CEMAT A/S

2022

Annual REPORT

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MANAGEMENT

REVIEW

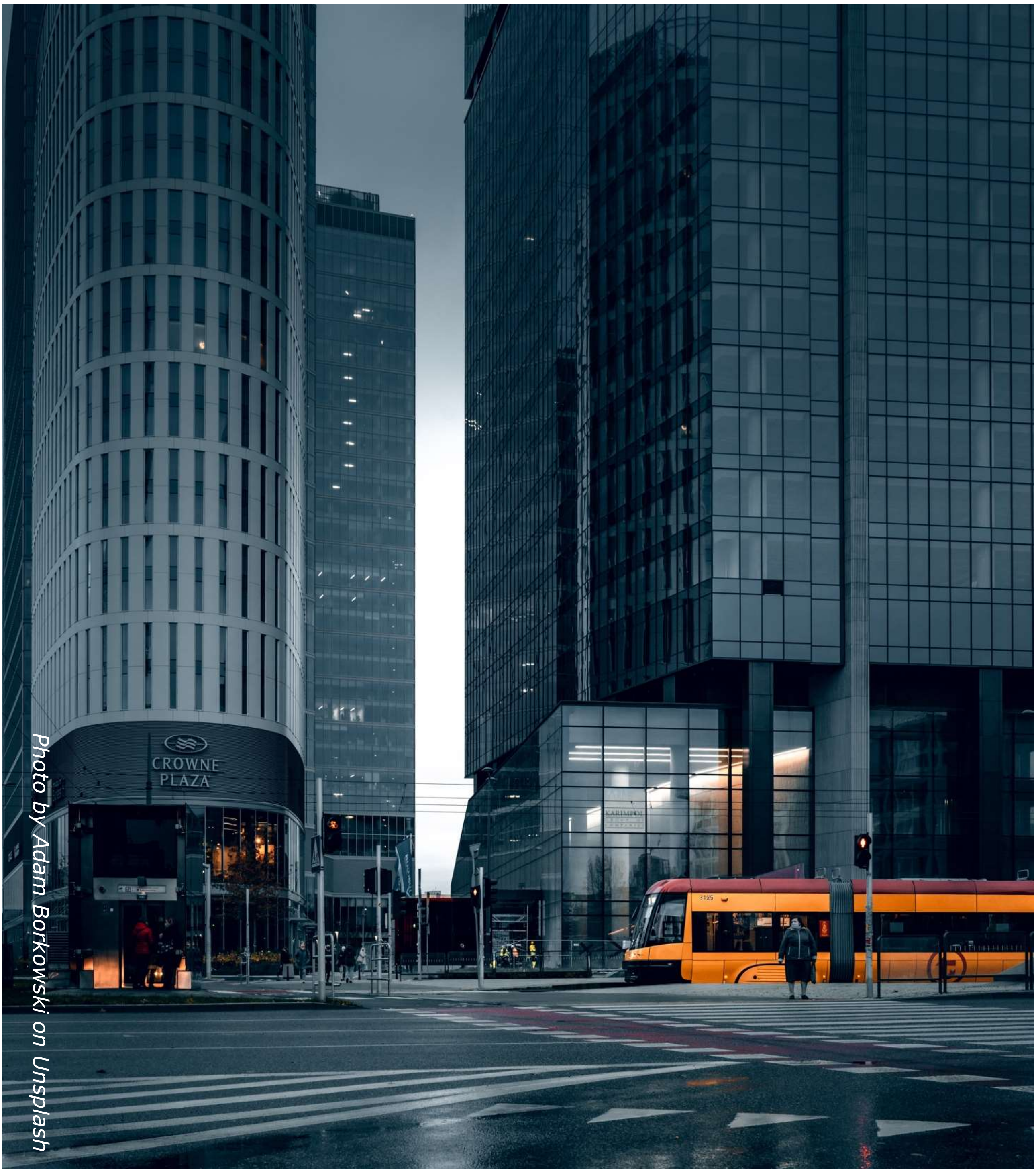


Photo by Adam Borkowski on Unsplash

CEMAT A/S

CeMat A/S is a joint-stock company domiciled in Denmark whose activity is focused on Poland. Current activity is centred mainly on generating maximum cash flows from its existing buildings and preparing its development business, including residential and service development projects.

1. HIGHLIGHTS OF THE YEAR 2022

Operating business results for 2022 were in line with expectations from the beginning of the year, with the growth being a combination of a higher rental income, mainly driven by small business units (SBUs), contract renegotiations, the market situation and the introduction of the self-storage business. The good rental results contributed to a significant increase in the valuation of the company's real estate.

A positive net result after tax of DKK 22.1 million was recorded in 2022 (versus DKK 26.3 million for 2021), after taking into account the updated valuation of the property.

In executing our development strategic goals, CeMat A/S obtained a building permit decision for a multi-storey residential and ground floor retail project for one of the front plots, with an area of 5,608 sqm (in February 2022), and an individual zoning decision for a hotel and service building on another plot, with an area of 2,997 sqm (in August 2022). This was the fulfilment of the long-term goal of creating a new business development opportunity for the CeMat Group.

