIEW

Profit and loss

Group revenue in 2018 amounted to EUR 1,193.4m (2017: EUR 1,140.2m), a rise of 5%. The rise was primarily related to the activities in Belgium (6%), USA (LWCC consolidated from 1 April 2018), Malaysia (15%) and China (4%), while there were falls in revenue in Turkey (18%) and Egypt (25%) and a minor decrease in Nordic & Baltic (2%). Compared with 2017, revenue expressed in EUR was down by 77m compared with 2017 due to the lower exchange rates of various currencies, primarily TRY, SEK, NOK, USD and EGP.

Volume sales of cement amounted to 9.7m tonnes, 4% below 2017. This included 2.6m tonnes of white cement, a rise of 17% that embraced moderate growth in Denmark and Malaysia and a considerable increase in USA. Sales of grey cement amounted to 7.2m tonnes, down by 9% on the previous year. Cement sales in Denmark and Belgium increased moderately, whereas sales in Turkey decreased by 18%.

Volume sales of ready-mixed concrete were 4.9m m^3, on par with the previous year. Sales slightly decreased in Denmark and Norway, while increasing in Sweden. Sales in Turkey increased by 9%. Sales of aggregates (granite and gravel) amounted to 10.0m tonnes, against 9.3m tonnes the previous year, an increase of 7%.

Chalk excavation

Earnings before depreciation and amortisation (EBITDA) increased by EUR 11.9m or 5% to EUR 235.9m (2017: EUR 224.0m). Belgium, USA and China reported higher earnings. Nordic & Baltic reported earnings on par with the previous year, while earnings were lower in Turkey, Egypt and Malaysia. Compared with 2017, EBITDA expressed in EUR was down by 10m compared with 2017 due to the mentioned lower exchange rates of various currencies.

Operating ratio (EBITDA ratio) increased by 0.2 percentage points from 19.6% in 2017 to 19.8% in 2018.

Earnings before interest and tax (EBIT) increased by EUR 9.3m or 7% to EUR 152.8m (EUR 143.5m). The improvement mainly related to the same factors as described above (EBITDA).

Net financial items amounted to an income of EUR 21.4m in 2018. When control was gained of LWCC in the USA through acquisition of the increased stake, the carrying amount of the former 24.5% stake was adjusted at fair value. This adjustment positively influenced financial items in the consolidated financial statement by EUR 40m. The net interest items were negatively influenced by exchange losses on financial balances of EUR 10.4m, primarily as a result of the Turkish currency devaluation.

Earnings before tax were hereafter EUR 175.2m compared with EUR 135.0m in 2017.

Tax on profit for the year amounted to EUR 32.5m (2017: EUR 15.8m). The tax in 2017 was influenced by a positive accounting adjustment of deferred tax totalling EUR 20.7m. This was a result of reduction of the tax rates in Belgium, USA and Norway, partly offset by a higher rate in Turkey.

Profit for the year amounted to EUR 142.8m, against EUR 119.2m in 2017.

Cash flows

The Group is continuously focused on optimising both cash flows and working capital.

Cash flow from operating activities (CFFO) was EUR 140.9m for 2018 (2017: EUR 168.3m), a decrease of EUR 27.4m or 16%, mainly due to an increase in working capital and the acquisition of the increased stake in LWCC.

The Group's capital expenditure on property, plant and equipment amounted to EUR 66.1m and related to improvements to operating efficiency, energy-saving and environmental projects, and further additional expenditure was allocated to the strengthening of the Group's position in the white cement market.

The free cash flow after investments (FCF) was EUR -31.9m, primarily due to the acquisition of an additional stake in LWCC.

Debt and financial resources

Net interest-bearing debt (NIBD) amounted to EUR 195.3m at 31 December 2018, corresponding to 0.8 x EBITDA, against EUR 185.4m and 0.8 x EBITDA the previous year.

Long-term financing at end-2018 emcompassed of a loan of EUR 253.7m from the Group's parent company, Cementir Holding, and long-term mortgage loans of EUR 135.5m.

The Group's liquidity reserve consists of non-tied-up cash and undrawn credit facilities signed by Cementir Holding. In addition to this, the Aalborg Portland Holding Group has a separate uncommitted credit facility.

Balance sheet

Non-current assets amounted to EUR 1,244.0m at 31 December 2018. This was 11% higher than at end-2017 (EUR 1,121.8m). Intangible assets increased by EUR 103.1m, mainly impacted by the acquisition of the increased stake in LWCC and investments in plant increased by EUR 29.5m.

Current assets amounted to EUR 584.8m, which was 13% above the previous year (EUR 517.5m). The increase primarily related to higher inventories and receivables, while cash funds decreased by EUR 32.3m.

Shareholders' equity

The total shareholders' equity amounted to EUR 927.6m at the end of 2018, against EUR 783.8m the previous year.

The shareholders' equity was negatively impacted by negative exchange rate adjustments of EUR 69m in foreign entities. These adjustments mainly related to The weakening of the Turkish lira (TRY) caused a negative adjustment by EUR 75m, whereas the strengthened Egyptian pound (EGP) was provided a positive adjustment strengthened by EUR 4m.
The equity ratio was stood at 51% at the end of 2018 (48% at end-2017). Return on equity increased in 2018 to 17% from 15% the previous year.

Working capital

The Group's working capital, i.e. the capital tied up in debtors and inventories less creditors, amounted to EUR 103.4m at end-2018, against EUR 73.4m the previous year, an increase of EUR 30.0m, mainly related to the acquisition of the increased stake in LWCC.

Return on capital employed (ROCE)

In 2018, as in previous years, intensive efforts were made to increase capital efficiency across the Group. The Group's ability to generate a satisfactory profit is measured by its return on capital employed (ROCE). ROCE was 10.1% in 2018, against 10.7% in 2017. ROCE was negatively influenced by lower earnings in Turkey and positively by increased earnings in Belgium and Overseas.

RISK MANAGEMENT

Like any other company, the Aalborg Portland Holding Group is affected by risks and uncertainties relating to its business activities and continuously focuses on strengthening risk management. The Group employs a holistic risk management process in which the most critical risks are:

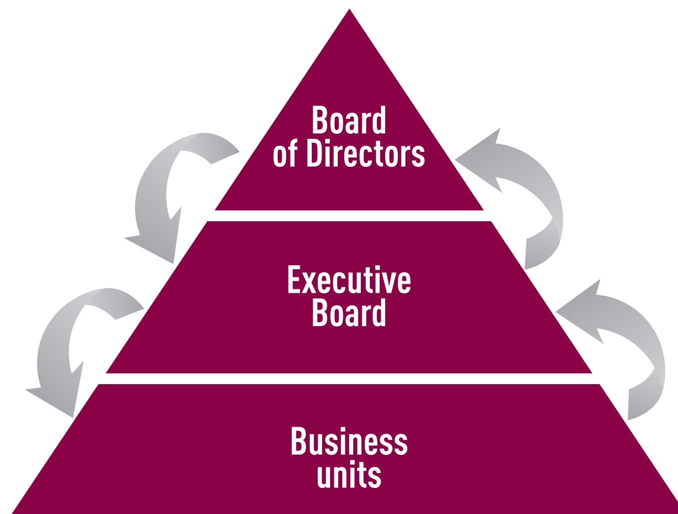
- Market conditions
- Framework conditions
- Environmental impacts
- The organisation
- Financial risks

The Group continuously monitors and addresses both risks and opportunities in its market areas with a view to achieving strategic objectives.

Monitoring and control

The Group's risk management is based on a standardised risk process. The assessment of the individual risk factors is based on the likelihood of the risks occurring and their potential impact on earnings, operations and reputation in this event.
The risk management process is anchored in the leadership of each of the business units. The business units together with the corporate and service functions are responsible for identifying, analysing and dealing with risks and for reporting on progress and initiating control measures. Risk owners are appointed specifically for the most significant risks. The leadership teams in the individual units are responsible for including risk assessments in all major decisions.
The individual risk reports received from the business units are consolidated at Group level. The consolidated risk report is included in the Group management's monitoring and control processes. The Group management is responsible for ensuring that the collective risk to the Group as a whole is of an acceptable level and that risk management procedures are implemented.
The Group management reports periodically or as needed to the Board of Directors, which determines the overall policies and framework for the day-to-day control process.

Risk Reporting



Market conditions

Competition

Loss of major customers and projects may pose a material risk in relation to the achievement of the Group's objectives. The Group continuously monitors its markets and takes ongoing actions to adapt and respond to the competitive conditions and market changes.

Raw materials and energy prices

The Group utilises large quantities of energy in cement manufacture and is therefore sensitive to price changes, particularly of long duration. In order to mitigate this risk the procurement of energy is partly hedged by establishing contracts for terms up to 24 months.

Access to essential raw materials is ensured through ownership of deposits, extraction licences, long-term contracts and diversity in terms of suppliers. Furthermore, the markets for production-critical raw materials are carefully monitored. A small number of raw materials are subject to particular uncertainty as regards long-term security of supply, and the Group works proactively to find appropriate solutions to this issue.

Framework conditions

Legislation and other regulations

The Group is continuously exposed to regulatory changes by authorities and organisations in a variety of areas. Non-compliance with recommendations and regulations is often subject to substantial fines, and thus constitutes a potential risk to overall Group earnings. The Group works continuously and purposefully to conform with all aspects of legislation and other regulations relating to competition, environment and fraud. The Group trains relevant personnel on an ongoing basis in compliance with current requirements.

Political risks

The Group operates globally, including in emerging and growth markets with special political risks. This may have material consequences both for production conditions and sales. The Group actively pursues dialogue at all levels with politicians, authorities and interest groups to create a good basis for continued working and to enable the Group's operations to be adjusted when appropriate.

Taxes and levies

The Group's production is substantially subject to direct and indirect taxation, particularly in Denmark. Taxes and levies represent a material area of risk for the Group as they impact directly on competitiveness and therefore on sales potential. It is especially difficult to compete on price with cement producers from neighbouring countries that do not have high tax and levy levels as in Denmark.

CO_2 quotas

The future allocation of CO_2 quotas to the Group's production units can have substantial financial impact. Ongoing focus is therefore placed by the Group on compliance with all requirements relating to the quota allocation. The Group also closely monitors EU and national political issues concerning CO_2 quotas, particularly with regard to the Group's expected development in the EU area.

Environmental impacts

The Group's business units and leadership are very conscious of the company's environmental role and they recognise, manage and counter relevant risks in this regard. Raw materials and energy are consumed in the manufacture of Group products, but the environmental and climate properties of these products are extremely beneficial, and the Group has a declared aim of contributing constructively and significantly to achieving society's climate goals. Through its product development and production, the Group therefore constantly endeavours to ensure more environment-friendly and sustainable cement manufacture.

The organisation

Employees and management

The Group's continued success is dependent on being able to retain experienced employees and managers and to recruit new, talented employees and managers to the business units and support functions. Accordingly, the Group places importance on providing attractive workplaces with good opportunities for personal development.

IT systems

IT systems are used in all areas of the Group's operations, including production, sales and finance. Operational disruptions and loss of data and communications would impact the Group negatively. Consequently, IT security and business continuity are accorded high priority, especially in connection with implementation of new systems.

Financial risks

Financial risks, including currency risks, which are of material significance for the Group, are described in the notes to the financial statements.

2 FINANCIAL STATEMENTS (GROUP)

24 Income statement
24 Statement of comprehensive income
25 Cash flow statement
26 Balance sheet
28 Statement of shareholders' equity
30 Notes

Aalborg Portland - Cement factory

Income statement

EUR '000

	Notes	2018	2017
Revenue	1	1,193,388	1,140,214
Cost of sales	2+3+4	733,237	706,722
Gross profit		**460,151**	**433,492**
Sales and distribution costs	4+17	236,183	215,303
Administrative expenses	4+5	92,106	91,289
Other operating income	6	22,609	21,040
Other operating costs	6	1,686	4,485
Earnings before interest and tax (EBIT)		**152,785**	**143,455**
Share of profit after tax, joint ventures	14	1,050	4,785
Financial income	7	52,591	8,607
Financial expenses	7	31,176	21,849
Earnings before tax (EBT)		**175,250**	**134,998**
Tax on profit for the year	8	32,462	15,784
Profit for the year		**142,788**	**119,214**
Attributable to: Non-controlling interests		6,457	2,376
Shareholders in Aalborg Portland Holding A/S		136,331	116,838

Statement of comprehensive income

EUR '000

	Notes	2018	2017
Profit for the year		**142,788**	**119,214**
Other comprehensive income			
Items that cannot be reclassified to the income statement:			
Actuarial gains/losses on defined benefit pension schemes	18	388	-3,139
Tax	8	196	-1,565
		584	**-4,704**
Items that can be reclassified to the income statement:			
Exchange rate adjustments on translation of foreign entities		-63,934	-91,270
Changes in fair value of financial instruments		-4,125	0
Tax	8	-212	0
		-68,271	**-91,270**
Other comprehensive income after tax		**-67,687**	**-95,974**
Total comprehensive income		**75,101**	**23,240**
Attributable to: Non-controlling interests		-2,095	-5,224
Shareholders in Aalborg Portland Holding A/S		77,196	28,464
		75,101	**23,240**

Cash flow statement

EUR '000

	Notes	2018	2017
Profit/loss for the period		**142,788**	**119,214**
Reversal of amortisation and depreciation		76,253	71,046
Reversal of revaluation/impairment losses		-48,496	-5,358
Share of net profits of equity-accounted investees		-1,050	-4,784
Net financial income/expense		21,079	13,248
Gains/losses on disposals		-7,365	-752
Income taxes		32,462	15,784
Change in employee benefits		-972	-3,079
Change in provisions (current and non-current)		1,677	1,596
Operating cash flows before changes in working capital		**216,376**	**206,915**
Increase/decrease in inventories		-34,597	-10,224
Increase/decrease in trade receivables		-8,885	-1,542
Increase/decrease in trade payables		37,301	12,333
Change in non-current/current other assets/liabilities		-10,256	1,363
Change in current and deferred taxes		3,450	5,038
Operating cash flows		**203,389**	**213,883**
Dividends collected		1,227	3,060
Interests collected		4,092	2,846
Interests paid		-8,571	-8,812
Other financial income collected/financial expenses paid		-16,998	-3,954
Income taxes paid		-42,227	-38,742
Cash flow from operating activities		**140,912**	**168,281**
Investments in intangible assets		-3,598	-16,319
Investments in property, plant and equipment and investment property		-62,498	-65,178
Investments in equity investments and other non-current securities	10	-85,981	-9,735
Proceeds from sale of intangible assets		159	0
Proceeds from sale of property, plant and equipment		8,396	1,596
Proceeds from sale of equity investments and other non-current securities		2,875	0
Change in current financial assets		-32,203	26
Cash flow from investing activities		**-172,850**	**-89,610**
Change in non-current financial liabilities	21	11,582	-65,903
Change in current financial liabilities	21	-11,969	10,879
Dividend distributed		-5,057	-1,236
Capital increase		13,008	0
Other changes in equity	13	-6,426	-7,453
Cash flow from financing activities		**1,138**	**-63,713**
Net change in cash and cash equivalent		-30,800	14,958
Cash and cash equivalent exchange rate effect		-1,462	-13,445
Cash and cash equivalent opening balance		209,802	208,289
Cash and cash equivalent closing		**177,540**	**209,802**

Balance sheet

EUR '000

	Notes	2018	2017
ASSETS			
Goodwill		136,765	129,814
Other intangible assets		218,268	122,350
Intangible assets in development		485	256
Intangible assets	**9**	**355,518**	**252,420**
Land and buildings		356,665	354,469
Plant and machinery		384,953	357,191
Property, plant and equipment in development		46,939	47,412
Property, plant and equipment	**11**	**788,557**	**759,072**
Investment properties	**12**	**61,027**	**65,969**
Investments in joint ventures	13+14	3,613	22,470
Other non-current assets	13	7,521	8,718
Deferred tax assets	13+15	27,782	13,175
Other non-current assets		**38,916**	**44,363**
Total non-current assets		**1,244,018**	**1,121,824**
Inventories	**16**	**185,862**	**126,727**
Trade receivables	17	158,773	156,181
Amounts owed by Group enterprises		103	199
Amounts owed by joint ventures		0	3,063
Amounts owed by related enterprises		30,176	0
Derivative financial instruments (positive fair value)		71	129
Income tax receivable		4,768	2,773
Other receivables	17	19,156	13,494
Prepayments	17	8,325	5,147
Receivables		**221,372**	**180,986**
Cash and cash equivalents		**177,540**	**209,802**
Total current assets		**584,774**	**517,515**
TOTAL ASSETS		**1,828,792**	**1,639,339**