Operating business

- Total revenue of the CeMat Group was DKK 26.6 million (2021: DKK 21.3 million), representing an increase of circa 25%.
- The revenue from CeMat Group rental income was over 18% higher than 2021 (DKK 18.6 million versus DKK 15.7 million in 2021).
- The CeMat Group recorded an occupancy level of 88.9% at the end of 2022 (versus 89.2% in December 2021).
- Consolidated EBITDA for the CeMat Group was DKK 3.5 million in 2022 (2021: DKK 3.4 million), which was in line with the forecasts (DKK 3-4 million).
- The average PLN to DKK exchange rate in 2022 dropped from 1.63 to 1.59, which affected the financial figures by reducing EBITDA by DKK 0.2 million and the net result after tax by DKK 0.6 million.

Development activity

CeMat took important steps towards fulfilling its long-term goals:

CeMat obtained a building permit decision for a multi-storey residential and ground floor retail project for one of the front plots, with an area of 5,608 sqm (February 2022). The decision allows for the construction of 5,730 sqm of residential space (105 apartments) with 1,290 sqm of service premises on the ground floor, and underground parking level. After receiving the building permit, we obtained approvals from the various network administrators, and invested in and completed the necessary reconstruction of the media network by Q1 2023. The contract with the general contractor has been signed, and CeMat is currently negotiating financing of the project with the banks. The final decision to kick off construction work on the "Moje Bielany" project will depend on the pre-sale of apartments and retail premises, and the financing conditions.

The CeMat Group obtained a binding individual zoning decision for a hotel and service building on another plot, with an area of 2,997 sqm, in August 2022. According to the architects, the decision allows for the design of a hotel and service building space of approx. 2,500 sqm. Work with the architects on the new building permit is currently in progress, and the final figures will be verified in the building permit decision.

Property value

- The higher rental income was reflected in the updated valuation of the property. The valuation report covering all CeMat plots located in Warsaw showed a positive difference of DKK 28.1 million, of which the increase in the value of plot no. 56 of DKK 1.4 million was already stated by the company in an earlier announcement. About 94% of the positive difference mentioned above is due to the revaluation of the property as a result of the increase in rents.
- A positive consolidated net result after tax of DKK 22.1 million was recorded for the CeMat Group in 2022 (2021: profit of DKK 26.3 million).

Appointment of new CFO

- CeMat is delighted to announce that Miłosz Kocerka has been appointed as the new Chief Financial Officer of the CeMat Group. Miłosz succeeds Dariusz Biesiadecki, who recently decided to leave the organisation after six years of service. Previously Finance Manager and Consolidation and Controlling Manager at Auchan, Miłosz will assume his new responsibilities on 1 May 2023.

For more information, go to www.cemat.dk or www.cemat70.com.pl/en, cematbox.com, mojebielany.com

2. FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK'000	2022	2021	2020	2019	2018
Revenue	26,574	21,307	19,571	34,934	39,189
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,488	3,369	1,115	6,407	2,063
Operating profit/(loss) (EBIT)	3,460	3,326	1,071	6,373	2,063
Net financials	(973)	(1,038)	(800)	(823)	(241)
Profit/(loss) for the year	22,082	26,261	3,130	5,577	136
Of which attributable to parent company shareholders	20,326	24,199	2,488	4,464	(391)
Cash flows from operating activities	(3,611)	(277)	4,112	4,991	1,644
Cash flows from investing activities	(5,023)	(1,241)	(1,791)	(1,819)	(2,740)
Cash flows from financing activities	(137)	137	(907)	(906)	(209)
Share capital	4,997	4,997	4,997	4,997	4,997
Equity attributable to parent company shareholders	138,319	120,121	95,781	99,048	92,714
Equity attributable to non-controlling shareholders	12,577	11,246	11,291	13,702	14,116
Total consolidated equity	150,896	131,367	107,072	112,750	106,830
Total assets	201,508	180,817	147,454	153,570	130,651
Invested capital	190,819	159,413	126,696	130,923	110,028
Net working capital (NWC)	32,848	22,091	(2,234)	1,622	1,462
Net interest-bearing debt	1,033	976	0	0	0
Financial ratios					
EBITDA margin (%)	13.1	15.8	5.7	18.3	5.3
EBIT margin/profit margin (%)	13.0	15.6	5.5	18.2	5.3
Return on invested capital (%)	1.8	2.1	0.8	4.9	1.9
Equity ratio (%)	74.9	72.7	72.6	73.4	81.8
Return on equity (%)	15.7	22.0	2.8	5.1	0.1
Current number of shares (thousands)	249,850	249,850	249,850	249,850	249,850
Earnings per share (DKK)	0.08	0.10	0.01	0.02	0.00
Price per share (DKK)	0.65	1.03	0.38	0.35	0.37
Average number of full-time employees	22	21	22	24	23

The financial highlights and key ratios have been prepared in accordance with "Recommendations and Financial Ratios". See the description in Note 1 to the financial statements, "Accounting Policies". The comparative figures for the preceding years have not been corrected as the accounting policies concerning the application of IFRS 16 were changed in the annual report for 2019.

3. GENERAL ECONOMIC OVERVIEW

Poland

CeMat A/S's activity is focused on Poland, a member of the European Union. Poland is the largest country in Central and Eastern Europe and the fifth-largest in the EU in terms of both population and land area. The Polish economy has been developing at a steady pace for over 25 years, with GDP per capita being more than 70% of the EU average (in terms of purchasing power parity).

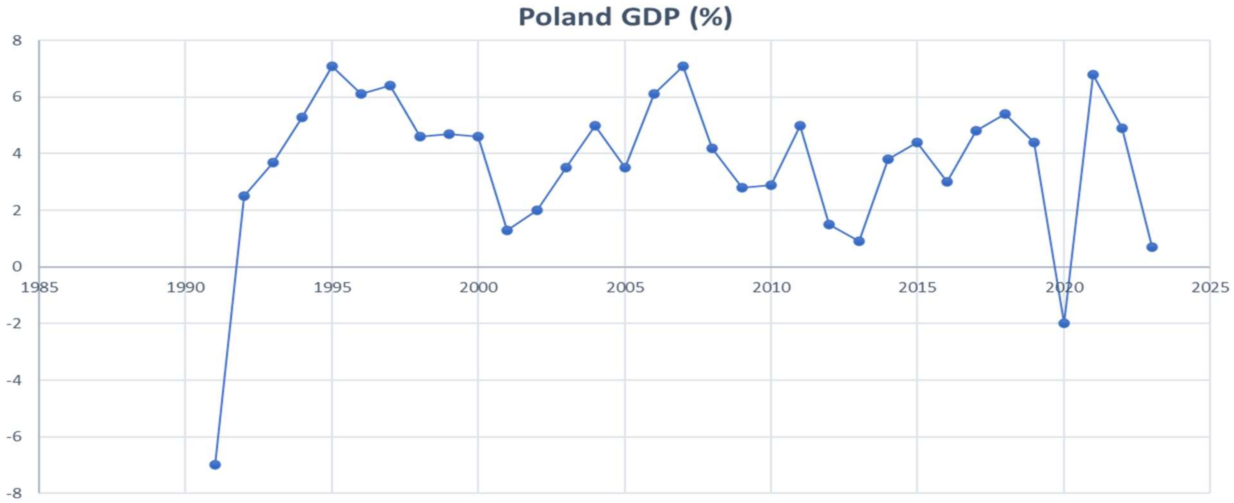
The largest component of Poland's economy is the service sector (62.3%), followed by industry (34.2%) and agriculture (3.5%).

Last year was a successful one for the Polish economy, which continued its post-pandemic recovery. A new boost to the economy, which accelerated in 2022, has been the influx of economic migrants. The number of foreign workers registered in Poland's social insurance system (ZUS) last year exceeded one million for the first time.

The majority of foreigners registered in the Polish social insurance system come from Ukraine, but in recent years Poland has also attracted many Belarusians and Georgians, as well as growing numbers of immigrants from Turkey, India and western Europe.

The high level of professional activity among these immigrants, resulting in a high level of employment among those groups, and their eagerness to set up their own companies may translate into an additional impulse for the country's economy in the coming years. Among Ukrainians alone, 20,000 new companies were set up in Poland in 2022.

According to the preliminary estimate, the increase in real gross domestic product (GDP) in 2022 was 4.9% when compared with 2021, against an increase of 6.8% in 2021 (constant average prices of the previous year). According to the World Bank, Poland's GDP should rise by 0.7% in 2023. Following strong GDP growth in 2022, economic growth in Poland is expected to be weaker this year due to the economy adjusting to higher commodity prices, falling demand from Poland's largest trade partners and weaker growth in the eurozone, as well as weaker home demand accompanied by higher inflation, which has reduced purchasing power.



Source: 1991-2018; 2023: World Bank, 2019-2022: stat.gov.pl

Poland’s unemployment rate of 2.9% was the second-lowest, higher only than the Czech Republic (2.1%) and below Germany (3.2%) in December 2022 (Eurostat).

Conversely, the Polish economy has one of the highest inflation rates in the EU. In order to tackle surging inflation, in October 2021, the Monetary Policy Council began a long series of interest rate hikes, which has resulted in the main reference interest rate increasing from 0.1% to 6.75%. However, in Q4 2022, and January 2023, the Council decided to leave the interest rates as they were.

According to the latest data published by Statistics Poland, inflation in 2022 was 14.4% year-on-year.

Data from GUS (Statistics Poland), World Bank, Eurostat.


THE CAPITAL CITY OF POLAND
WARSAW
THE WARSAW METROPOLITAN AREA HAD A TOTAL POPULATION OF AROUND 3.5 MILLION IN 2022.
OFFICIAL POPULATION OF WARSAW: 1.8 MILLION.
GDP IN THE WARSAW REGION IS 204.7% OF THE NATIONAL AVERAGE.
THE WARSAW REGION IS AMONG THE TEN RICHEST REGIONS IN THE EU, ACCORDING TO EUROSTAT DATA.
WARSAW, TOGETHER WITH THE SURROUNDING COUNTIES, HAS A GDP PER CAPITA THAT IS 167% OF THE EU AVERAGE.

Development and Investment Market 2022

The total investment volume in Poland in 2022 amounted to EUR 5.8 billion, with the office investment sector resuming its position as leader and overtaking the industrial sector in terms of volume. Compared to 2021 levels, the 2022 results confirm the resilience and solid foundations of the Polish investment market.

The total investment volume in the industrial sector stood at EUR 2.0 billion in 2022. According to a report by Avison Young, a visible trend that that will become stronger in the coming years is the growing demand for brownfield land in the largest agglomerations, due to the continuous development of last mile logistics and the e-commerce market.

Residential developers operating in the Warsaw market recorded lower total sales of circa 12,000 dwellings, compared to the figure of 21,000 in 2021. Such results are a consequence of a series of events – the outbreak of war in Ukraine and accelerating interest rates accompanied by inflation – which have resulted in a significant decrease in creditworthiness. According to data published by BIK (Credit Information Bureau), a significant decrease in the availability of mortgage loans resulted in the number of loans granted being at record low monthly levels in recent months. As a consequence, cash buyers were the most active market participants in the second half of 2022, purchasing mainly well-located smaller flats for renting out.