Balance sheet

EUR '000

	Notes	2018	2017
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		40,333	40,333
Foreign currency translation reserve		-320,764	-260,041
Hedge reserve		-4,094	0
Retained earnings		1,052,096	914,983
Aalborg Portland Holding A/S's share of shareholders' equity		**767,571**	**695,275**
Non-controlling interests' share of shareholders' equity		**160,068**	**88,488**
Total shareholders' equity		**927,639**	**783,763**
Liabilities			
Pension and similar liabilities	18	30,474	32,830
Deferred tax liabilities	15	137,342	121,086
Provisions	19	27,254	29,201
Credit institutions etc.	20+21+24	122,870	191,488
Amounts owed to Group enterprises	20+21	253,684	177,808
Deferred income	22	4,619	4,906
Non-current liabilities		**576,243**	**557,319**
Credit institutions	20+21+24	15,735	25,998
Trade payables		211,430	199,438
Amounts owed to Group enterprises		34,500	14,427
Amounts owed to joint ventures		0	4
Derivative financial instruments (negative fair value)		10,624	0
Income tax payable		6,412	12,331
Provisions	19	5,376	2,869
Other payables	23	39,798	41,919
Deferred income	22	1,035	1,271
Current liabilities		**324,910**	**298,257**
Total liabilities		**901,153**	**855,576**
TOTAL EQUITY AND LIABILITIES		**1,828,792**	**1,639,339**

Statement of shareholders' equity

EUR '000	Share capital	Foreign currency translation reserve	Hedge reserve	Retained earnings	Aalborg Portland Holding A/S' total share	Non-controlling interests' total share	Total equity
Shareholders' equity at 1 January 2018	40,333	-260,041	0	914,983	695,275	88,488	783,763
Comprehensive income in 2018							
Profit for the year			0	136,331	136,331	6,457	142,788
Other comprehensive income							
Exchange rate adjustments in translation of foreign entities		-60,723			-60,723	-3,211	-63,934
Changes in fair value of financial instruments			-4,125		-4,125		-4,125
Actuarial gains/losses on defined benefit pension schemes				682	682	-294	388
Tax on other comprehensive income			31	-113	-82	66	-16
Total comprehensive income	**0**	**-60,723**	**-4,094**	**136,900**	**72,083**	**3,018**	**75,101**
Transactions with owners							
Dividend distributed					0	-5,057	-5,057
Non-controlling interests on acquisition of subsidiary					0	69,715	69,715
Transactions with non-controlling interests (capital increase)				1,868	1,868	11,140	13,008
Acquisition of equity investments from non-controlling interests				-1,655	-1,655	-7,236	-8,891
Total comprehensive income	**0**	**0**	**0**	**213**	**213**	**68,562**	**68,775**
Shareholders' equity at 31 December 2018	**40,333**	**-320,764**	**-4,094**	**1,052,096**	**767,571**	**160,068**	**927,639**

Statement of shareholders' equity

EUR '000	Share capital	Foreign currency translation reserve	Hedge reserve	Retained earnings	Aalborg Portland Holding A/S' total share	Non-controlling interests' total share	Total equity
Shareholders' equity at 1 January 2017	40,333	-176,131	0	803,196	667,398	101,864	769,262
Comprehensive income in 2017							
Profit for the year				116,838	116,838	2,376	119,214
Other comprehensive income							
Exchange rate adjustments in translation of foreign entities		-83,910			-83,910	-7,360	-91,270
Actuarial gains/losses on defined benefit pension schemes				-2,869	-2,869	-270	-3,139
Tax on other comprehensive income				-1,595	-1,595	30	-1,565
Total comprehensive income	**0**	**-83,910**	**0**	**112,374**	**28,464**	**-5,224**	**23,240**
Transactions with owners							
Dividend distributed					0	-1,236	-1,236
Acquisition of equity investments from non-controlling interests				-587	-587	-6,916	-7,503
Total comprehensive income	**0**	**0**	**0**	**-587**	**-587**	**-8,152**	**-8,739**
Shareholders' equity at 31 December 2017	**40,333**	**-260,041**	**0**	**914,983**	**695,275**	**88,488**	**783,763**

The share capital in 2018 and 2017 consists of:

1 share at DKK 150m

1 share at DKK 60m

2 shares at DKK 30m each

1 share at DKK 15m

5 shares at DKK 3m each

Dividends distributed to shareholders in 2018 were EUR 0.0m (2017: EUR 0.0m).
All shares are fully issued and paid up. One share of DKK 1,000 holds one vote.

NOTES

EUR '000

1. Revenue

Split by product

	2018	2017
Sale of cement	632,908	565,759
Sale of ready-mixed concrete	420,234	445,247
Other sales*	140,246	129,208
	1,193,388	**1,140,214**

Split by geography

	2018	2017
Europe	800,265	802,099
China/Malaysia	55,639	46,928
USA	127,543	43,243
Turkey/Egypt	167,529	195,970
Other	42,412	51,974
	1,193,388	**1,140,214**

All revenue derives from contracts.
* Other sales include concrete pipes, gravel, heat, waste processing, etc.

2. Cost of sales

Cost of sales amounts to EUR 733.2m (2017: EUR 706.7m). Hereof direct staff costs amount to EUR 95.1m (2017: EUR 86.3m) and use of raw materials amounts to EUR 198.3m (2017: EUR 183.9m).

3. Research and development costs

	2018	2017
Research and development costs paid	2,696	2,501
	2,696	**2,501**

4. Staff costs

	2018	2017
Wages and salaries and other remuneration	132,804	129,376
Pension costs, defined benefit schemes	1,674	665
Pension costs, defined contribution schemes	15,572	13,295
Social security costs	7,667	14,246
	157,717	**157,582**
Number of employees at 31 December	3,011	2,939
Average number of full-time employees	3,005	2,907

Hereof 122 employees at 31 December and 124 average full-time employees are included in the pro rata consolidated company.

Remuneration of the Board of Directors, the Management and other senior executives

	2018	2017
Salaries and remunerations	5,668	6,734
Pension contributions	248	260
	5,916	**6,994**
Hereof Board of Directors and Management	599	659

Remuneration of the Board of directors represents EUR 75k in 2018 (2017: EUR 75k).

EUR '000

5. Fees to the auditors appointed by the Annual General Meeting

	2018	2017
Total fees to KPMG are specified as follows:		
Statutory audit	929	809
Other assurance engagements	5	7
Tax and VAT advisory services	149	239
Other services	159	40
	1,242	**1,095**
Fees to other auditors	152	121

6. Other operating income and other operating costs

	2018	2017
Other operating income		
Rent income	1,459	1,125
Profit on sale of property, plant and equipment	5,243	849
Value adjustment, investment property	11,536	10,081
Sale of scrap, spare parts and consumables	497	428
Other income	3,874	8,557
	22,609	**21,040**
Other operating costs		
Loss on sale of property, plant and equipment	297	99
Impairment	0	3,468
Other costs	1,389	918
	1,686	**4,485**

7. Financial income and expenses

	2018	2017
Financial income		
Interest, cash funds etc.	3,909	2,844
Interest, Group enterprises	0	16
Financial income on derivatives	1,123	765
Ineffective part of hedge	586	0
Fair value adjustment	40,070	0
Other financial income	2,420	0
Exchange rate adjustments	4,483	4,982
	52,591	**8,607**
Interest on financial assets measured at amortised cost	3,909	2,860
Financial expenses		
Interest, credit institutions etc.	4,067	4,257
Interest, Group enterprises	4,368	4,752
Losses on derivatives	3,813	112
Exchange rate adjustments	16,958	10,039
Other financial costs	1,970	2,689
	31,176	**21,849**
Interest on financial obligations measured at amortised cost	8,435	9,009

EUR '000

8. Income tax

Income tax	2018	2017
Current tax on the profit for the year/joint taxation contribution	35,434	34,596
Deferred tax adjustment	-878	-19,293
Other adjustments, including previous years	-2,094	481
	32,462	**15,784**
Taxes paid	**42,069**	**38,742**

According to legislation, the Parent Company is the administrative company of the compulsory Danish joint taxation.

Reconciliation of tax rate	2018	2017
Tax according to Danish tax rate 22.0%	38,555	29,700
Difference in the tax rates applied by non-Danish subsidiaries relative to 22.0%	4,184	3,466
Non-taxable income and non-deductible expenses	192	821
Non-taxable profit shares in joint ventures	-324	99
Non-taxable fair value adjustment on acquisition	-9,804	0
Recognised tax assets (not previously recognised)	3	20
Expired tax loss regarding this and previous years	1,832	3,617
Effect of investment properties and acquisition of land	-1,308	-1,512
Other, including adjustments previous years	-517	157
Change of tax rates	-351	-20,584
	32,462	**15,784**
Applicable tax rate for the year	**19%**	**12%**
Income tax recognised directly as other comprehensive income	**16**	**1,565**
Total income tax	**32,478**	**17,349**

The change in tax rates in 2017 is mainly related to Belgium and USA.

Payments to authorities

In accordance with Danish regulations governing payments to authorities in large companies, cf. Section 99(c) of the Danish Financial Statements Act, the Aalborg Portland Holding Group has made the following payments to authorities in 2018:

EURm	Quarry*	Taxes**	Royalty	Licenses	Total
Aalborg Portland A/S, Denmark	1,019	11,251			12,270
Unicon A/S, Denmark	77	2,290			2,367
Unicon AS, Norway	16	1,740			1,756
Kudsk Dahl A/S, Denmark	31	132			163
AB Sydsten, Sweden	219	1,323			1,542
Cimentas AS, Turkey	581	2,128	489		3,198
Compagnie des Ciments Belges S.A., Belgium	6	15,607	236		15,849
Compagnie des Ciments France S.A., France		279			279
Aalborg Portland Malaysia Sdn. Bhd., Malaysia		486	186		672
Aalborg Portland (Anqing) Co. Ltd., China	231	4,082			4,313
	2,180	**39,318**	**911**	**0**	**42,409**

* Includes payments in relation to use of minerals in the production and other related fees.

** Taxes include direct and indirect taxes on the Company's income, manufacturing or profit apart from direct and indirect taxes on consumption.

Taxes include payments during 2018, however, it included over/under payments from previous years.
The table above does not cover the full tax payment of the Aalborg Portland Holding Group, as this is purely provided in accordance with Section 99(c) of the Danish Financial Statements Act covering the cement production companies which are in scope in the specific reporting.

EUR '000

9. Intangible assets

	Goodwill	Other intangible assets	Intangible assets in development	Total
Cost at 1 January 2018	129,814	168,217	256	298,287
Exchange rate adjustments	-18,019	5,038	11	-12,970
Additions from acquisition of interests in LWCC	24,970	100,278	0	125,248
Additions	0	3,141	451	3,592
Disposals	0	-1,763	0	-1,763
Other adjustments/reclassifications	0	233	-233	0
Cost at 31 December 2018	**136,765**	**275,144**	**485**	**412,394**
Amortisation and impairment at 1 January 2018	0	45,867	0	45,867
Exchange rate adjustments	0	-2,306	0	-2,306
Reversed amortisation on disposals	0	-1,604	0	-1,604
Amortisation for the year	0	14,919	0	14,919
Amortisation and impairment at 31 December 2018	**0**	**56,876**	**0**	**56,876**
Carrying amount at 31 December 2018	**136,765**	**218,268**	**485**	**355,518**
Cost at 1 January 2017	151,117	154,644	678	306,439
Exchange rate adjustments	-21,303	-3,325	-2	-24,630
Additions	0	16,098	221	16,319
Other adjustments/reclassifications	0	800	-641	159
Cost at 31 December 2017	**129,814**	**168,217**	**256**	**298,287**
Amortisation and impairment at 1 January 2017	0	37,035	0	37,035
Exchange rate adjustments	0	-2,340	0	-2,340
Amortisation for the year	0	10,947	0	10,947
Other adjustments/reclassifications	0	225	0	225
Amortisation and impairment at 31 December 2017	**0**	**45,867**	**0**	**45,867**
Carrying amount at 31 December 2017	**129,814**	**122,350**	**256**	**252,420**

Amortisation during the year is included in the following items:

	2018	2017
Cost of sales	5,238	5,839
Sales and distribution costs	1,904	1,655
Administrative expenses	7,777	3,453
	14,919	**10,947**

Intangible assets

Other intangible assets include software licenses (SAP R/3), quarry rights, CO_2 quotas, development projects and licenses for removal of waste, trademarks and customer lists. All items under other intangible assets have definite useful lives.

Goodwill is not amortised.

Internally generated intangible assets, mainly regarding SAP implementation, amount to EUR 1.3m (2017: EUR 1.7m).

Other intangible assets include a waste management agreement signed in 2011 (for a term of 25 years) with the municipal company of Istanbul (Turkey), with an original consideration of TRY 12.1m (equal to EUR 5.2m at the acquisition date).

9. Intangible assets (continued)

Goodwill

At 31 December 2018 (31 December 2017), Nordic & Baltic, Turkey and Overseas account for EUR 39.9m (2017: EUR 38.3m), EUR 64.9m (2017: EUR 85.6m) and EUR 32.0m (2017: EUR 5.0m) of the consolidated goodwill.

The Aalborg Portland Holding Group performed impairment test on the carrying amount of goodwill at 31 December 2018 based on value in use as in previous years.

Impairment tests are performed in the 4th quarter each year, based on the budgets and business plans approved by the Board of Directors. The impairment test for cash-generating units compares the recoverable amount, equivalent to the present value of expected future free cash flow, with the carrying amount of the individual cash-generating units. Expected future free cash flow is based on budgets and business plans for the period 2019-2021 and projections for subsequent years. Key parameters include production capacity (based on current capacity), trend in revenue, EBIT margin and growth expectations for the years after 2021.

Budgets and business plans for the period 2019-2021 are based on specific future business measures, assessing risks in the key parameters and incorporating these in expected future free cash flows. Projections after 2020 are based on general expectations. The value for the period after 2021 takes into account the general growth expectations for the cement and ready-mix industry.

Growth rates are not expected to exceed the average long-term growth rate for the Group's individual geographical segments.

The discount rates applied in calculating the recoverable amounts are after tax, and reflect the risk-free interest plus specific risks in the individual geographic segments. The discount rate of Egypt and Turkey is 7-16% due to the high risk-free interest caused by the political situation in the countries.

The key assumptions from the impairment tests of goodwill are as follows:

2018	Discount rates after tax	Terminal growth rates	Average increase of revenue 2019 to terminal period	Average EBITDA ratio 2019 to terminal period
Nordic & Baltic	7%	1%	1-2%	9-13%
China and Malaysia	10-11%	3%	5-6%	20-25%
USA	7%	1%	2%	20%
Egypt, Turkey and UK	7-16%	2-4%	12-25%	13-25%

2017	Discount rates after tax	Terminal growth rates	Average increase of revenue 2018 to terminal period	Average EBITDA ratio 2018 to terminal period
Nordic & Baltic	4-5%	1%	1-2%	7-12%
China and Malaysia	6-8%	2-3%	2-6%	20-22%
Egypt, Turkey and UK	7-14%	2-6%	-2%-83%	3-39%

The average increases in revenue and average EBITDA ratio, as stated above, are generally in line with the realised increase in revenue and average EBITDA ratio in 2018.

The impairment tests are in addition to this based on the prospects for the future mentioned in the Mangement's Review, which includes comments on the development in 2018.

Discount rates before tax are slightly higher than discount rates after tax.

Based on the impairment tests performed at 31 December 2018, management has concluded that there is no impairment of goodwill. The impairment tests still show headroom and no reasonably possible changes in key assumptions will lead to impairment.

EUR '000

10. Acquisition of enterprises

Acquisition of Lehigh White Cement Company

On 29 March 2018, Cementir Holding finalised the purchase of a further 38.75% share in Lehigh White Cement Company (LWCC) from Lehigh Cement Company LLC, controlled by HeidelbergCement AG.
As a result of this transaction, the Group has control of LWCC with a stake of 63.25%, while the remaining 36.75% is held by CEMEX Inc.
The acquisition enables direct management of assets in the United States in the white cement segment, the Group's core business; strengthening its global leadership consistent with its growth strategy.
The transaction is classified as a business combination achieved in stages and has been treated in accordance with IFRS 3.
At the reporting date, the calculation of the fair value of the assets acquired and the liabilities assumed had been completed; the consideration paid for the acquisition of control of LWCC amounted to EUR 87.7m (USD 108.1m), paid in full at closing, financed by cash and available credit lines. Being a business combination achieved in stages, previously held equity interest of 24.5% is re-measured at fair value at the acquisition-date and a gain of EUR 40.1m has been recognised in the income statement (note 7). The acquisition cost for the obtained control of LWCC amounted to EUR 141.5m, while the fair value of net assets at the same date was EUR 116.5m (USD 143.7m). The deferred net tax liability has only been considered related to Group share because the taxation of LWCC is a transparent entity for tax purposes.
The interest related to the non-controlling interests has been recognised to the share of the fair value of net assets excluding goodwill amounting to EUR 69.7m.
Cost related to the acquisition is insignificant.
Consequently, the allocation of the amount paid to acquire the control required the recognition of a goodwill worth EUR 25.0m, corresponding to Group's share (note 9).
The following table shows the fair values of the net assets acquired at the acquisition date:

	Provisional amounts at 29.03.2018	Adjustments	Fair value at 29.03.2018
Intangible assets with a finite usefull life	1	100,278	100,278
Property, plant and equipment	28,005	26,461	54,466
Inventories	30,446	0	30,446
Trade receivables*	16,116	0	16,116
Other current assets	693	0	693
Other non-current provisions	-657	0	-657
Trade payables	-11,003	0	-11,003
Current tax liabilities	-41	0	-41
Other current liabilities	-597	0	-597
Net assets acquired	**62,964**	**126,738**	**189,702**
The Group's share of net assets acquired (63.25%)	**39,825**	**80,162**	**119,987**
Deferred tax assets	0	13,334	13,334
Deferred tax liabilities	0	-16,834	-16,834
The Group's share of net assets acquired (63.25%) with tax effect	**39,825**	**76,662**	**116,487**
Consideration paid to acquire control net of available cash			**85,981**
Restatement at fair value of the share previously held			**55,476**
Goodwill recognized (note 9)			**24,970**

* Write-down of nominal value of trade receivables is EUR 0.2m.

10. Acquisition of enterprises (continued)

On the basis of the above, the fair value recognition of the assets acquired and liabilities assumed in the acquisition entailed the following accounting effects:

- **Intangible assets with a finite useful life:** include the recognition of the fair value of American customer list at approx. EUR 81m, and based on the customer turnover rate, a remaining useful life has been considered at 20 years; and the recognisation of fair value of mineral lease agreements with the exclusive right to quarry for approx. EUR 19m, and based on contracts terms, a remaining useful life has been considered at 30 years.
- **Property, plant and equipment:** includes a fair value adjustment of a total of EUR 26m mainly attributable to the greatest value recognised to the two plants owned by the company and to surrounding lands.

Deferred tax liabilities related to net assets in the PPA was recognised at approx. EUR 16.8m. In addition, deferred tax assets related to goodwill attributed to the Group, was recognized at approx. EUR 13.3m, amortised in 15 years. Related to goodwill which can be deducted for tax purposes.

From the acquisition date, the company LWCC generated revenue of approx. EUR 104.3m and a profit of approx. EUR 9m. Directors believe that, had the acquisition taken place on 1 January 2018, consolidated revenue and profit would have been higher by around EUR 30m and EUR 3m, respectively.

11. Property, plant and equipment

	Land and buildings	Plant and machinery	Property, plant, and equipment in development	Total
Cost at 1 January 2018	557,173	1,091,605	47,587	1,696,365
Exchange rate adjustments	-16,638	-60,324	-265	-77,227
Additions from acquisition of interests in LWCC	23,103	27,710	3,653	54,466
Additions	3,586	19,532	39,470	62,588
Disposals	-3,711	-18,225	-793	-22,729
Reclassifications	-1,518	44,100	-42,582	0
Cost at 31 December 2018	**561,995**	**1,104,398**	**47,070**	**1,713,463**
Depreciation and impairment at 1 January 2018	202,704	734,414	175	937,293
Exchange rate adjustments	-7,634	-47,501	-44	-55,179
Reversed depreciation on disposals	-1,381	-17,160	0	-18,541
Depreciation for the year	11,710	49,623	0	61,333
Other adjustments/reclassifications	-69	69	0	0
Depreciation and impairment at 31 December 2018	**205,330**	**719,445**	**131**	**924,906**
Carrying amount at 31 December 2018	**356,665**	**384,953**	**46,939**	**788,557**
Hereof assets held under a finance lease	**0**	**2,265**	**0**	**2,512**

EUR ‘000

11. Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Property, plant, and equipment in development	Total
Cost at 1 January 2017	578,124	1,135,998	33,089	1,747,211
Exchange rate adjustments	-25,166	-74,726	-718	-100,610
Additions	2,130	16,004	47,159	65,293
Disposals	-48	-15,656	0	-15,704
Reclassifications	2,133	29,985	-31,943	175
Cost at 31 December 2017	**557,173**	**1,091,605**	**47,587**	**1,696,365**
Depreciation and impairment at 1 January 2017	200,803	749,893	215	950,911
Exchange rate adjustments	-10,734	-52,409	-40	-63,183
Reversed depreciation on disposals	0	-14,210	0	-14,210
Depreciation for the year	12,687	47,414	0	60,101
Impairment	0	3,468	0	3,468
Other adjustments/reclassifications	-52	258	0	206
Depreciation and impairment at 31 December 2017	**202,704**	**734,414**	**175**	**937,293**
Carrying amount at 31 December 2017	**354,469**	**357,191**	**47,412**	**759,072**
Hereof assets held under a finance lease	**0**	**2,512**	**0**	**3,468**

Depreciation during the year is included in the following items:

	2018	2017
Cost of sales	55,935	55,434
Sales and distribution costs	2,677	2,865
Administrative expenses	2,721	1,802
	61,333	**60,101**

The Aalborg Portland Holding Group has signed contracts regarding purchase of property, plant and equipment at a value of EUR 1.4m (2017: EUR 2.9m).

No changes are made in significant accounting estimates regarding property, plant and equipment.

Impairment is included in other operating costs. Regarding the impairment test performed at 31 December 2018, reference is made to note 9.

At 31 December 2018, the recoverable amount of the CGU (Hereko) was estimated on the basis of its value in use due to delays in capital expenditure which postponed full operation of the facilities and did not enable the achievement of the earnings targets.

Key assumptions were based on assessments by management concerning future projections for the sector of reference and a historic analysis of internal and external factors of information. Future cash flows were considered until 2035, when the waste management agreement will expire.

Key assumptions used to estimate the recoverable amount of the CGU were:

- WACC of 15.9%.
- Growth rate of 5.5%.
- EBITDA margin between 38% and 45%, in line with company forecasts starting from 2019 and onwards.

Impairment testing at 31 December 2018 supported the carrying amount of the CGU and therefore no further impairment has been made in 2018.

EUR '000

12. Investment properties

	2018	2017
Fair value at 1 January	65,969	69,698
Exchange rate adjustments	-17,176	-13,810
Unrealised fair value adjustment (other operating income)	12,234	10,081
Fair value at 31 December	**61,027**	**65,969**

Investment properties mainly comprise a number of commercial lands in Turkey that is not in the Group's use and owned for capital appreciation. No rental income is generated from lands.

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for investment property has been categorised as a Level 2 fair value based on valuation techniques including unobservable inputs.

The fair value of investment property is market value approach in which representative samples are selected in the neighbourhoods of the specified property, which provide recent sales transactions.

Then the average price of the samples is compared with the relevant investment property. Finally, a measuring of the fair value of the investment property is performed, based on location and other factors.

13. Other non-current assets

	Investments in joint ventures	Other non-current assets	Deferred tax assets	Total
Cost at 1 January 2018	13,499	8,718	13,175	35,392
Exchange rate adjustments	-22	-1,700	-237	-1,959
Additions	0	538	4,001	4,539
Additions from acquisition of interests in LWCC	0	0	13,334	13,334
Disposals	-13,302	-35	0	-13,337
Decrease	0	0	-2,762	-2,762
Change offset in provision for deferred tax	0	0	271	271
Other	73	0	0	73
Cost at 31 December 2018	**248**	**7,521**	**27,782**	**35,551**
Adjustments at 1 January 2018	8,971	0	0	8,971
Exchange rate adjustments	-126	0	0	-126
Profit shares	1,299	0	0	1,299
Dividends for the year	-107	0	0	-107
Reversal	-6,672	0	0	-6,672
Adjustments at 31 December 2018	**3,365**	**0**	**0**	**3,365**
Carrying amount at 31 December 2018	**3,613**	**7,521**	**27,782**	**38,916**
Cost at 1 January 2017	15,215	11,507	18,345	45,067
Exchange rate adjustments	-1,716	-1,846	-1,684	-5,246
Additions	0	1,769	1,946	3,715
Disposals	0	-2,712	0	-2,712
Decrease	0	0	-5,864	-5,864
Change offset in provision for deferred tax	0	0	432	432
Cost at 31 December 2017	**13,499**	**8,718**	**13,175**	**35,392**
Adjustments at 1 January 2017	7,678	0	0	7,678
Exchange rate adjustments	-432	0	0	-432
Profit shares	4,785	0	0	4,785
Dividends for the year	-3,060	0	0	-3,060
Adjustments at 31 December 2017	**8,971**	**0**	**0**	**8,971**
Carrying amount at 31 December 2017	**22,470**	**8,718**	**13,175**	**44,363**

Other non-current assets mainly relate to VAT receivable and deposits.

EUR '000

13. Other non-current assets (continued)

Investments in subsidiaries with significant non-controlling interests

	Aalborg Portland Malaysia Group		Sydsten Group	
	2018	2017	2018	2017
Revenue	**44,777**	**38,966**	**67,249**	**69,451**
Profit for the period				
- attributable to owners of the parent	1,276	2,375	2,501	1,673
- attributable to non-controlling interests	547	1,018	2,639	1,832
	1,823	**3,393**	**5,140**	**3,505**
Other comprehensive income (expense)	1,088	-1,272	-1,020	-808
Total comprehensive income (expense)	**2,911**	**2,121**	**4,120**	**2,697**
Assets				
Non-current assets	28,278	27,291	20,313	20,842
Current asets	31,139	31,206	30,387	28,074
	59,417	**58,497**	**50,700**	**48,916**
Liabilities				
Non-current liabilities	1,347	1,183	11,526	11,409
Current liabilities	7,731	7,355	14,563	13,777
	9,078	**8,538**	**26,089**	**25,186**
Net assets				
- attributable to owners of the parents	35,237	34,971	11,729	11,286
- attributable to non-controlling interests	15,102	14,988	12,882	12,444
	50,339	**49,959**	**24,611**	**23,730**
Cash flow from operation	4,376	4,806	7,296	6,583
Dividends paid to non-controlling interests	742	0	1,660	1,162

EUR ‘000

13. Other non-current assets (continued)

	Sinai White Portland Cement Co S.A.E.		Lehigh White Cement Company	
	2018	2017	2018	2017
Revenue	**27,375**	**36,443**	**104,303**	**0**
Profit for the period				
- attributable to owners of the parent	1,114	3,714	7,086	0
- attributable to non-controlling interests	535	2,578	4,118	0
	1,649	**6,292**	**11,204**	**0**
Other comprehensive income (expense)	3,130	-8,344	23	0
Total comprehensive income (expense)	**4,779**	**-2,052**	**11,227**	**0**
Assets				
Non-current assets	35,520	35,513	177,194	0
Current asets	58,407	57,246	69,275	0
	93,927	**92,759**	**246,469**	**0**
Liabilities				
Non-current liabilities	8,201	8,710	18,224	0
Current liabilities	11,283	9,486	16,101	0
	19,484	**18,196**	**34,325**	**0**
Net assets				
- attributable to owners of the parents	52,937	49,525	133,493	0
- attributable to non-controlling interests	21,506	25,038	78,651	0
	74,443	**74,563**	**212,144**	**0**
Cash flow from operation	1,533	10,352	10,458	0
Dividends paid to non-controlling interests	1,598	0	974	0

In 2018, the Group invested EUR 3.8m (2017: EUR 7.5m) (cash purchase consideration) regarding acquisition of additional 4.69% (2017: 9.28%) of shares in Sinai White Portland Cement Co. S.A.E.
In 2018, the Group invested EUR 5.1m (cash purchase consideration) regarding acquisition of additional 2.07% of interests in LWCC.

14. Investments in joint ventures

Summary of financial information from joint ventures:

	2018	2017
Revenue	72,683	131,943
Profit for the year	4,042	20,490
Total assets	18,347	102,380
Total liabilities	10,850	31,815
Share of profit for the year after tax	1,050	4,785

The joint ventures have no major contingent liabilities and the Group's maximum liabilities to the joint ventures do not exceed the equity value of the joint venture. Lehigh White Cement Company and Sola Betong is included in 3 and 11 months, until the change in ownership.
For a list of joint ventures, reference is made to page 95.

EUR ‘000

14. Investments in joint ventures (continued)

Significant joint ventures

The group no longer owns any significant joint ventures, after the acquisition of additional interests in LWCC.

Financial information on significant joint venture	Lehigh White Cement Company	
	2018	2017
The figures are 100% numbers of the joint venture		
Revenue	30,672	131,943
Profit for the period	736	20,490
Assets		
Non-current assets	0	28,393
Current assets	0	50,230
	0	**78,623**
Liabilities		
Non-current liabilities	0	2,055
Current liabilities	0	12,012
	0	**14,067**
Net assets	**0**	**64,556**
% investment	0%	24.5%
Equity attributable to owners of the parent	0	15,816
Dividends paid to non-controlling interests	0	3,060
Reconcilation of summarised financial information		
Group share of equity in significant joint ventures	0	15,816
Goodwill regarding significant joint ventures	0	2,098
Booked value of non-significant joint ventures	3,613	4,556
Group book value of joint ventures at 31 December	**3,613**	**22,470**
Financial information on the Group’s individual non-significant joint ventures		
Profit for the period	314	-531
Comprehensive income	-76	25
Total comprehensive income	**238**	**-506**
Book value of investments in non-significant joint ventures at 31 December	**3,613**	**4,556**

EUR ‘000

15. Deferred tax assets and deferred tax liabilities

Change in deferred tax in the year	2018	2017
Deferred tax at 1 January	107,911	129,099
Exchange rate adjustments	-988	-3,462
Changes of tax rate, via income statement	-358	-20,677
Adjustments, previous years via income statement	1,896	-620
Additions from acquisition of interests in LWCC	3,500	0
Movements via income statement	-2,174	2,004
The year's movements in comprehensive income	-227	1,567
Deferred tax liabilities at 31 December, net	**109,560**	**107,911**
Deferred tax is presented in the balance sheet as follows:		
Deferred tax liabilities	137,342	121,086
Deferred tax assets	27,782	13,175
Deferred tax liabilities at 31 December, net	**109,560**	**107,911**

	Deferred tax assets		Deferred tax liabilities	
	2018	2017	2018	2017
Intangible assets	14,363	99	34,728	19,730
Property, plant and equipment	2,130	420	93,001	93,906
Investment properties	18	0	5,801	6,194
Other non-current assets	-1,373	589	1,807	619
Current assets	51	111	6,503	6,776
Provisions	3,129	4,428	-3,034	-3,087
Non-current and current liabilities	1,082	1,216	-81	-103
Tax loss carry-forwards	8,382	7,099	-1,383	-2,162
Deferred tax before set-off	**27,782**	**13,962**	**137,342**	**121,873**
Set-off within legal tax entities and jurisdictions	0	-787	0	-787
Deferred tax at 31 December	**27,782**	**13,175**	**137,342**	**121,086**

Tax loss carry-forwards mainly relate to Cimentas Group and CCB Group. As a result of expected future earnings there is a reasonable probability that the losses will be realised in a foreseeable future.