At the end of June 2022, the new Developers Act came into force, bringing with it, among other things, contributions to the Developers Guarantee Fund and other changes. As a result, a record number of new units were put onto the market in Q2 2022, with one of the reasons being the developers' wish to sell these dwellings under the existing rules before they changed. The introduction of the above Act therefore led to a visible imbalance between the number of units marketed and sold. However, the scale of the artificial launches was so large that in the months after June 2022, developers had already begun to withhold the sale of some of these new investments. Consequently, some of the June offers were withdrawn from the market over the next few months. Developers also slowed down the marketing of new projects, which, combined with the withholding of sale of some investments, led to the number of offers decreasing to the level recorded at the end of the year.

The average offer prices of sold units increased in Warsaw, with an average asking price per square metre for apartments in the capital in Q4 2022 of approximately DKK 22,300 (2021: DKK 20,700; 2020: DKK 17,200) gross. Meanwhile, there was also increased activity over the past few months in terms of promotions and discounts offered by developers in each market, as well as flexible repayment schedules. The actual transaction prices were probably still significantly lower than the statistics based on initial offer prices would indicate.

When it comes to the private rented sector (PRS), seven transactions were closed, including five projects located in Warsaw. The largest transactions in terms of volume regarded the acquisition of over 60 apartments in Złota 44 and the purchase of Pereca 11 in Warsaw. Simultaneously, there are many ongoing PRS projects that have been the subject of forward funding agreements, thus confirming the market dynamics.

* Data based on reports from JLL: Residential Market in Poland Q4 2022; Avison Young: Property Investment Market in Poland 2022; and REDNET Property Group report.

4. OUR MISSION

5. PROPERTY HIGHLIGHTS

The current portfolio of the CeMat Group includes, in particular, investment development sites and other plots located mainly in Warsaw. The CeMat buildings are accommodated by warehouse, production, office and social space constructed mainly in the 1980s.

The Warsaw real estate, located in the Bielany district, is approximately 10 kilometres from the city centre. The district is very well-connected by the public transport system (metro, trams, buses) and the road network in/out of Warsaw.

The surrounding area has undergone significant development over the past few years with a large number of new investments, including residential, retail and service buildings. The local real estate market is strong and there is high demand among investors and developers. The large modern shopping mall, Galeria Młociny, located 2km away from the CeMat '70 property, is an example of this trend. A new 30m-high residential building is being constructed 400m away from the plots and an office building for PKO BP (a Polish bank leader) is also located in the immediate vicinity.

The complex has a total over 32,400 sqm of leasing space and over 159,000 sqm of land.

Map of Warsaw

CeMat in Warsaw

GLA: 32,438 sqm

Warehouse: 28,275 sqm
Office: 4,163 sqm

Number of tenants: 216

Land: 159,300 sqm

This includes:

- 125,090 sqm of industrial, road and green belt plots;
- 10,722 sqm of internal road plots where CeMat has a 75% share;
- 23,488 sqm of industrial plots where CeMat has a 71.4% share.

The CeMat Group has control of the land through: the right of possession to the site, the perpetual usufruct right and ownership rights. Part of the property holds the status of right of possession and is therefore not entered in the land and mortgage register. The CeMat Group has the right of possession to 57% of the Warsaw property, the perpetual usufruct right to circa 42% of the property and the ownership right to circa 1% of the property.

A necessary pre-condition for treating a plot of land as an investment product is having control of the land through the perpetual usufruct or ownership right.

The potential investment value is represented by about 90% of the CeMat Group plots located inside the current industrial complex. The other 10% of the joint plot area located outside the complex are green areas and, according to the study of the spatial plan of Warsaw, designated for an expressway and the North Bridge route. In the future, determining the exact passage of these two routes will determine exactly which of these plots can be additionally incorporated into further development projects. It is important to underline that some of those plots are controlled through the right of possession and the CeMat Group's control over them has to be strengthened through future municipal administrative procedures.

The nature and status of the land in Bielany, Warsaw, the number of plots controlled by the CeMat Group and the different legal situation of the individual properties require that an individual approach should be adopted for each and every property. In the understanding of the company's Management, such an approach can maximise the potential value of the individual properties, thus increasing the company's value.

The total area of re-zoned plots is 8,605 sqm (5.4%), out of a total area of 159,300 sqm as at 31 December 2022.

Bielany, Warsaw, Poland

<u>Blichowo</u>
Residential land outside Warsaw
Land: 13,603 sqm
Fair value: DKK 0.14 million

6. GOALS ACHIEVED IN 2022

Operating business

Operating business results for 2022 were in line with expectations from the beginning of the year, with the growth being a combination of a higher rental income mainly driven by small business units (SBUs), contract renegotiations, the market situation and the introduction of the self-storage business.

The Small Business Units (SBUs) have been well received by our clients, which can be seen in the positive rent-roll performance. SBUs are warehouses aimed at tenants looking for small spaces, and they are popular among companies using 'last mile logistics', such as pure logistics operators, as well as retail and other local companies looking for space tailored to their needs. The tenants highlighted the unique possibility to rent units below 100 sqm, the property's favourable location close to the centre of Warsaw, and the flexibility in lease terms.