EUR ‘000

16. Inventories

	2018	2017
Raw materials and consumables	100,587	78,167
Work in progress	39,788	22,570
Finished goods	44,497	25,344
Prepayments of goods	990	646
Inventories at 31 December	**185,862**	**126,727**

As was the case last year, there are no significant inventories of cement and aggregates carried at net realisable value.
Write-down of inventories of spare parts amounts to EUR 4.3m (2017: EUR 6.1m). Reversal of write-downs recognised in the income statement is EUR 2.0m (2017: EUR 0.3m).

17. Trade receivables, other receivables and prepayments

Development in provisions for impairment on trade receivables:

	2018	2017
Provision for impairment losses at 1 January	5,952	6,398
Exchange rate adjustments	-507	-510
Provision for impairment in the year	1,164	2,514
Additions from acquisition of interests in LWCC	207	0
Realised in the year	-271	-2,248
Reversed	-3,180	-202
Provision for impairment at 31 December	**3,365**	**5,952**

All trade receivables are due within one year.
The carrying amount essentially corresponds to fair value.
Collateral has been received regarding trade receivables, in total EUR 25.8m (2017: EUR 36.0m).
Other receivables include energy taxes and VAT, etc.
Prepayments comprise prepaid rent and insurance, etc.
Impairment and write-offs included in PL amount to EUR 0.8m.

18. Provisions for pensions and similar commitments

The pension liabilities incumbent on the Danish Group enterprises are funded through insurance plans. The pension liabilities of certain foreign subsidiaries are also funded through insurance plans. Foreign subsidiaries, primarily in Turkey, Sweden, Norway, Malaysia, Belgium and France, whose pension liabilities are not – or only partially – funded through insurance plans state the unfunded liabilities on an actuarial basis at the present value at the balance sheet date. These pension liabilities are partly covered by assets in pension funds. The Group's defined benefit plans were EUR 30.5m underfunded at 31 December 2018 (2017: EUR 32.8m) for which a provision has been made as pension liabilities.
The actuarial result for the year at EUR 0.4m (2017: EUR -3.1m) is recognised in the statement of comprehensive income.

	2018	2017
Present value of defined benefit schemes	58,871	59,356
Market value of the assets comprised by the schemes	28,397	26,526
Net liability recognised in the balance sheet	**30,474**	**32,830**
Present value of defined benefit schemes at 1 January	59,356	58,765
Exchange rate adjustment	-1,693	-1,430
Actuarial gains/losses recognised in other comprehensive income	357	3,617
Costs	1,660	601
Net interest	920	980
Payments	-1,729	-3,177
Present value of defined benefit schemes at 31 December	**58,871**	**59,356**
Market value of the assets comprised by the schemes at 1 January	26,526	25,144
Exchange rate adjustment	-254	-83
Payments	1,036	617
Net interest	344	375
Actuarial gains/losses recognised in other comprehensive income	745	473
Market value of the assets comprised by the schemes at 31 December	**28,397**	**26,526**
Stated as liabilities (provision for pension)	**30,474**	**32,830**
Amounts taken to the income statement		
Pension costs are included in:		
Cost of sales	11,083	5,160
Sales and distribution costs	3,024	2,317
Administrative expenses	3,141	6,483
	17,248	**13,960**

The actuarial change of the year is mainly due to changes in experience adjustments and other financial assumptions.
The main part of the provision for pension and similar commitments fall due after 5 years.
The assets of the pension scheme are attributable to Belgium and Norway. In Norway the assets are mainly invested in listed securities.
All assets comprised by the schemes are managed by pension providers in collective pool schemes.
In 2019, the Group expects payment of EUR 3.5m to the defined benefit schemes.

EUR ‘000

18. Provisions for pensions and similar commitments (continued)

The most significant actuarial assumptions at the balance sheet date are as follows:	2018	2017
Discounting rate applied	1-6%	1-5%
Expected return on tied-up assets	3%	1-2%

Compared to the consolidated financial statements a probable change of the actuarial assumptions is not deemed to cause significant effect on the liabilities, and therefore a sensitivity analysis has not been prepared.

In the statement of consolidated shareholders' equity the following accumulated actuarial gains/losses are recognised	-9,346	-9,930

19. Provisions

	2018	2017
Provisions at 1 January	32,070	32,634
Exchange rate adjustment	-1,397	-1,502
Additions in the year	4,272	4,408
Additions from acquisition of interests in LWCC	685	0
Used in the year	-2,757	-3,116
Reversal	-243	-354
Provisions at 31 December	**32,630**	**32,070**
Recognised in the balance sheet as follows:		
Stated as non-current liabilities	27,254	29,201
Stated as current liabilities	5,376	2,869
	32,630	**32,070**
Maturities for other provisions are expected to be:		
Falling due within one year	5,376	2,869
Falling due between one and five years	4,748	4,167
Falling due after more than five years	22,506	25,034
	32,630	**32,070**

Provisions mainly include re-establishment of chalk, gravel and clay pits at EUR 18.7m (2017: EUR 20.5m), demolition liabilities for buildings and terminal on rented land at EUR 4.5m (2017: EUR 4.8m), warranties and claims at EUR 0.4m (2017: EUR 0.3m) as well as other provisions at EUR 9.0m (2017: EUR 6.6m).
Additions in the year include liabilities regarding warranties and claims, re-establishment of chalk, gravel and clay pits, demolition liabilities, litigations and other provisions.
Used in the year mainly relates to re-establishment and reorganistion liabilities.
Provisions for liabilities due after more than five years include liabilities regarding re-establishment of chalk, gravel and clay pits and demolition liabilities for buildings and terminals with no decision made regarding closure. Costs for re-establishment of chalk, gravel and clay pits are mainly paid when finishing an excavation or when moving out from leases. No considerable payments are expected in 2019.

EUR '000

20. Credit institutions and other borrowings

	Year of maturity	Fixed/ variable	Carrying amount 2018	Carrying amount 2017
Mortgage loan	2028-2033	Variable	135,462	105,776
Bank borrowings and credits	2019	Variable	1,037	4,600
Term loan	2018	Variable	0	104,500
Finance leases	2019	Variable	1,978	2,557
Finance leases	2019-2020	Fixed	128	53
Financial payable Group enterprises	2021-2022	Fixed	253,684	177,808
			392,289	**395,294**

Fair value of mortgage loan amounts to EUR 136.3m (2017: EUR 106.4m). Other fair values do not significantly deviate from the carrying amount.

The Group's debt to credit institutions and lease obligations have been recognised and fall due as follows:

	Non-current borrowings (> 1 year)	Current borrowings (0-1 year)	Total	Maturity > 5 years
31 December 2018:				
Mortgage loan	122,827	12,635	135,462	72,612
Bank borrowings and credits	0	1,037	1,037	0
Finance leases	43	2,063	2,106	0
Financial payable Group enterprises	253,684	0	253,684	0
	376,554	**15,735**	**392,289**	**72,612**
Specification of contractual cash flows incl. interest:				
Mortgage loan	127,838	13,475	141,312	74,263
Bank borrowings and credits	0	1,058	1,058	0
Finance leases	43	2,063	2,106	0
Financial payable Group enterprises	263,710	4,676	268,385	0
	391,590	**21,271**	**412,861**	**74,263**
31 December 2017:				
Mortgage loan	96,221	9,555	105,776	57,070
Bank borrowings and credits	0	4,600	4,600	0
Finance leases	1,767	843	2,610	0
Financial payable Group enterprises	177,808	0	177,808	0
Term loan	93,500	11,000	104,500	0
	369,296	**25,998**	**395,294**	**57,070**
Specification of contractual cash flows incl. interest:				
Mortgage loan	105,742	10,907	116,649	61,491
Bank borrowings and credits	0	4,717	4,717	0
Finance leases	1,763	877	2,640	0
Financial payable Group enterprises	190,032	4,445	194,477	0
Term loan	97,169	12,993	110,162	0
	394,706	**33,939**	**428,645**	**61,491**

The maturity analysis is based on all undiscounted cash flows including estimated payment of interest.

Payment of interest is estimated and based on the present market conditions.

Maturity of derivatives is disclosed in note 27.

According to the leases there are no contingent rentals.

The carrying amount of finance leases is presented in note 11.

EUR ‘000

21. Change in liabilities from financing

	Non-current credit institutions	Current credit institutions	Finance leases	Derivative financial instruments	Total
Liabilities from financing at 1 January 2018	367,529	25,154	2,611	0	395,294
Proceeds from loans and borrowings	145,534	0	129	0	145,663
Repayment of borrowings	-40,472	-104,959	0	0	-145,431
Reclassification	-93,500	93,500	0	0	0
Payment of finance leases	0	0	-619	0	-619
Total changes from financing cash flows	**11,562**	**-11,459**	**-490**	**0**	**-387**
Fair value adjustments	0	0	0	10,644	10,644
Exchange rate effect	-2,580	-22	-16	-20	-2,638
Liabilities from financing at 31 December 2018	**376,511**	**13,673**	**2,105**	**10,624**	**402,913**
Liabilities from financing at 1 January 2017	433,065	14,727	3,210	0	451,002
Proceeds from loans and borrowings	110,000	0	0	0	110,000
Repayment of borrowings	-148,996	-15,391	0	0	-164,387
Reclassification	-26,063	26,063	0	0	0
Payment of finance leases	0	0	-592	0	-592
Total changes from financing cash flows	**-65,059**	**10,672**	**-592**	**0**	**-54,979**
Exchange rate effect	-477	-245	-7	0	-729
Liabilities from financing at 31 December 2017	**367,529**	**25,154**	**2,611**	**0**	**395,294**

22. Deferred income

Deferred income relates to income from business agreement etc., which is expected to be recognised as follows:

Expected recognition of deferred income:	2018	2017
Within one year	1,035	1,271
Between one and five years	3,772	3,270
After more than five years	847	1,636
	5,654	**6,177**

23. Other payables

Non-current other payables for the Group fall due between one and five years, and comprise payables from acquisition of equity investment in joint venture.

Other current payables include holiday pay liabilities, taxes and public indirect taxes, interest payable and dividends payable to non-controlling interests.

24. Charges and securities

	2018		2017	
	Carrying amount of mortgaged assets	Debt regarding mortgaged assets	Carrying amount of mortgaged assets	Debt regarding mortgaged assets
Property, plant and equipment	111,364	135,462	106,653	105,776
	111,364	**135,462**	**106,653**	**105,776**

EUR '000

25. Contingent liabilities, contractual obligations and contingent assets

Contingent liabilities

The Group is involved in a few disputes, lawsuits etc. of various scopes, including a few tax disputes in some countries. No significant liabilities are considered to be incumbent on the Group in that respect, and the outcome of the disputes is not expected to have significant impact on the Group's financial position beyond what has been recognised in the balance sheet.

Contractual obligations

At 31 December 2018, the Group has contractual obligations, including acquisition of raw materials etc. of EUR 116.9m (2017: EUR 116.6m).
Regarding contractual obligations related to acquisition of non-current assets reference is made to note 11.

Guarantees	2018	2017
Performance guarantees	3,209	3,050
Other guarantees, etc.	7,096	14,617
	10,305	**17,667**

Other guarantees relate i.a. to guarantees given to suppliers of goods and services, mainly in Turkey.

Operating leases

Aggregate future lease payments under non-cancellable operating leases:		
Falling due within one year	21,506	21,383
Falling due between one and five years	62,726	58,383
Falling due after more than five years	16,145	23,111
	100,377	**102,877**
Operating lease expenses recognised in the income statement	**25,327**	**21,015**

Operating leases are primarily related to operating equipment, ships and IT equipment. These leases contain no special purchase rights, etc.

26. Related party transactions

Related parties with significant influence in the Aalborg Portland Holding Group:

- Cementir España S.L., Calle General Yague, Num. 13, 28020 Madrid, Spain.
- Cementir Holding S.p.A., Corso di Francia, 200, 00191 Rome, Italy.
- Caltagirone S.p.A., Via Barberini, 28, 00187 Rome, Italy.

Related parties with significant influence in the Aalborg Portland Holding Group comprise the enterprises' Board of Directors and Management together with family related to these persons. Furthermore, related parties comprise enterprises in which the above-mentioned persons have significant interests.
Furthermore, related parties include joint ventures, cf. page 95.

Transactions with Cementir Holding S.p.A.:	2018	2017
- Intra-group management and administration agreements and royalties	25,721	23,875
- Financial items, net	-3,971	-4,752
- Financial receivable	30,000	0
- Financial payables	151,384	177,808
- Trade payables	18,157	12,009

EUR ‘000

26. Related party transactions (continued)

Transactions with joint ventures:	2018	2017
- Revenue	3,041	20,361
- Financial items, net	0	16
- Trade receivables	0	3,063
- Trade payables	0	4

Transactions with other related parties (companies in the parent Italian Group):		
- Revenue	3,348	208
- Cost of sales	48,953	17,812
- Financial items, net	-397	0
- Financial payables	102,441	0
- Trade receivables	176	199
- Trade payables	16,305	2,418

Remunerations to the Board of Directors and the Management are presented in note 4.
No losses on loans to or receivables from related parties were recognised, nor provisions made for such in 2018 or 2017.

27. Financial risks and financial instruments

Risk management policy

As a result of its international operations, investments and financing, the Group is exposed to a number of financial risks, including market risks, liquidity and credit risks.

Market risks
Risks that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices.

Liquidity risks
Risks that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

Credit risks
Risks that a counterparty of a financial instrument is unable to fulfil its obligations and thereby inflict a loss to the Group.

The Group's Finance & Treasury is in charge of the overall risk management in accordance with the principles adopted by the Board of Directors.
The Group policy is not to engage in any active speculation in financial risks. The Group's financial management is thereby solely directed towards the management and reduction of financial risks arising directly from the Group's commercial operations, investments and financing.
The Group does not hedge the currency risk between EUR/DKK due to the Danish fixed-exchange-rate policy aimed at the EUR.
Neither in 2018 nor in 2017 the Group has defaulted or breached any loan agreements (covenants).

Currency risks
Arise due to purchase and sale transactions as well as financial assets and liabilities in currencies other than the functional currency of the individual Group business.

Interest rate risks
Refer to the influence of changes in market interest rates on future cash flow relating to the Group's interest-bearing assets and liabilities and the fair value of these.

Raw material price risks
Refer to the influence of changes in raw material prices, which are not related to currency risks or interest rate risks.

27. Financial risks and financial instruments (continued)

Currency risks

Hedging is assessed and taken out in close co-operation with the Italian parent company.
For the hedging of currency risks, the Group analyses realised and expected cash flows broken down by currencies.

Risks relating to purchases and sales

The ready-mixed concrete activities of the Group are less exposed to changes in exchange rates, as the main part of both income and costs are settled in local currency. The Overseas cement activities of the Group enjoy a high degree of exports, and the settlement thereof is made in various sales currencies, and therefore, these units are affected by changes in exchange rates. The Turkish cement operations are mainly based on transactions in local currency. Revenue from the Group's Nordic & Baltic activities and the purchases by this segment are denominated in several currencies. Accordingly, these activities are also exposed to changes in exchange rates.
The Group's currency risks are primarily hedged by the settlement of income and costs in the same currency and by use of derivative financial instruments. Investments in Group enterprises are not hedged.
The Group's most predominant currency exposure regarding the operating results arises from sales and purchases in MYR, AUD, TRY, PLN and NOK. A 10% drop in these exchange rates compared to EUR/DKK would, viewed separately, reduce EBITDA by EUR 10.5m (MYR amounts to EUR -1.5m, AUD amounts to EUR 1.8m, TRY amounts to EUR 5.6m, PLN amounts to EUR 1.3m and NOK amounts to EUR 3.3m) (2017: EUR 11.4m (EGP amounted to EUR 1.8m, AUD amounted to EUR 1.4m, TRY amounted to EUR 3.2m, NOK amounted to EUR 3.5m and PLN amounted to EUR 1.4m)). The sensitivity surrounding Group equity is not materially different from the impact on the operating results for the year.
The Group entered into a swap agreement with a termination date in 2024, where both currency risk and interest risk have been hedged. Related to the interest risk the Group has agreed to pay USD Libor + a spread of 3.63% and the Group will receive EURIBOR + a spread of 2.88% each 30 April and 31 October until maturity.
The fair value liability is included in a separate line item in the balance sheet "Derivatives financial instruments".
The ineffective part is recognised as financial income.

EURm	Notional amount	Maturity < 1 year	Maturity 1-5 years	Maturity > 5 years	Strike	Fair value liability	Change in fair value recognised in hedge reserve	Ineffective part recognised in income statement
Swap USD/EUR	128.9	11.2	49.8	68.0	1.00 EUR/ 1.235 USD	-10.5	-4.1	0.6

Risks relating to net financing

The Group's most important currency risks arising from receivables and payables in foreign currencies at 31 December 2018 relate to the following currencies: EUR, USD, GBP, TRY, NOK and SEK. If these currencies (apart from EUR) had been 10% down at 31 December, Group equity would be affected by a negative exchange rate adjustment of EUR 3.8m (2017: EUR 2.9m). An increase of currencies would have had a similar positive effect on equity.

Translation risks relating to net investments in subsidiaries

The Group income statement and equity are affected by changes in the exchange rates as the closing results of the foreign Group enterprises are translated into Danish kroner at the consolidation.
Hedging of currency risk is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to net assets in foreign subsidiaries are accounted directly in equity.
With regard to investments in foreign enterprises, Group equity at 31 December 2018 would have been reduced by EUR 63.6m (2017: EUR 59.7m), if the NOK, SEK, USD, CNY, MYR, EGP and TRY exchange rates had been 10% down on the actual exchange rates. Other currency risks arising from investments in foreign entities are immaterial.

EUR '000

27. Financial risks and financial instruments (continued)

Assumptions of sensitivity analysis

The sensitivities are stated on the assumption of unchanged sales and price levels and interest levels, and on the assumption of recognised assets and liabilities at 31 December 2018.

Forward contracts regarding future transactions

The Group does not comply with the conditions for taking out hedge accounting of future cash flows from the sale of goods. In terms of the hedging of future investments, the Group assesses in each case whether these comply with the conditions for hedge accounting.

Open Group forward contracts not meeting conditions for taking our hedge accounting at 31 December, net:

2018

EURm	AUD	GBP	Total
Market value - forward contracts	0.0	0.0	**0.0**
Notional principal amount - forward contracts*	0.0	0.0	**0.0**

2017

EURm	AUD	GBP	Total
Market value - forward contracts	0.0	0.1	**0.1**
Notional principal amount - forward contracts*	0.0	-8.2	**-8.2**

The forward contracts fall due from March 2018 - December 2018.

* For forward exchange contracts, positive notional values are purchases of the relevant currency, negative notional values are sales.

Interest rate risk

Owing to the Group's investment and financing activities the Group has exposure to interest rate changes in both Denmark and abroad. The primary interest-rate exposure is related to fluctuations in CIBOR, LIBOR and EURIBOR. The Group has floating and fixed loans. The Group's loans at 31 December 2018 came in at EUR 389.1m, 35% thereof financed by floating rate loans. At 31 December 2017 loans were EUR 388.1m (accounting for 54% floating rate loans and 46% fixed rate loans).

With regard to the Group's floating rate loans and cash equivalents, an annual 1% increase in the interest level in proportion to the actual interest rates would, other things being equal, have had an adverse hypothetical impact on the profit before tax of EUR 1.7m (2017: EUR 1.6m) and on equity of EUR 1.3m (2017: EUR 1.3m). A declining interest level would have had a corresponding positive impact on result and equity.

The Group's cash is placed on demand or time deposits with a maturity of up to 3 months.

The sensitivities stated are based on average financial assets and liabilities for the year.

Raw material price risks

The Group uses a number of raw materials in the manufacture of the Group's products, which expose the Group to a price risk, i.a. especially different fuels and electricity. The Group enters into annual fixed price contracts for some raw materials.

Open swap contracts at 31 December, net:

2018

EURm	Total
Market value - swap contracts	**-0.1**

The swap contracts fall due in December 2019.

27. Financial risks and financial instruments (continued)

Liquidity risks

According to the Group borrowing policy, the Group will ensure the highest possible flexibility by maintaining a capital structure with a strong equity financing. At Group level, there are ongoing assessments and management of liquidity risk by maintaining adequate cash reserves/loan facilities based on follow-up on and forecast of cash flow compared with the maturity/repayment profiles related to the Group's financial instruments.

The Aalborg Portland Holding Group is included in the Cementir Group's overall management of financial risks. The Group's liquidity reserve consists of non-tied-up cash and undrawn credit facilities signed by Cementir Holding. In addition to this, the Aalborg Portland Holding Group has a separate uncommitted credit facility. The Management is of the opinion that the Group has sufficient liquidity at its disposal to carry through planned investments and operating activities and to take the proper action in case of unforeseen liquidity shortfalls.

Regarding maturities of the Group debt, reference is made to note 20.

Based on the Group's expectations for the future operation and the Group's present cash funds, no other significant liquidity risks have been identified.

Credit risks

The Group's credit risks arise primarily from receivables related to customers, other receivables and cash.

As a consequence of the Group's credit risk policy, credit rating of all major customers and other trading partners is performed before contract formation and hereafter continuously. An efficient credit control is important to the Group in the present market. Management of the credit risks is based on internal credit limits, which are based on the customer's and the counterparties' creditworthiness, based on both internal and external credit ratings as well as the Group's experience with the counterparty. If no satisfactory guarantee is obtained when credit rating the customer/counterparty, payment in advance or separate guarantee for the sale, e.g. a bank guarantee, will be required.

Due to the market situation, the Nordic companies of the Group have in recent years increased the resources used on follow-up on customers, which contributes to early warnings of possible risks. As part of the Group's risk management, the credit exposure of customers and counterparties is monitored daily, weekly or monthly based on individual assessments. Historically the Group has had relatively small losses due to customers' or counterparties' inability to pay.

The credit risk limit of financial assets corresponds to the values recognised on the balance sheet.

No individual customer or cooperator poses any material risk to the Group.

The credit rating of trade receivables is analysed on the basis of the business areas of the Group:

EURm	2018	2017
Aalborg Portland	16.9	21.3
Unicon	36.0	31.8
Overseas	27.9	10.0
Turkey	38.0	61.6
UK	1.5	2.8
Belgium	38.4	33.0
	158.7	**160.5**

EUR '000

27. Financial risks and financial instruments (continued)

Receivables from Aalborg Portland activities are attributable to Danish customers and export customers characterised as medium-sized and major customers. The Group is familiar with the Danish customers, who have not been granted long credit lines. Experience shows that export customers pose a low credit risk.
Regarding the Unicon activities the Group's customers primarily consist of contractors, builders and others, customers posing a higher credit risk.
Overseas activities are attributable to minor local customers and medium-sized to major customers on a global scale. Credits are granted in accordance with usual, local trading terms. Credit rating is applied to some types of customers, but experience shows that customers in Overseas pose a low credit risk.
In Turkey, there are both dealers and end-users (contractors and other customers) within both the ready-mixed concrete, cement and waste business. All customers are generally required to provide security for deliveries unless the management has assessed that there are no significant risks associated with selling to that customer. The waste business sales are only to large customers. Received collaterals amount to EUR 25.8m at 31 December 2018 (2017: EUR 36.0m).
Trade receivables at 31 December 2018 include receivables of EUR 3.4m (2017: EUR 6.2m), which, based on an individual assessment, have been written down to EUR 0.1m (2017: EUR 0.1m). The write-downs were generally motivated by the customers' bankruptcy or anticipated bankruptcy. When calculating individual write-downs the collaterals received have been taken into account.

Provision for impairment on trade receivables and loss percentages are specified as follows:

EUR'000	Loss percentage	Trade receivable	Provision for impairment	Total
Neither past due	0.0%	117,678	20	117,659
Due 1-30 days	0.1%	23,457	14	23,443
Due 31-60 days	0.4%	9,541	40	9,501
Due 61-90 days	1.3%	2,844	38	2,806
Due above 90 days	36.6%	8,618	3,150	5,468
	2.0%	**162,139**	**3,262**	**158,877**

Provision for impairment and loss percentages are specified as follows:

	Europe		China/Malaysia		USA		Turkey/Egypt		Other		Total
	EUR '000	%	EUR '000	%	EUR '000	%	EUR '000	%	EUR '000	%	EUR '000
Neither past due	20	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	20
Due 1-30 days	14	0.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14
Due 31-60 days	40	1.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	40
Due 61-90 days	31	5.8%	0	0.0%	0	0.0%	7	0.4%	0	0.0%	38
Due above 90 days	1,344	34.5%	0	0.0%	105	20.9%	1,701	35.7%	0	0.0%	3,150
	1,449	**1.6%**	**0**	**0.0%**	**105**	**0.6%**	**1,708**	**4.1%**	**0**	**0.0%**	**3,262**

27. Financial risks and financial instruments (continued)

EUR'000	Loss percentage in PL	Trade receivables	Expected loss based on historical loss percentages
Europe	0.1%	92,861	98
China/Malaysia	0.0%	3,483	0
USA	0.0%	18,683	0
Turkey/Egypt	0.1%	41,292	24
Other	0.0%	5,820	0
		162,139	**122**

Provision for impairment is higher than expected loss as there has been made a separate assessment of the trade receivables due above 90 days.

The receivables written down are included at their net amounts in the above-mentioned tables.

Management of capital structure

Group capital management is assessed and adjusted in close cooperation with the Italian parent company. The Aalborg Portland Holding Group is included in the Cementir Group's overall capital management.

It is the Group's policy that the capital structure and financial gearing of the Group shall at all times reflect the Group's activities and risk profile, afford sufficient financial latitude to ensure the Group's creditworthiness, and provide flexibility and room for investments or acquisitions based on the Group strategy.

The distribution of dividends takes place considering the appropriate level of equity and sufficient availability of loan capital to facilitate the Group's ongoing expansion.

The Group financial gearing between net interest-bearing debt and EBITDA is 0.8 at 31 December 2018 (31 December 2017: 0.8).

Financial instruments measured at fair value are measured on a recurring basis and categorised into the following levels of the fair value hierarchy:

- Level 1: Observable market prices for identical instruments.
- Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments.
- Level 3: Valuation techniques primarily based on unobservable prices.

Securities and investments measured at fair value through profit/loss are either measured at quoted prices in an active market for the same type of instrument (level 1) or at fair value based on available data (level 3).

Hedging instruments are not traded on an active market based on quoted prices. Measured instead of using a valuation technique, where all significant inputs are based on observable market data; such as exchange rates, interest rates, credit risk and volatilities (level 2).

There have been no transfers between the levels in 2018 or 2017.

Specification of financial assets and obligations

EUR'000	Carrying value 2018	Fair value 2018	Carrying value 2017	Fair value 2017
Financial assets measured at fair value in the income statement	0	0	0	0
Financial assets used as hedging instruments, level 2	71	71	129	129
Loans and receivables	394,073	394,073	387,887	387,887
Financial assets available for sale	0	0	0	0
Financial obligations measured at fair value in the income statement	0	0	0	0
Financial obligations used as hedging instruments, level 2	10,482	10,482	0	0
Financial obligations measured at amortised cost	683,432	683,568	648,715	649,361

27. Financial risks and financial instruments (continued)

Methods and assumptions on determination of fair values

In general, fair value corresponds to the carrying value, except for mortgage loans.
Financial instruments related to sale and procurement of goods etc. with a short credit period are measured at fair value corresponding to the carrying value.
Derivative financial instruments are computed on generally accepted valuation methods based on relevant exchange rates.
The methods used are unchanged compared to 2017.

28. Post-balance sheet events

There are no further significant events to report.

29. Critical accounting policies as well as accounting estimates and judgements

Group

The accounting polices require that when calculating the carrying value of certain assets and liabilities estimates are made of how future events influence the value of recognised assets and liabilities at the balance sheet date. Estimates that have a material influence on the amounts recognised in the annual report.
The estimates applied are based on assumptions deemed reasonable by the Management, but, given the nature of things, are uncertain. Thus, the Group is exposed to risks and uncertainties that may result in variances between actual and estimated results.
The development in the world economy and in the financial markets in 2017 and 2018 has resulted in considerable changes compared to previous years in respect of some uncertainty in a number of key assumptions within i.a. credit risk, interest level, sales volumes, volatility, etc.
The Management deems that the accounting policies do not include critical aspects.
The following items of the Aalborg Portland Holding Group are subject to major accounting estimates and judgements:

Goodwill

The annual impairment test of goodwill involves an estimate over how the part of the Group to which the goodwill is allocated (cash-generating units) may generate sufficient, positive, future net cash flows in order to support the value of goodwill and other net assets in the cash-generating unit. The Group's thorough budgeting and estimating support the assessments and minimise the risk. The degree of uncertainty is reflected in the chosen discount rate. The impairment test has been further described in note 9.

Non-current assets

Non-current assets are measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the expected useful lives of the assets considering the residual value of the assets. The anticipated useful life and residual value are determined on the basis of past experience and the anticipated future use of the asset in question. The anticipated future use and scrap values may prove impossible to realise, prompting a need for write-down or a loss on the disposal of the assets. The depreciation periods are stated in the section "Accounting policies" in note 30, and non-current assets are stated in notes 9 and 11.

Investment properties

The fair value measurement of investment property is based on estimates. Reference is made to note 12 for a further description hereof.

29. Critical accounting policies as well as accounting estimates and judgements (continued)

Business combinations

At the date of preparation of the consolidated financial statements, the Purchase Price Allocation at the fair value of acquired assets, liabilities and contingent liabilities assumed is in progress and it will be completed within one year from the acquisition date. The best available input in determining fair value of all assets and liabilities have been used, which include use of expert in the valuation process (reference is made to note 10).

Consolidated financial statements

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Based on the absolute size of ownership and the distribution of shareholdings, including votes and relationships, the Group management considers the Group's ownership to be sufficient to exercise a controlling influence on the basis that the Group holds 50% of the shares and have casting vote.

Provisions and contingent liabilities

Assessment of provisions and contingent liabilities are largely based on estimates and judgements. Description of provisions and contingent liabilities is given in notes 19 and 25.

30. Accounting policies

The Annual Report 2018 of the Aalborg Portland Holding Group is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.
The Aalborg Portland Holding Group's official statutory annual report is presented in EUR.
The accounting policies set out below have been used consistently in respect of the financial year. For standards implemented prospectively, comparative information is not restated.
On 6 March 2019, the Board of Directors and the Management approved the annual report for 2018 for the Aalborg Portland Holding Group. The annual report is submitted to the shareholders of Aalborg Portland Holding A/S for approval at the Annual General Meeting on 12 April 2019.

Changes in accounting policies

The Aalborg Portland Holding Group has implemented the financial reporting standards and IFRICs which came into force for the 2018 financial year, including:

- IFRS 9, Financial instruments (issued 2014, effective date 1 January 2018).
- IFRS 15, Revenue from contracts with customers, including amendments and clarifications (issued 2014, 2015 and 2016, respectively, effective date 1 January 2018).

The implementation has not had a significant impact on recognition, measurement or disclosures in the Annual Report 2018 and is not expected to have significant impact on the financial reporting for future periods.

IFRS 9, Financial instruments

IFRS 9 has replaced IAS 39, Financial instruments; recognition and measurement.
The most relevant changes compared to current accounting policy are:

- New impairment model based on expected losses rather than on incurred losses.
- Hedge accounting requirements are more closely aligned with how the business undertakes risk management activities when hedging financial and nonfinancial risk exposures.

Impairment losses for financial assets are accounted for by using a forward-looking expected credit loss approach. The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit/loss and contract assets.
The changed impairment approach has not had a significant impact to the Group and no adjustment to the impairment of trade receivables has been made upon transition.

30. Accounting policies (continued)

At the date of initial application the Group did not have any hedge accounting relationships.
The new hedge accounting requirements did not have an impact to the Group.
The Group has implemented IFRS 9 according to the transition provisions. There was no transition effect upon implementation 1 January 2018.
The accounting principles have been changed for 2018.