It is CeMat's intention to have a second business line, and these micro-warehouses mark the beginning of a self-storage business. This business line, thanks to its convenient location directly next to residential housing estates, will also serve as a complementary facility for the local residents. Self-storage services are usually aimed at businesses and individuals on a short-to-medium-term basis. Compared to other European countries, the self-storage sector in Poland is currently under-represented and has healthy growth prospects, with locations such as Warsaw's Bielany district being highly in demand among customers. CeMat is currently in the process of implementing software solutions to support our clients in the self-lease process.

The transformation project to SBUs and self-storage entails rearranging selected existing warehouse space. This rearrangement involves demolishing some of the existing partition walls and constructing light structures within the existing buildings. The development work will take place in stages, with 3,700 sqm having been finished to date and an additional 2,100 sqm due to be launched in 2023.


CeMat, Wólczyńska 133, Bielany, Warsaw

Both the SBU and self-storage business lines will increase the rental income by making it possible to obtain a higher rental rate per 1 sqm of space, which in turn will translate into a higher income over the coming years.

A challenge for the revenues achieved by CeMat was the increase in the prices of electricity, central heating and natural gas in 2022. The dynamics and scale of the increases in energy prices meant it was only possible to partially pass them on to our tenants.

At the same time, all financial figures were affected by the weakening of the PLN against the DKK (we assumed the rate of 1.61 in the forecast, but the full-year average rate was actually 1.59).

Revenue

The revenue of the CeMat Group was circa ***25%*** *higher than in 2021.*

Revenue for 2022 amounted to DKK 26.6 million (2021: DKK 21.3 million), comprising rental income of DKK 18.6 million as well as sale of utilities, including power, water and technical gases, and facility services, etc. to tenants of DKK 8 million.

Rental income

The revenue from rental income of the CeMat Group was over ***18%*** *higher than in 2021.*

CeMat A/S recorded a rental income of DKK 18.6 million in 2022, compared to DKK 15.7 million in 2021.

Rental income represents the largest component of the Group’s revenue. This income is based on the rental of warehouses, including Small Business Units (SBUs) and micro-warehouses, and offices. The increase in rental income in 2022 was partly due to the high demand among tenants for smaller warehouses, a higher rent per sqm, and the indexation of rents. The operation of SBUs and micro-warehouses instead of traditional warehouses can be seen in the positive rent-roll performance. Part of the increase in rental income derives from the inclusion of certain fees charged to tenants, which were previously presented as revenues from the sale of utilities. This change was dictated by amendments to the energy law.

It’s worth highlighting the fact that CeMat has also actively introduced a service in the Ukrainian language, which has resulted in new contracts with companies relocating from the east.

EBITDA

Consolidated EBITDA for the CeMat Group was DKK 3.5 million in 2022 (2021: DKK 3.4 million), which was in line with the forecasts (DKK 3-4 million).

The average PLN to DKK exchange rate in 2022 dropped from 1.63 to 1.59, which affected the financial figures by reducing EBITDA by DKK 0.2 million.

CASH FLOW

The company generated positive cash flows of DKK 3.5 million from its day to day business, thereof DKK 5.9 million came from the property management activity and DKK 2.4 million was spent on the operation of the holding company Cemat A/S.

Occupancy level

CeMat recorded an occupancy level of 88.9% in 2022, which was similar to the result at the end of 2021.

The rearrangement of selected warehouse space for SBUs and self-storage units temporarily decreased the occupancy level below 90% in Q4 2022. However, this rearrangement will provide the basis for further increases in rental income in 2023 and subsequent years due to a higher rent per sqm.

The CeMat Group signed 54 new agreements and 31 contract renewals in 2022. The new contracts for warehouses were concluded on stronger terms than the previous ones. A high level of tenant rotation is a natural situation for the CeMat Group, and the readiness and ability of lessees to sign short-term lease agreements translates into a premium in the form of higher rents with miscellaneous conditions better for the owner.

Acquisition of shares from minority shareholders

The Polish holding company CeMat Real Estate is continuing to acquire shares from the minority shareholders in CeMat '70, and controlled 93.28% as of December 2022.

Obtaining legal title to the properties

The CeMat Group, together with a specialist legal team, has continued with the approved plan and is actively working on legal action to obtain the right of perpetual usufruct (RPU) for selected plots. The main obstacles to obtaining legal title are the claims on part of the real estate and the protracted administrative processes within the government and local government offices.

Claims are generally handled in the legal system and there are several appeal possibilities, which means that the individual claim cases typically stay in the court system for a number of years. All court cases involving CeMat '70 land resolved so far have been won by the Polish state (and hence by CeMat '70). CeMat won 3 cases in 2022, without thereby closing those proceedings.

An amendment to the Code of Administrative Procedure from 2021 makes it more problematic to declare a decision invalid after the statutory deadline, leading to the discontinuation of proceedings to declare the invalidity of expropriation decisions initiated 30 years after the decision was issued.

Building a professional team

In addition to the traditional rental business, CeMat has also set up a team to start its development business by building the necessary technical, legal and financial competences.

The team is currently working with local government officials, architects and contractors to prepare the construction process.

Institute of Technology (IMiF) cooperation

As organisations with long-standing historical links, CeMat '70 and the Institute of Technology (IMiF) have common business goals in resolving certain ownership and easement issues within the area of the joint plot. CeMat and the IMiF signed a cooperation agreement with a roadmap towards solving some of the easement and road ownership issues in 2022. The parties were actively cooperating with the local authority regarding these common goals.