IFRS 15, Revenue from contracts with customers

IFRS 15 introduces a new framework for revenue recognition and measurement.
IFRS 15 has been applied following the modified retrospective approach with any cumulative effects recognised in equity as of 1 January 2018 and with no restatement of comparatives.
Implementation of the standard has resulted in only minor changes to existing accounting practices, mainly relating to extended external disclosure requirements. The implementation has not resulted in any changes to existing revenue recognition practices applied by the Group and accordingly no retrospective adjustment to equity has been made.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Aalborg Portland Holding A/S, and subsidiaries, in which Aalborg Portland Holding A/S exercises a controlling influence.
The Group exercises a controlling influence in an enterprise, if the Group is exposed to or has the right to variable returns from its involvement with the enterprise, and has the ability to affect those returns through its power over the enterprise.
Enterprises, in which the Group directly or indirectly holds more than 20% and less than 50% of the voting rights and another entity has controlling influence, are considered as associates. However, this is based on an assessment of the ability of exercising influence.
When assessing whether the Group exercises a controlling or significant influence, it is to be considered whether potential voting rights exercisable at the balance sheet date are real and have substance as well as de facto control.
If the enterprises meet the criteria for joint control, they are considered as investments in joint arrangements. Joint arrangements are activities or enterprises, in which the Group exercises joint control through cooperation agreements with one or more parties. Joint control implies that decisions about the relevant activities require unanimous consent of the parties with joint control.
Joint arrangements are classified as joint ventures or joint operations. Joints operations are activities where participants are entitled to a proportionate share of the individual assets and liabilities in the arrangement, while joint ventures are activities where participants alone have the right to a proportionate share of net assets in the arrangement.
In joint operations, assets, liabilities, income and expenses as well as cash flows are included pro rata line by line in the consolidated financial statements in accordance with the rights and obligations.

Business combinations

Enterprises acquired are recognised in the consolidated financial statements from the date of acquisition which is the date at which Aalborg Portland Holding actually gains control of the enterprise acquired. The comparative figures are not restated for acquisitions.
For business combinations any remaining positive balance (goodwill) is recognised as goodwill under intangible assets between on the one side the consideration, the value of the non-controlling interests of the enterprise acquired and the fair value of possible previously acquired equity investments and on the other side the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised but impairment

30. Accounting policies (continued)

tested annually as a minimum. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a different functional currency from the presentation currency of the Aalborg Portland Holding Group's financial statements are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate ruling at the transaction date.

If any bargain purchase gain is recognised, the assets and liabilities undertake a review to ensure they are complete and the measurement appropriately reflects consideration of all available information. Bargain purchase gain is recognised as other operating income in income statement.

The consideration transferred by a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. Costs attributable to business combinations are recognised directly in profit or loss as administrative expenses when incurred.

The book value method is applied to transfers between Group companies (common controlled transactions), according to which assets and liabilities are transferred at their carrying amount at the date where control is obtained. The difference between the carrying value of net assets acquired and consideration is recognised directly in equity.

When enterprises are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement as a separate item in finance income and finance costs.

Non-controlling interests

On initial recognition, non-controlling interests are measured at fair value or at the proportionate share of the fair value of the acquired business's identifiable assets, liabilities and contingent liabilities. In the first scenario, goodwill in relation to the non-controlling interests' ownership share in the acquired enterprise is thus recognised, while, in the latter scenario, goodwill in relation to non-controlling interests is not recognised. Measurement of non-controlling interests is chosen transaction by transaction and stated in the notes in connection with the description of acquired enterprises.

The effect of transactions with non-controlling interests is taken directly to shareholders' equity. Therefore, no gains or losses are stated in the income statement, and there is no change of the carrying amount of net assets (including goodwill).

Foreign currency translation

For each of the reporting enterprises in the Group, a functional currency is determined. Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies.

Transactions in foreign currencies are on initial recognition translated at the functional currency at the exchange rate of the date of transaction.

Financial assets and liabilities in foreign currencies are translated at the exchange rates at the balance sheet date. Any foreign exchange variances between the rates at the transaction date and the payment date or the balance sheet date, respectively, are stated in the income statement as financial items.

Non-financial assets and liabilities in foreign currencies are stated at the rate of exchange at the date of transaction.

On recognition in the consolidated financial statements of foreign enterprises and associates as well as foreign joint ventures with a functional currency different from the Group's presentation currency, the income statements are translated at the average exchange rates and the balance sheet items are translated at the exchange rates at the balance sheet date. The calculation differences arising from the translation of the income statements of companies abroad at average exchange rates and of their balance sheet items at the rate of exchange on the balance sheet date are taken directly to other comprehensive income.

30. Accounting policies (continued)

On full or partial disposal of wholly-owned foreign operations resulting in a loss of control or on repayment of balances which constitute part of the net investment in the foreign operation, the share of the cumulative amount of the exchange differences that is recognised in other comprehensive income relating hereto is reclassified from other comprehensive income to profit for the year together with gain or loss on disposal.
On the disposal of partially owned foreign subsidiaries resulting in a loss of control, the share of the translation reserve in other comprehensive income attributable to non-controlling interests is not transferred to profit or loss.
An average exchange rate is used if it does not significantly deviate from the exchange rate ruling at the transaction date.
The assets and liabilities of a foreign company acquired are translated at the exchange rate at the date of transaction (acquisition date).

Derivative financial instruments

Derivatives are initially recognised in the balance sheet at fair value and subsequently measured at fair value. Fair value of derivatives is included in other receivables or other liabilities, respectively. Fair value changes of derivatives used for cash flow hedging are recognised in other comprehensive income. Any ineffective portions of the cash flow hedges are recognised as a financial item. Upon settlement of the cash flow hedges, the fair value is transferred from other comprehensive income into the line item of the hedged item.
Any changes in the fair value of derivatives not used for hedge accounting are recognised in the income statement as financial items.
Certain contracts contain conditions that correspond to derivatives. In case the embedded derivatives deviate significantly from the overall contract, they are recognised and measured as separate instruments at fair value. That is unless the contract concerned as a whole is recognised and measured at fair value.

Income statement

Revenue

Revenue is recognised in the income statement on delivery and passing of the risk to the buyer and when the income can be measured reliably and is expected to be received.
Revenue is measured at fair value of the consideration agreed excl. VAT charged on account of third party. All kinds of discounts are recognised in revenue.
Trade receivables recognised as services delivered are invoiced to the customer and are not adjusted for any financing components as credit terms are short – typically between 20 to 45 days – and the financing component therefore insignificant.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year and development costs which do not meet the criteria for capitalisation. This includes raw materials, consumables, CO_2 quotas, direct labour costs and indirect production costs such as maintenance and operation of production plant as well as production plant depreciation, administration and plant management.

Sales and distribution costs

Sales and distribution costs comprise direct distribution and marketing costs, salaries for the sales and marketing functions as well as other indirect costs, including depreciation and amortisation.

Administrative expenses

Administrative expenses comprise the costs of administrative staff and management and other indirect expenses, as well as depreciation and amortisation.

30. Accounting policies (continued)

Other operating income and costs

Other operating income and costs comprise items of a secondary nature in relation to the activities of the Group, including certain grants, rentals, fees, fair value adjustments of investment property, bargain purchase gain, etc. Gains and losses from the disposal of property, plant and equipment which cannot be considered part of the disposal of a complete activity are included in other operating income and costs.

Profit/loss from investments in joint ventures

The proportionate share of the profit/loss after tax in joint ventures is recognised in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Financial items

Interest income and expenses comprise interest, exchange rate gains and losses regarding transactions denominated in foreign currencies and write-down on securities, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. realised and unrealised gains and losses on derivative financial instruments that are not qualified as hedge accounting are also included.

Tax

Tax for the year comprises current tax and changes in deferred tax.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the financial year and any adjustment of tax for previous years.

Tax related to other comprehensive income is recognised in other comprehensive income.

Deferred tax is recognised and measured according to the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes.

Measurement of deferred tax is based on the tax rules and tax rates applicable in the respective countries at the balance sheet date, which is expected to be valid, when the deferred tax will be reversed as current tax. The effect of changes in the tax rates is stated in the income statement unless it relates to items previously entered directly in Shareholders' equity.

Deferred tax assets, including the value of tax loss carry-forwards, are recognised under Financial assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Aalborg Portland Holding A/S is covered by the Danish rules on compulsory joint taxation of the Group's Danish companies. Enterprises are included in the joint taxation from the date of consolidation into the consolidated financial statements and up to the date when they exit the consolidation.

Aalborg Portland Holding A/S is the administrative company for the joint taxation and consequently settles all income tax payments with the tax authorities.

The current Danish income tax is allocated by payment of joint taxation contributions between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint tax contributions from companies who have used this loss to reduce their own taxable income.

30. Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill

On initial recognition, goodwill is recognised in the balance sheet at cost as described under "Business combinations". Subsequently goodwill is measured at cost less accumulated impairment. Goodwill is not amortised.
The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Determination of cash-generating units follows the management structure and internal financial control.

Development projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Company is demonstrated, and where the Company intends to complete, market or use the individual project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.
Development projects are measured at cost less accumulated amortisation and impairment. Cost comprises wages and salaries, amortisation and other costs attributable to the Group's development activities.
Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life from the date when the asset is available for use. The amortisation period is up to 5 years.

Other intangible assets

Other intangible assets, including intangible assets acquired in business combinations, are measured at cost less accumulated amortisation and impairment losses.
Amortisation is made on a straight-line basis over the lower of the useful life and the contract period.
The expected useful lives are:

- Software applications, up to 10 years.
- Customer lists up to 25 years.
- Patents, licences and other intangible assets, up to 20 years.
- Leasehold improvements, up to 5 years.

CO_2 quotas

On initial recognition, granted and acquired CO_2 quotas are measured at cost.
The basis for amortisation of CO_2 quotas is stated as cost less scrap value. The scrap value depends on whether the company expects to utilise the quotas or sell them. Amortisation is based on a portfolio view on a straight-line basis. If the actual emission exceeds the granted and acquired CO_2 quotas, a liability corresponding to the fair value of the CO_2 quotas, which the company has to settle, is recognised.
On disposal of CO_2 quotas the difference between carrying amount and the selling price of excess CO_2 quotas is recognised in the income statement at the date of disposal.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.
The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs from specific or general lending directly relating to the construction of the individual asset.

30. Accounting policies (continued)

Deemed costs for dismantling and disposal of the asset and re-establishment are added to cost if the deemed costs are recognised as a provision. The cost of total assets is split into separate components, which are depreciated separately if the useful lives of the individual components differ.

The cost of finance leases is measured at the lower value of the asset's fair value or at the present value of the future minimum lease payment. When calculating the present value, the internal interest rate of the lease or the Group's alternative borrowing rate is used as discount rate.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The carrying amount of the replaced components are derecognised in the balance sheet and recognised as an expense in the income statement. All costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is charged on a straight-line basis during the estimated useful life of the asset concerned until it reaches the estimated scrap value.

Estimated useful lives are as follows:

- Buildings and improvements of land, 5-50 years.
- Main machinery, 25 years.
- Other plant and machinery, 3-20 years.

Newly acquired assets and assets of own construction are depreciated from the time they come into use. Land is not depreciated, unless it is used for raw material extraction after individual assessment.

The basis of depreciation is calculated on the basis of the scrap value less impairment losses. The scrap value is determined at the acquisition date and reassessed annually. If the scrap value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the scrap value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, sales and distribution costs and administrative expenses to the extent that depreciation is not included in the cost of self-constructed assets.

Investment properties

Properties are classified as investment properties when they are held for the purpose of obtaining rental income and/or capital gains. On initial recognition, investment properties are measured at cost, comprising purchase price and costs directly attributable to the acquisition. Subsequently, investment properties are measured at fair value. Changes in the fair value are recognised in profit or loss as value adjustment of investment properties under other operating income/costs in the financial year in which the change arises.

Realised gains and losses on the disposal of investment properties are determined as the difference between the carrying amount and the sales price and are also recognised under other operating income/costs.

If investment properties are reclassified to own property, fair value at this date is considered new cost price.

Investments in joint ventures

Investments in jointly managed enterprises (joint ventures) are measured according to the equity method, and the investments are recognised in the balance sheet as the proportionate share of the equity value of the entities stated in accordance with the Group's accounting policies, adding or deducting the proportionate share of unrealised intragroup profits and losses, and adding carrying amount of goodwill.

Joint ventures with negative equity value are measured at 0. If the Group has a legal or constructive obligation to cover a deficit in the joint ventures, the remaining amount is recognised under liabilities.

30. Accounting policies (continued)

Other non-current assets

Other non-current assets mainly relate to deposits and loans which are measured at amortised cost. Amortisation for the year is stated in the income statement.

Impairment of non-current assets

Goodwill is subject to annual impairment tests, initially before the end of the acquisition year.
The carrying amount of goodwill is tested together with the other non-current assets of the cash-generating unit or group of cash-generating units to which goodwill is allocated. The assets of the cash-generating units are written down to the recoverable amount in profit or loss if the carrying amount is higher. The recoverable amount of a cash-generating unit is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which goodwill is allocated. However, impairment losses on goodwill are recognised as other operating costs in the income statement.
The carrying amount of other non-current assets, except for goodwill, investment properties and financial assets measured at fair value, is tested annually for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.
An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit.
Amortisation and depreciation of intangible assets and property, plant and equipment are recognised in the same item as the related amortisation and depreciation. However, impairment losses on goodwill are recognised in a separate line item in the income statement.

Inventories

Raw materials and consumables are measured at cost. Cost is computed according to the weighted average cost method.
The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.
The cost of work in progress and finished goods comprise direct production costs with addition of indirect production costs. Indirect production costs include operating costs, maintenance and depreciation of production plant and plant management.
If the net realisable value is lower than cost, write-down is made to this lower value.

Receivables

Receivables are measured at amortised cost.
Write-downs are made to counter losses on the basis of expected losses using the simplified expected credit loss model.
Receivables are monitored on an ongoing basis in accordance with the company's risk policy. Impairment losses are calculated on the basis of the expected loss ratio broken down by geographic markets. Loss rates are determined on the basis of historical data for losses adjusted for estimates of the effect of expected changes in relevant parameters, such as general economic development, interest rate level, unemployment, etc. in the relevant markets. The total loss is recognized in the income statement on the basis of the expected losses during the entire period of the receivable.

30. Accounting policies (continued)

Equity

Dividends are recognised as debt at the time of approval at the annual general meeting (time of declaration). Dividends which are proposed for distribution are therefore stated separately in the shareholders' equity.

Reserves relating to foreign exchange adjustments in the consolidated financial statements comprise currency translation differences arising from the translation of the financial statements of foreign entities from their functional currencies to the presentation currency of the Aalborg Portland Holding Group (EUR) and foreign exchange adjustments of assets and liabilities considered to be part of the Group's net investment in foreign operations.

On full or partial realisation of net investments, exchange differences are recognised in the income statement.

Pensions, defined contribution schemes

In contribution pension schemes the employer is obliged to pay a specific contribution (e.g. a fixed sum or a fixed percentage of the pay). In a contribution scheme the risk in respect of future developments in interest rate, inflation, mortality and invalidity is not borne by the Group.

Payments by the Group into defined contribution schemes are stated in the income statement for the period to which they apply and any outstanding payments are stated in the balance sheet as Other payables.

Pensions, defined benefit schemes

In benefit pension schemes the employer is obliged to pay a specific benefit (e.g. a retirement pension as a fixed sum or a fixed percentage of final pay). In a benefit scheme the Group bears the risk with regard to future development in interest rate, inflation, mortality and invalidity.

An annual actuarial valuation is carried out to determine the present value of the future benefits which the employees have obtained under defined benefit schemes. The present value is calculated on the basis of assumptions for future developments in wage/salary level, interest rates, inflation, pension age and mortality. The present value is calculated only for benefits to which the employees have already earned the right during their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under retirement benefit obligations.

The pension costs of the year are recognised in income statement based on actuarial estimates at the beginning of the year. Differences between the calculated growth in pension assets and liabilities and the realised values stated at the end of the year are classified as actuarial gains or losses and are recognised in other comprehensive income.

If a pension plan constitutes a net asset, the asset is only recognised if it represents future refunds from the plan or will lead to reduced future payments to the plan.

Long-term employee benefits are recognised based on an actuarial calculation. All actuarial gains and losses are recognised in the income statement immediately. Other long-term employee benefits include i.a. anniversary bonuses.

Provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of expected future costs. The present value of costs is recognised in the income statement for the tangible assets concerned and is amortised together with these assets over the useful lives or according to the production method.

Provisions are measured as the best estimate of the expenses required to settle the obligation at the balance sheet date.

30. Accounting policies (continued)

Financial liabilities

Amounts owed to credit institutions are recognised when raising the loan at fair value less transaction costs. Subsequent measurement is made at amortised cost so that the difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

The capitalised remaining lease liability of finance leases is also recognised in financial liabilities, measured at amortised cost.

Other financial liabilities are measured at amortised cost.

Leases

Lease commitments are classified as finance or operating leases.

A lease is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership. All other leases are classified as operating leases.

The accounting for finance leases and the related liabilities are described in the paragraphs concerning tangible assets and financial liabilities, respectively.

Lease payments regarding operating leasing are expensed on a straight-line basis over the lease term.

Deferred income

Deferred income is measured at cost.

Cash flow statement

The cash flow statement is presented according to the indirect method and shows the composition of the cash flow divided into operating, investing and financing activities, respectively, and the cash funds at the beginning and end of the year.

In the statement of working capital/loans a distinction is made between interest-bearing and non-interest-bearing items plus cash funds.

Cash funds consist of cash in hand and bank deposits.

Loans represent total interest-bearing debt items less interest-bearing receivables. Formation of finance leases are considered as non-cash transactions.

All other non-interest-bearing receivables and debt items are regarded as working capital.

Cash flows from operating activities are stated as Profit for the year (EAT) adjusted for non-cash operating items, changes in working capital, financial items and paid tax.

Cash flows from investing activities comprise payments made in connection with the acquisition and disposal of enterprises and activities and the acquisition and disposal of non-current assets.

Cash flows from financing activities comprise payments to and contributions from owners as well as the raising and repayment of loans.

Segment reporting

The Aalborg Portland Holding Group is not a listed company and therefore no segment reporting is made according to IFRS 8.

Forthcoming requirements

IASB has issued several new or amended accounting standards, which are not effective for the financial year 2018. Generally, we expect to implement all new or amended accounting standards and interpretations when they become mandatory and have been endorsed by the EU. The following accounting standards and interpretations are the most relevant for the Group:

- IFRS 16, Leases (issued 2016, effective date 1 January 2019).
- IFRIC 23, Uncertainty over income tax treatment (issued 2017, effective date 1 January 2019).

IFRS 16, Leases

IFRS 16 will replace IAS 17, Leases and IFRS 16 introduces a changed accounting model for a lessee. Currently lease contracts for a lessee are classified as either operating or finance leases. IFRS 16 will require the majority of operating leases to be recognised as lease assets with a related lease liability, similar to the current accounting of finance leases.

The lease payments, currently accounted for as operating expenses, will be split into an interest cost and a repayment of the lease liability. The lease assets will be depreciated over the term of the lease contract. During 2018 we have performed a detailed impact assessment of IFRS 16 and the implementation is expected to have modest impact on the consolidated financial statements.

At 1 January 2019 there will be a balance sheet increase of EUR 75m due to the recognition of lease assets and liabilities. We expect a slight improvement of EBIT and a slight increase in financial costs.

The changes have no effect on the underlying cash flows. However, due to the lease payments being split into interest costs and a repayment for the lease liability the presentation in the cash flow statement will change. The change will improve the cash flow from operating activities whereas the cash outflow from financing activities will be negatively impacted.

Lessor accounting under IFRS 16 is mostly unchanged from current accounting under IAS 17, where lessors will continue to classify all leases as either operating or finance leases. We have no material lessor contracts and therefore see no material effect.

We have implemented IFRS 16 using the modified retrospective approach with a lease asset value equal to the lease liability value upon transition. Consequently, 2018 comparative figures will be reported according to IAS 17 and will not be restated to reflect the numbers according to IFRS 16. Furthermore, we expect to apply the exemptions related to exclusion of low value assets and lease contracts with a contract term of 12 months or less.

IFRIC 23, Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or levies outside the scope of IAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation i.a. specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- Measuring method to be applied.

As set out in the interpretation, we will determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty will be followed.

Uncertain tax positions are measured at the most likely outcome method.

The liability is recognised under income tax liabilities or deferred tax liabilities, depending on how the realization of the tax position will affect the financial statements.

30. Accounting policies (continued)

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.
We will apply the interpretation from its effective date and it is not expected to have a significant impact.
We have established the necessary processes and procedures to obtain information required to apply the interpretation on a timely basis.

3 FINANCIAL STATEMENTS (PARENT COMPANY)

70 Income statement

70 Statement of comprehensive income

71 Cash flow statement

72 Balance sheet

74 Statement of Shareholders' equity

75 Notes

Construction of fauna bridge

Income statement

EUR '000

	Notes	2018	2017
Revenue	1	192,045	34,871
Gross profit		**192,045**	**34,871**
Sales and distribution costs	2	6,849	6,233
Administrative expenses	2+3	20,859	19,280
Earnings before interest and tax (EBIT)		**164,337**	**9,358**
Financial income	4	9,270	1,407
Financial expenses	4	45,682	6,516
Earnings before tax (EBT)		**127,925**	**4,249**
Tax on profit for the year	5	774	-1,252
Profit for the year		**127,151**	**5,501**
Profit for the year			
To be distributed as follows: Retained earnings		127,151	5,501

Statement of comprehensive income

EUR '000

	2018	2017
Profit for the year	127,151	5,501
Total comprehensive income	**127,151**	**5,501**

Cash flow statement

EUR ‘000

	2018	2017
Profit/loss for the period	**127,151**	**5,501**
Reversal of amortisation and depreciation	28	28
Reversal of revaluation/impairment losses	35,359	0
Net financial income/expense	-163,583	-4,974
Income taxes	774	-1,252
Operating cash flows before changes in working capital	**-271**	**-697**
Increase/decrease in trade receivables	-1,778	-1,015
Increase/decrease in trade payables	2,186	2,153
Change in non-current/current other assets/liabilities	1,099	-959
Change in current and deferred taxes	125	19
Operating cash flows	**1,361**	**-499**
Dividends collected	164,637	10,082
Interests collected	7,313	1,194
Interests paid	-4,868	-5,037
Other income collected/expenses paid	-3,453	-780
Income taxes paid	-2,482	2,569
Cash flow from operating activities	**162,508**	**7,529**
Investments in intangible assets	-56	-6
Investment in equity investments and other non-current securities	0	-17,244
Change in current financial assets	0	-186
Cash flow from investing activities	**-56**	**-17,436**
Change in non-current financial liabilities	-26,443	804
Change in current financial liabilities	-170,023	20,629
Increase/paying-off shareholders’ equity	0	-57
Other variances of equity	-4,315	-453
Cash flow from financing activities	**-200,781**	**20,923**
Net change in cash and cash equivalent	-38,329	11,016
Cash and cash equivalent exchange rate effect	152	187
Cash and cash equivalent opening balance	38,177	26,974
Cash and cash equivalent closing balance	**0**	**38,177**

Balance sheet

EUR ‘000

	Notes	2018	2017
ASSETS			
Other intangible assets		97	71
Intangible assets	**6**	**97**	**71**
Other non-current assets	7	736,015	769,908
Deferred tax assets	7+8	843	224
Other non-current assets		**736,858**	**770,132**
Total non-current assets		**736,955**	**770,203**
Amounts owed by Group enterprises		121,473	5,520
Amounts owed by related parties		30,000	0
Derivative financial instruments (positive fair value)		0	51
Joint taxation contribution receivable		14,677	15,363
Other receivables	9	282	2,025
Prepayments	9	118	100
Receivables		**166,550**	**23,059**
Cash and cash equivalents		**0**	**38,177**
Total current assets		**166,550**	**61,236**
TOTAL ASSETS		**903,505**	**831,439**

Balance sheet

EUR ‘000

	Notes	2018	2017
EQUITY AND LIABILITIES			
Shareholders’ equity			
Share capital		40,333	40,333
Hedge reserve		-3,976	0
Retained earnings		571,933	446,554
Total shareholders’ equity		**608,290**	**486,887**
Liabilities			
Derivative financial instruments (negative fair value)		10,482	0
Amounts owed to Group enterprises		151,384	177,808
Deferred income	22	542	0
Non-current liabilities	**10**	**162,408**	**177,808**
Credit institutions, etc.	20+21+24	1,037	0
Trade payables		411	377
Amounts owed to Group enterprises		129,665	162,769
Income tax payable		1,132	2,624
Other payables	11	434	974
Deferred income	22	128	0
Current liabilities		**132,807**	**166,744**
Total liabilities		**295,215**	**344,552**
TOTAL EQUITY AND LIABILITIES		**903,505**	**831,439**

Statement of shareholders' equity

EUR '000

	Share capital	Hedge reserve	Retained earnings	Total equity
Shareholders' equity at 1 January 2018	40,333	0	446,554	486,887
Effect of translation to presentation currency		8	-1,530	-1,522
Changes in fair value of financial instruments		-3,984	0	-3,984
Other changes			-242	-242
Profit for the year (total comprehensive income)			127,151	127,151
Shareholders' equity at 31 December 2018	**40,333**	**-3,976**	**571,933**	**608,290**

	Share capital	Hedge reserve	Retained earnings	Total equity
Shareholders' equity at 1 January 2017	40,333	0	442,017	482,350
Effect of translation to presentation currency			-964	-964
Profit for the year (total comprehensive income)			5,501	5,501
Shareholders' equity at 31 December 2017	**40,333**	**0**	**446,554**	**486,887**

The share capital in 2018 and 2017 consists of:
1 share at DKK 150m
1 share at DKK 60m
2 shares at DKK 30m each
1 share at DKK 15m
5 shares at DKK 3m each

Dividends distributed to shareholders in 2018 were EUR 0.0m (2017: EUR 0.0m).
All shares are fully issued and paid up. One share of DKK 1,000 holds one vote.

NOTES

EUR ‘000

1. Revenue

	2018	2017
Dividend received	164,637	10,083
Consultancy services provided to subsidiaries and royalties on the subsidiaries' use of the trademarks	27,408	24,788
	192,045	**34,871**

2. Staff costs

	2018	2017
Wages and salaries and other remuneration	1,355	1,234
Pension costs, defined contribution schemes	91	81
Social security costs	2	9
	1,448	**1,324**
Number of employees at 31 December	10	9
Average number of full-time employees	10	9
Remuneration of the Board of Directors, the Management and other senior executive		
Salaries and remunerations	571	632
Pension contributions	28	27
	599	**659**
Hereof Board of Directors and Management	599	659

Remuneration of the Board of directors represents EUR 75k in 2018 (2017: EUR 75k).

Pension schemes

Pension schemes in Aalborg Portland Holding A/S are defined contribution schemes, which do not entail any obligations beyond payment of contrubutions.

3. Fees to the auditors appointed by the Annual General Meeting

Total fees to KPMG are specified as follows:	2018	2017
Statutory audit	43	39
Other assurance engagements	0	1
Tax and VAT advisory services	24	76
Other services	51	13
	118	**129**
Fees to other auditors	0	0

EUR '000

4. Financial income and expenses

Financial income	2018	2017
Interest, cash funds etc,	49	46
Interest, Group enterprises	7,265	1,146
Financial income on derivatives	1,052	56
Ineffective part of hedge	586	0
Exchange rate adjustments	318	159
	9,270	**1,407**
Interest on financial assets measured at amortised cost	7,314	1,192

Financial expenses		
Interest, credit institutions etc.	768	231
Interest, Group enterprises	4,101	4,806
Losses on derivatives	3,784	0
Exchange rate adjustments	1,033	587
Other financial expenses	35,996	892
	45,682	**6,516**
Interest on financial obligations measured at amortised cost	4,869	5,037

Other financial expenses include the EUR 35.4m impairment of the investment in Cimentas Group deriving from the difference between the expected future cash flow and the carrying amount of the investment, reference is made to note 7.

5. Income tax

Income tax	2018	2017
Current tax on the profit for the year/joint taxation contribution	1,544	-540
Deferred tax adjustment	-863	-162
Other adjustments, including previous years	93	-550
	774	**-1,252**
Taxes paid	**-2,482**	**2,569**

According to legislation, the Parent Company is the administrative company of the compulsory Danish joint taxation.

Reconciliation of tax rate	2018	2017
Tax according to Danish tax rate 22.0%	35,923	935
Dividends received from subsidiaries and profits from sales	-36,172	-2,221
Other, including adjustments previous years	1,023	34
	774	**-1,252**
Applicable tax rate for the year	**1%**	**-29%**
Total income tax	**774**	**-1,252**

EUR ‘000

6. Intangible assets

	Other intangible assets	Total
Cost at 1 January 2018	171	171
Exchange rate adjustments	-1	-1
Additions	56	56
Cost at 31 December 2018	**226**	**226**
Amortisation at 1 January 2018	100	100
Exchange rate adjustments	1	1
Amortisation for the year	28	28
Amortisation and impairment at 31 December 2018	**129**	**129**
Carrying amount at 31 December 2018	**97**	**97**
Cost at 1 January 2017	165	165
Additions	6	6
Cost at 31 December 2017	**171**	**171**
Amortisation and impairment at 1 January 2017	73	73
Amortisation for the year	27	27
Amortisation and impairment at 31 December 2017	**100**	**100**
Carrying amount at 31 December 2017	**71**	**71**

	2018	2017
Amortisation during the year is included in the following items:		
Administrative expenses	28	27
	28	**27**

Other intangible assets include patents.

7. Other non-current assets

	Investments in subsidiaries	Deferred tax assets	Total
Cost at 1 January 2018	769,908	224	770,132
Exchange rate adjustments	-2,146	-2	-2,148
Additions	3,815	622	4,437
Disposals	0	-1	-1
Other	-270	0	-270
Cost at 31 December 2018	**771,307**	**843**	**772,150**
Impairment at 1 January 2018	0	0	0
Exchange rate adjustments	67	0	67
Impairment	-35,359	0	-35,359
Impairment at 31 December 2018	**-35,292**	**0**	**-35,292**
Carrying amount at 31 December 2018	**736,015**	**843**	**736,858**

EUR '000

7. Other non-current assets (continued)

	Investments in subsidiaries	Deferred tax assets	Total
Cost at 1 January 2017	761,219	0	761,219
Exchange rate adjustments	-1,065	0	-1,065
Additions	9,754	246	10,000
Disposals	0	-22	-22
Cost at 31 December 2017	**769,908**	**224**	**770,132**
Carrying amount at 31 December 2017	**769,908**	**224**	**770,132**

Impairment test has been performed in relation to goodwill, which supports the carrying amounts on the investments besides the investment in the Cimentas Group.

The impairment test performed on the Cimentas Group investment outlined that the expected future cash flow is lower than the carrying amount of the investment with an amount of EUR 35.4m, which has been booked as an impairment loss.

The main reason to the impairment is due to the devaluation of the Turkish lira in 2018.

Reference is made to note 9 in the consolidated financial statement, where key assumptions in impairment test are disclosed.

8. Deferred tax assets and deferred tax liabilities

	2018	2017
Change in deferred tax for the year		
Deferred tax at 1 January	-224	666
Exchange rate adjustment	2	-2
Adjustments, previous years via income statement	0	-726
Movements via income statement	-621	-162
Deferred tax liabilities at 31 December, net	**-843**	**-224**
Deferred tax is presented in the balance sheet as follows:		
Deferred tax assets	843	224
Deferred tax liabilities at 31 December, net	**-843**	**-224**

	Deferred tax assets		Deferred tax liabilities	
	2018	2017	2018	2017
Intangible assets	2	3	0	0
Current assets	-2	-22	0	0
Non-current and current liabilities	843	243	0	0
Deferred tax at 31 December	**843**	**224**	**0**	**0**

9. Other receivables and prepayments

Other receivables include VAT and other amounts.

Prepayments comprise insurance.

EUR ‘000

10. Credit institutions and other borrowings

Bank borrowings and credits in the Parent Company at 31 December:

	Year of maturity	Fixed/ variable	Carrying amount 2018	Carrying amount 2017
Bank borrowings and credits	2019-2021	Variable	1,037	0
Financial payable Group enterprises	2019-2021	Fixed	151,384	177,808
			152,421	**177,808**

Fair values do not significantly deviate from the carrying amount.
The fair value corresponds to the nominal outstanding debt.