DEVELOPMENT ACTIVITY

Land re-zoning

The CeMat Group obtained a binding individual zoning decision for a hotel and service building for one of the plots, with an area of 2,997 sqm, in August 2022.

According to the architects, the decision allows for the design of a hotel and service building space of approx. 2,500 sqm. The final figures will be verified in the building permit decision.

After obtaining this decision, CeMat A/S adjusted the fair value of the re-zoned plot to the value of DKK 4.7 million and reclassified it under inventories (work in progress).

Pre-development activity

"Moje Bielany" Project (plot 69/8)

CeMat obtained a building permit decision for a multi-storey residential and ground floor retail project and underground parking level for one of the front plots, with an area of 5,608 sqm, in February 2022.

The decision allows for the building of 7,082 sqm of usable area, including 105 apartments, and 1,280 sqm of ground floor retail space. As a result, the team continued its work related to the preparation of the first development project, and we obtained approvals from the various network administrators, and invested in and completed the necessary reconstruction of the media network by Q1 2023.

CeMat has signed:

- a conditional contract with a general contractor, with the condition that it is contingent on financing of the investment being secured;
- a contract with a broker, who is responsible for the sale of apartments to individual clients. The pre-sale of apartments based on reservation agreements has been launched. As of the publication date of the report, 14 apartments have been reserved and the process is continuing.
- The commercial ground floor space (1,290 sqm) is of interest to investors. The final decision will be made after financing for the project has been obtained and construction work started.

CeMat is currently negotiating financing of the project with the banks.

Concept visualisation, Wólczyńska 133, Warsaw, Poland

Plot 56

After obtaining the individual zoning decision, CeMat has started pre-development and design work in order to obtain the building permit. The goal is to get a building permit and start the pre-development work of media connections in 2023.

Concept visualisation, Wólczyńska 133, Warsaw, Poland

Cash flow in development activity

The company spent cash in the total amount of DKK 7.1 million for development activities. The funds were spent on the relocation of the heating network, architectural services, marketing, management of development projects and increasing working capital.

PROPERTY VALUE

The value of the real estate in Warsaw consists of the investment property valued as at 31.12.2022, in accordance with the Cushman & Wakefield report, at DKK ***143.9 million*** *(2021: DKK 120.5 million) and two plots reclassified under inventories (work in progress) with a fair value upon reclassification of DKK* ***27.4 million.***

The higher income from the property is reflected in the updated valuation of the property and the additional individual zoning decision received in August 2022.

Net result after tax

The positive net result of DKK ***22.1 million*** *was recorded for the CeMat Group in 2022 (versus DKK 26.3 million for 2021), which takes into account the updated valuation of the investment property.*

7. GOALS TO BE ACHIEVED IN 2023

The CeMat Group's principal tasks are to further increase the value of the rental income obtained, thanks to ongoing investment programmes in the existing buildings, continue the development activity on the plots with the aim of launching building projects, and maximise the value of the particular land plots.

OPERATING BUSINESS

Income growth

The goal in 2023 is to increase the rental income from the property, and we are forecasting growth of circa 20% in rental income in 2023, in comparison to 2022.

Leasing incomes will focus on revenues from traditional warehouses and also from the new business lines – small business units (SBUs) and micro-warehouses. The micro-warehouses are gradually transforming into self-storage projects.

The good leasing performance contributed to the positive decision to extend the total area of the rearrangement to SBUs and self-storage facilities from the original 5,000 sqm to 7,200 sqm of the existing space. CeMat estimates that full capability after these changes will be reached in 2024, although it does not rule out further investments in the SBU and self-storage segment should the positive trends and results continue.

Occupancy level

The ultimate occupancy level will be closely related to the investment decisions concerning the next stages of transforming the warehouses into SBUs and the self-storage investment process, which may temporarily decrease the occupancy level next year. The decision on launching the next phases of the SBUs and self-storage will be undertaken taking into account the level of occupancy, the already completed phases and market demand. The goal for 2023 is to reach an occupancy level in the range of 89-92%.

The high level of tenant activity in Q4 2022 shows good prospects for the coming quarters.

DEVELOPMENT BUSINESS

The CeMat Group team will continue its work related to the preparation of two development projects: the "Moje Bielany" project (plot no. 69/8) and a new project for another plot, with an area of 2,997 sqm (plot 56) with a binding individual zoning decision for a hotel and service building.

Development activity: "Moje Bielany" project

The goals for 2023 are to start the construction of a residential building with 7,082 sqm of usable area. CeMat is currently negotiating financing of the project with the banks. The final decision to kick off construction work on the "Moje Bielany" project will depend on the pre-sale of apartments and retail premises, and the financing conditions.

Development activity: Plot 56

The CeMat Group obtained a binding individual zoning decision for a hotel and service building on another plot, with an area of 2,997 sqm, in August 2022.
CeMat's goal is to obtain a building permit for apartments for rent. According to the architects, the decision allows for the design of a hotel and service building space of approx. 2,500 sqm.

Work with the architects on the new building permit is currently in progress. The final figures will be verified in the building permit decision.

Land re-zoning

CeMat will keep open an active dialogue with the city authorities about the reclassification of land from its current service use to an alternative use. The goal is to prepare the next individual zoning decisions for the service and residential buildings.

Obtaining legal title to the properties

CeMat will actively continue its legal activities to enter the right of perpetual usufruct (RPU) in the land and mortgage register.

Our specialist legal team will continue with the approved and diligent action plan.

Institute of Technology (IMiF) cooperation

One of the goals for 2023 will be to continue the dialogue and cooperation that has been established with the Institute management in order to arrive at mutually beneficial solutions, especially in terms of access to certain parts of the plot complex.

8. LONG-TERM GOALS

The CeMat team will continue its work related to maximising the value of particular properties. Based on our long-term goals, CeMat presented the value creation chain, which includes obtaining legal title to the properties, getting a re-zoning decision for the land, obtaining the building permit, and then undertaking the pre-sale process and construction works.

Value creation chain

The future value of the properties is based on a chain of milestones that need to be achieved in order to obtain the maximum value of particular projects:

1. **Obtaining the legal title to the plots**

Obtaining the legal title to the plots is the first step in the value creation chain. The CeMat Group has control of the land through the right of possession to the site (57% of the Warsaw property), the right of perpetual usufruct – RPU (circa 42% of the Warsaw property) and ownership rights (circa 1% of the property).

- The right of possession allows us to collect rent from the properties, including rent from the buildings, but it does not allow us to treat such plots as investment plots for new development projects. The main effort of the legal team is to convert the right of possession to the right of perpetual usufruct or ownership. The CeMat Group cannot obtain the perpetual usufruct right to a plot of land if there are ongoing claims on that plot. CeMat has been actively working on legal action in all such cases and all court and administrative cases so far have ruled in line with the company’s expectations. In these cases, the legal action will continue, although a quick resolution is not to be expected.
- The right of perpetual usufruct is a specific Polish property ownership right which may be established on land owned by the State Treasury or by local government units (usually municipalities). A right of perpetual usufruct is established for between 40 and 99 years and may be renewed upon the request of the perpetual usufructuary.

Control of the land through the right of perpetual usufruct or ownership is the first necessary step for considering a plot of land as an investment product.

2. **Re-zoning of the land**

The second step in the value creation chain is re-zoning of the land. The CeMat Group obtained an individual zoning decision for a multi-storey residential and ground floor retail project for one of the front plots, with an area of 5,608 sqm (in 2021), and an individual zoning decision for a hotel and service building on another plot, with an area of 2,997 sqm (in August 2022). **The total area of the re-zoned plots is 8,605 sqm (5.4%), out of a total area of 159,300 sqm as at 31 December 2022.**

There is no local master plan for the majority of the site. According to the study of conditions and directions of spatial development and land use adopted by the Warsaw city council, the majority of the site is located in an area zoned for service use, with single plots designated for roads. CeMat needs to keep an open and active dialogue with the city authorities about the reclassification of land from its current service use to an alternative use.

Re-zoning of the land is a long process and the CeMat team is supported in it by architects and lawyers. The goal is to prepare a new master plan or obtain an individual zoning decision, which requires a dialogue to be maintained with the city architect on the most beneficial solution for CeMat.

Land re-zoning is the second step for considering a plot of land as an investment product.

3. **Obtaining the building permit**

The next step in the value creation chain is obtaining the building permit. In order to obtain the permit, CeMat needs to carry out some pre-development work, including the design work, and obtain all the administrative permits, including building permits and media connection permits.

To date, CeMat has obtained a building permit decision for a multi-storey residential and ground floor retail project for one of the front plots, with an area of 5,608 sqm (February 2022). The decision allows 105 apartments to be built, along with ground floor retail space. We subsequently obtained the approvals from the various network administrators, and invested in and completed the necessary reconstruction of the media network by Q1 2023.

4. **Pre-selling of the project**

Once the building permit has been obtained, CeMat's goal is to pre-sell the projects. Depending on the type of space, it will be a sale either to an institutional investor or an individual client. In our opinion, a pre-sale minimises the risk to the success of the project.

CeMat has one project that has met the conditions necessary to start pre-selling.

5. **Financing**

In the next step, it is necessary to obtain financing for the project through bank loans or investor financing. With bank financing, the decision is issued on the condition that minimum levels of the sale of apartments or service space are achieved.

6. Construction time

The estimated time needed to proceed from obtaining the building permit to completion of the construction works is between 18 to 24 months. A residential unit is handed over when the customer obtains control of the flat and payment is made of the entire amount due under the sale agreement, after receipt of a valid occupancy permit for the building.

After all the milestones above have been achieved, there will be an opportunity to significantly increase the value of each of the plots in the current portfolio for the best possible price. The scope of the additional work of the CeMat team for each of the plots and projects will be analysed on an individual basis, taking into account the potential risks, time frames, human resources and possibilities of obtaining additional benefits versus the current land value. Based on these factors, we will make a final decision about the benefits of carrying out development projects.

Other opportunities

CeMat '70 and the Institute of Technology are in dispute about the ownership of a 5,000 sqm plot of land near Warsaw's international airport. This land has been under IMiF administration for more than 20 years. Both CeMat '70 and the Institute of Technology applied more than 20 years ago for perpetual usufruct rights, but neither of them was granted such right. In 2016, CeMat '70 and its legal advisers concluded, after re-examining the old files, that CeMat '70 should be granted title to the land and re-applied to the court. The first administrative decision eventually decided in favour of CeMat '70, but this was appealed by the IMiF and the case is now on its way again through the court system. The result of the case is highly uncertain.