The Parent Company’s debt to credit institutions has been recognised and falls due as follows:

	Non-current borrowings (> 1 year)	Current borrowings (0-1 year)	Total	Maturity > 5 years
31 December 2018:				
Bank borrowings and credits	0	1,037	1,037	0
Financial payable Group enterprises	151,384	0	151,384	0
	151,384	**1,037**	**152,421**	**0**
Specification of contractual cash flows incl. interest:				
Bank borrowings and credits	0	1,050	1,050	0
Financial payable Group enterprises	156,935	3,028	159,963	0
	156,935	**4,078**	**161,013**	**0**
31 December 2017:				
Financial payable Group enterprises	177,808	0	177,808	0
	177,808	**0**	**177,808**	**0**
Specification of contractual cash flows incl. interest:				
Financial payable Group enterprises	190,032	4,445	194,477	0
	190,032	**4,445**	**194,477**	**0**

The maturity analysis is based on all undiscounted cash flows including estimated payment of interest.
Payment of interest is estimated and based on the present market conditions.
Other financial liabilities are due within 1 year.

11. Other payables

Other current payables include holiday pay liabilities, taxes and public indirect taxes.

EUR ‘000

12. Contingent liabilities, contractual obligations and contingent assets

Contingent liabilities

The Parent Company is involved in a few disputes, lawsuits, etc. of various scopes, including a few tax disputes in some countries. No significant liabilities are considered to be incumbent on the Parent Company in that respect, and the outcome of the disputes is not expected to have significant impact on the Parent Company's financial position beyond what has been recognised in the balance sheet.

In 2018, contractual liabilities are EUR 0.0m (2017: EUR 0.0m).

The Parent Company is taxed jointly with other Danish companies in the Aalborg Portland Holding Group. As an administrative company, the Parent Company is jointly and unlimited liable with the other companies in the joint taxation of Danish taxes at source and income taxes within the joint taxation group. Payable income taxes in the joint taxation group amounted to EUR 1.1m at 31 December 2018 (2017: EUR 2.8m). Any subsequent corrections of the taxable income subject to joint taxation could cause a higher liability of the Parent Company.

Operating leases	**2018**	**2017**
Aggregate future lease payments under non-cancellable operating leases:		
Falling due within one year	262	277
Falling due between one and five years	12	25
	274	**302**
Operating lease expenses recognised in the income statement	**207**	**216**

Operating leases are primarily related to cars. These leases contain no special purchase rights, etc.

The Parent Company has no financial leasing liabilities.

EUR '000

13. Related party transactions

Related parties with significant influence in Aalborg Portland Holding A/S:

- Cementir España S.L., Calle General Yagüe, Num. 13, 28020 Madrid, Spain.
- Cementir Holding S.p.A., Corso di Francia, 200, 00191 Rome, Italy.
- Caltagirone S.p.A., Via Barberini, 28, 00187 Rome, Italy.

Related parties within Aalborg Portland Holding A/S comprise the enterprises' Board of Directors and Management together with family related to these persons.

Furthermore, related parties comprise enterprises in which the above-mentioned persons have significant interests.

Additionally, related parties include subsidiaries, cf. page 95, where the Parent Company has significant influence or exercises control.

Transactions with Cementir Holding S.p.A.:	2018	2017
- Intra-group management and administration agreements and royalties	20,212	17,987
- Financial items, net	-3,971	-4,752
- Payables	6,658	4,509
- Non-current financing	151,384	177,808
Transactions with other related parties:		
- Intercompany management, administration agreements and shared service	21,317	19,532
- Financial items, net	2,238	1,091
- Trade and financial receivables	7,456	5,520
- Trade and financial payables	129,665	340,577

Remunerations to the Board of Directors and the Management are presented in note 2.

No losses on loans to or receivables from related parties were recognised, nor provisions made for such in 2018 or 2017.

14. Financial risks and financial instruments

The Parent Company’s most predominant currency exposure regarding the operating results arises from NOK. A 10% drop in NOK would, viewed separately, increase EBITDA by EUR 0.1m (2017: NOK amounted to EUR 0.1m).

Currency risks

Risks relating to net financing

The Parent Company’s most important net positions at 31 December 2018 relate to cash positions in NOK and USD financial receivables. If the USD and NOK had been 10% down at 31 December 2018, the Parent Company’s equity would have been affected negatively by an exchange rate adjustment of EUR 10.9m (2017: EUR 0.2m). Rising exchange rates would have had a similar positive impact on equity.

Forward contracts regarding future transactions

The Group does not comply with the conditions for taking out hedge accounting of future cash flows from the sale of goods. In terms of the hedging of future investments, the Group assesses in each case whether these comply with the conditions for hedge accounting.
Open Parent Company forward contracts at 31 December are specified as follows:

2018

EURm	GBP	Total
Market value - forward contracts	0.0	**0.0**
Notional principal amount - forward contracts*	0.0	**0.0**

2017

EURm	GBP	Total
Market value - forward contracts	0.1	**0.1**
Notional principal amount - forward contracts*	-2.3	**-2.3**

The forward contracts fall due in December 2018.
* For forward exchange contracts, positive notional values are purchases of the relevant currency, negative notional values are sales.

The Parent Company entered into a swap agreement with a termination date in 2024, where both currency risk and interest risk has been hedged. Related to the interest risk the Parent Company has agreed to pay USD Libor + a spread of 3.63% and the Parent Company will receive EURIBOR + a spread of 2.88% each 30 April and 31 October until maturity.
The fair value liability is included in a separate line item in the balance sheet “Derivatives financial instruments”.
The ineffective part is recognised as financial income.

EURm	Notional amount	Maturity < 1 year	Maturity 1-5 years	Maturity > 5 years	Strike	Fair value liability	Change in fair value recognised in hedge reserve	Ineffective part recognised in income statement
					1.00 EUR/			
Swap USD/EUR	128.9	11.2	49.8	68.0	1.235 USD	-10.5	-4.1	0.6

EUR ´000

14. Financial risks and financial instruments (continued)

Interest rate risk

The Parent Company is included in the cash pool for the Group.

Liquidity risks

Aalborg Portland Holding A/S has access to funding through the Cementir Holding facility which includes certain covenants.

The Parent Company acts as account holder of the Group's cash pool scheme and as bank in proportion to other intragroup loans. The purpose of the cash pool scheme is to optimise cash management and the use of liquidity in the participating companies.

Credit risks

Receivables from the Parent Company's activities are attributable to Danish and foreign Group companies.

The Parent Company is familiar with customers, who have not been granted long credit lines.

Receivables overdue at 31 December are specified as follows:

EURm	2018	2017
Payment:		
Up to 30 days	0.0	0.0
Between 30 and 90 days	0.0	0.0
More than 90 days	0.0	0.0
	0.0	**0.0**

The receivables written down are included at their net amounts in the above-mentioned table.

The Parent Company's trade receivables at 31 December 2019 and 31 December 2017 include no write-downs.

Historically there have not been any write-downs.

Regarding management of capital structure, reference is made to note 26 in the consolidated financial statements.

Financial instruments measured at fair value are measured on a recurring basis and categorised into the following levels of the fair value hierarchy:

- Level 1: Observable market prices for identical instruments.
- Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments.
- Level 3: Valuation techniques primarily based on unobservable prices.

Securities and investments measured at fair value through profit/loss are either measured at quoted prices in an active market for the same type of instrument (level 1) or at fair value based on available data (level 3).

Hedging instruments are not traded on an active market based on quoted prices. Measured instead of using a valuation technique, where all significant inputs are based on observable market data; such as exchange rates, interest rates, credit risk and volatilities (level 2).

There have been no transfers between the levels in 2018 or 2017.

EUR ‘000

14. Financial risks and financial instruments (continued)

Specification of financial assets and obligations EUR'000	Carrying value 2018	Fair value 2018	Carrying value 2017	Fair value 2017
Financial assets measured at fair value in the income statement	0	0	0	0
Financial assets used as hedging instruments, level 2	0	0	0	0
Loans and receivables	151,755	151,755	45,722	45,722
Financial assets available for sale	0	0	0	0
Financial obligations measured at fair value in the income statement	0	0	0	0
Financial obligations used as hedging instruments, level 2	10,482	10,482	0	0
Financial obligations measured at amortised cost	281,460	281,460	340,954	340,954

Methods and assumptions on determination of fair values

In general, fair value corresponds to the carrying value, except for mortgage loans.

Financial instruments related to sale and procurement of goods etc. with a short credit period are measured at fair value corresponding to the carrying value.

Derivative financial instruments are computed on generally accepted valuation methods based on relevant exchange rates.

The methods used are unchanged compared to 2017.

15. Post-balance sheet events

There have been no post-balance sheet events material to this Annual Report which have not been recognised or mentioned.

16. Critical accounting policies as well as accounting estimates and judgements

Investments in subsidiaries are tested for impairment based on performed impairment tests of goodwill as described in note 9 in the consolidated financial statements.

17. Accounting policies

Parent Company

The Parent Company’s financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

Compared to the accounting policies applied in the consolidated financial statements (see Note 29 to the consolidated financial statements), the Parent Company’s accounting policies only deviate in the following items:

Revenues

Dividends received from investments in subsidiaries and joint ventures are recognised as revenue in the Parent Company’s income statement in the financial year in which the dividends are declared. To the extent that the distributed dividend exceeds the total comprehensive income of enterprises for the period when the decision to pay interim dividend is made, impairment test is carried out.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. In case of indication of impairment, impairment test is carried out as described in the accounting policies of the Group. If the carrying value exceeds the recoverable amount, write-down is made to this lower value.

On disposal of investments in subsidiaries, the difference between the sales price and the carrying amount (cost of the shares based on a weighted average) is recognised in the income statement at the date of disposal.

4 SIGNATURES

88 Statement by the Board of Directors and the Executive Board
89 Independent auditor's report

The Great Belt Bridge, Denmark

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today discussed and approved the annual report of Aalborg Portland Holding A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopt-ed by the EU and additional Danish disclosure requirements.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

Copenhagen, 6 March 2019

Executive Board

Francesco Caltagirone Jr
CEO

Henning Bæk
Executive Vice President, CFO

Board of Directors

Bjarne Moltke Hansen
Chairman

Francesco Caltagirone Jr

Marco Maria Bianconi

Alessandro Caltagirone
Vice Chairman

Francesco Gaetano Caltagirone

Azzura Caltagirone

Claudio Criscuolo

Independent auditor's report

To the shareholders of Aalborg Portland Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Aalborg Portland Holding A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, cash flow statements and notes, including accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations,or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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 Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 6 March 2019

KPMG
Statsautoriseret Revisionspartnerselskab
CVR No 25 57 81 98

Henrik O. Larsen	Steffen S. Hansen
State Authorised Public Accountant	*State Authorised Public Accountant*
MNE-NO. 15839	MNE-NO. 32737

94 Management
95 Companies in the Group
97 Addresses

Aalborg Portland - Chalk quarry

Management

Board of Directors

Bjarne Moltke Hansen, *Chairman*
Alessandro Caltagirone, *Vice Chairman*
Azzura Caltagirone
Francesco Caltagirone Jr.
Francesco Gaetano Caltagirone
Marco Maria Bianconi
Claudio Criscuoli

Executive Board

Francesco Caltagirone Jr., *CEO*
Henning Bæk, *Executive Vice President, CFO*

Nordic & Baltic

Søren Holm Christensen, *CEO*

Aalborg Portland

Søren Holm Christensen, *CEO*
Michael Lundgaard Thomsen, *Managing Director*
Henning Bæk, *Executive Vice President, CFO*

Unicon

Søren Holm Christensen, *CEO*
Henning Bæk, *Executive Vice President, CFO*

Belgium

Eddy Fostier, *General Manager*

Turkey

Paolo Bossi, *General Manager*

Overseas

Alessandro Civera, *Managing Director, Egypt*
Alex Narcise, *Managing Director, USA*
Fabrizio Piero Carraro, *Managing Director, Malaysia*
Yan Xing Wu, *Managing Director, China*

Companies in the Group

Companies in the Group	Country	Currency	Nominal share capital (in 000)	Direct holding **	Minorities
Aalborg Portland Holding A/S	Denmark	DKK	300,000	-	
Aalborg Portland					
Aalborg Portland A/S	Denmark	DKK	100,000	100.0%	
Aalborg Portland Íslandi ehf.	Iceland	ISK	303,000	100.0%	
Aalborg Portland Polska Sp. z o.o.	Poland	PLN	100	100.0%	
Aalborg Portland OOO	Russia	RUB	14,700	100.0%	
Aalborg Portland France S.A.S.	France	EUR	10	100.0%	
Aalborg Portland Belgium S.A.	Belgium	EUR	500	100.0%	
Unicon					
Unicon A/S	Denmark	DKK	150,000	100.0%	
Unicon AS	Norway	NOK	13,289	100.0%	
AB Sydsten	Sweden	SEK	15,000	50.0%	50.0%
ÅGAB Syd AB*	Sweden	SEK	500	40.0%	
Skåne Grus AB	Sweden	SEK	1,000	60.0%	40.0%
Ecol-Unicon Sp. z o.o.*	Poland	PLN	1,000	49.0%	
Kudsk & Dahl A/S	Denmark	DKK	10,000	100.0%	
Belgium					
Compagnie des Ciments Belges CCB SA/NV	Belgium	EUR	179,344	100.0%	
De Paepe Béton N.V.	Belgium	EUR	500	100.0%	
Trabel Transports S.A.	Belgium	EUR	750	100.0%	
Trabel Affrètement S.A.	Belgium	EUR	62	100.0%	
Société des Carrières du Tournaisis S.C.T. S.A.***	Belgium	EUR	12,297	65.0%	35.0%
Recybel S.A.	Belgium	EUR	99	25.5%	
Mixers at your Service NV	Belgium	EUR	976	18.0%	
Compagnie des Ciments Belges France S.A. (CCBF)	France	EUR	34,363	100.0%	
Overseas					
Sinai White Portland Cement Co. S.A.E.	Egypt	EGP	350,000	71.1%	28.9%
Aalborg Portland Malaysia Sdn. Bhd.	Malaysia	MYR	95,400	70.0%	30.0%
Aalborg Resources Sdn. Bhd.	Malaysia	MYR	2,544	100.0%	
Aalborg Portland (Australia) Pty. Ltd.	Australia	AUD	1	100.0%	
Aalborg Portland (Anqing) Co. Ltd.	China	CNY	265,200	100.0%	
Aalborg Portland U.S. Inc.	USA	USD	1	100.0%	
Aalborg Cement Company Inc.	USA	USD	1	100.0%	
Gaetano Cacciatore, LLC	USA	USD	N/A	100.0%	
White Cement Company LLC	USA	USD	20,000	100.0%	
Lehigh White Cement Company*	USA	USD	N/A	63.3%	36.7%
Vianini Pipe, Inc.	USA	USD	4,483	99.9%	0.1%
Turkey					
Aalborg Portland España S.L.U.	Spain	EUR	3	100.0%	
Cimentas AS	Turkey	TRY	87,112	97.8%	2.2%
Cimbeton AS	Turkey	TRY	1,770	50.3%	49.7%
Ilion Cimento Ltd	Turkey	TRY	300	100.0%	
Destek AS	Turkey	TRY	50	100.0%	
Kars Cimento AS	Turkey	TRY	437,178	48.8%	51.2%
Recydia AS	Turkey	TRY	759,544	91.1%	
Sureko AS	Turkey	TRY	43,444	100.0%	
NWM Holdings Ltd	England	GBP	5,000	100.0%	
Neales Waste Management Ltd	England	GBP	100	100.0%	
Quercia Ltd.	England	GBP	5,000	100.0%	
Recydia AS	Turkey	TRY	759,544	8.9%	

* Joint ventures. Others are Group enterprises.
** Ownershare is stated as direct holding of the superjacent enterprise.
*** Pro rata consolidated.

The Company

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Owners

Aalborg Portland Holding A/S is 75% owned by Cementir España S.L., Spain and 25% owned by Globo Cem S.L., Spain.

Aalborg Portland Holding A/S is included in the Group financial statements for Cementir Holding S.p.A., Italy and Caltagirone S.p.A., Italy.

Annual General Meeting

12 April 2019 at
Islands Brygge 43, Copenhagen.

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