9. OUTLOOK FOR 2023

- *Consolidated EBITDA for the CeMat Group is expected to be approx. DKK 4-5 million in 2023.*
- *A positive net result of DKK 2.5-3 million, before taking into account the valuation of the investment property, is expected for 2023.*

Please note that the valuation of the investment property could change the result significantly because the market value depends on many factors, some of which are outside the company's control

The forward-looking statements in this annual report reflect the Management's current expectations for certain future events and financial results. Forward-looking statements are inherently subject to uncertainty, and the actual results may therefore differ materially from expectations.

Factors that may cause actual results to deviate materially from expectations include, but are not limited to, general economic developments, the international and regional situation, developments in the financial markets and changes in legislation, demand for the Group's services and competition.

10. FINANCIAL REVIEW

The activities of the CeMat Group are comprised of a listed holding company in Denmark, Cemat A/S, with a property business in Poland operated through the 100%-owned subsidiary CeMat Real Estate, which in turn owns 93.28% of the shares in CeMat '70 S.A. There are no other business operations in the Danish listed company.

CeMat '70 engages in the letting of premises and land, and the provision of utilities, including power, water and natural gas, and facility services etc. to its tenants. CeMat '70 (and its subsidiaries W131, W133 and Arkuszowa 56) have 216 tenants and, at the moment, an occupancy rate of approximately 88.9%.

INCOME STATEMENT

Revenue for 2022 amounted to DKK 26.6 million (2021: DKK 21.3 million), comprising rental income of DKK 18.6 million (2021: DKK 15.7 million) and sales of utilities, including power and water, and facility services etc. to tenants of DKK 7.9 million (2021: DKK 5.6 million).

The observed increase in sales revenue resulted from an increase in rental rates and conversion of part of the space into small units and self-storage boxes, which provide much higher rental returns than larger warehouses.

The costs of goods and services sold totalled DKK 7.4 million in 2022, up from DKK 5.1 million in 2021, consisting of costs for the purchase of utilities for resale to tenants. The increase in costs resulted from the increased prices of utilities caused by the crisis in Ukraine and the embargo on purchasing energy resources from Russia.

Other external expenses amounted to DKK 10.4 million in 2022, compared with DKK 7.6 million in 2021. This increase in external costs, as in the case of the costs of goods and services sold, resulted from the increased prices of utilities purchased for our own needs. In addition, marketing costs related to the implementation of the development project were also recognised. The costs of the comparative year 2021 were also lower due to the receipt of state aid related to the prevention of negative effects from the Covid-19 pandemic.

Personnel costs recognised in the Income Statement decreased by DKK 0.1 million compared to the previous year, amounting to DKK 5.2 million.

EBITDA for 2022 was a profit of DKK 3.5 million, against a profit of DKK 3.4 million for 2021. It was also in line with the forecasts published in the Annual Report 2021 and the Half-Year Report 2022 (DKK 3-4 million).

As a result of the revaluation of the investment property, a profit was recognised in the amount of DKK 25.3 million (after taking into account capital expenditures).

Net financials amounted to an expense of DKK 1.0 million in 2022 (versus DKK 1.0 million in 2021). This negative result is the effect of the implementation of IFRS 16 and the recognition of interest on financial leasing related to the right of perpetual usufruct, and interest on a working capital bank loan taken out by CeMat A/S.

Tax on profit/loss for the year was DKK 5.7 million, which was mainly a result of the positive results of CeMat '70 and the increase in the deferred tax provision resulting from the revaluation of the investment property.

CeMat achieved a profit after tax of DKK 22.1 million in 2022, compared to a profit of DKK 26.3 million in 2021.

A positive net result of DKK 1.6 million, without taking into account the valuation of the investment property, was achieved, which was in line with the forecasts published in the Annual Report 2021 and the Half-Year Report 2022 (DKK 1-2 million).

CASH FLOW STATEMENT

Cash flows from operating activities were an outflow of DKK 3.6 million in 2022. The company generated positive cash flows of DKK 5.9 million from property management, DKK 2.4 million was spent on the operation of the holding company, another DKK 7.1 million was spent on development projects for heating network relocation, architectural services, marketing, project management and increasing working capital.

Cash flows from investing activities were an outflow of DKK 5.0 million. Cash was spent on upgrading the company's facilities, including fire safety and investment in SBUs/self-storage, and preparing the company's properties for development or divestment.

Cash flows from financing activities were a net outflow of DKK 0.1 million. Cash was spent on lease repayments and purchasing CeMat '70 shares from minority shareholders.

BALANCE SHEET

Total assets amounted to DKK 201.5 million as at 31 December 2022, primarily comprising the investment property with an estimated market value of DKK 158.0 million (of which DKK 144.0 million is the value of the investment property based on its valuation and DKK 13.8 million is the value of the right of use resulting from the implementation of IFRS 16), leased plant and machinery of DKK 0.1 million, inventories of DKK 33.4 million, including the fair value of two plots reclassified from an investment property, receivables of DKK 3.0 million, and cash and cash equivalents of DKK 7.1 million.

The other possibilities – related to the plot in the vicinity of Warsaw airport (more details can be found in section 8) – as at the date of writing the report represent a book value of zero due to the lack of legal title and the uncertain resolution of the dispute.

Consolidated equity as of 31 December 2022 stood at DKK 150.9 million, of which DKK 138.3 million was attributable to the shareholders of CeMat A/S, and DKK 12.6 million to non-controlling interests in CeMat '70 S.A. The equity ratio was 74.9% as of 31 December 2022.

The Group's liabilities totalled DKK 50.6 million as at 30 December 2022, consisting of lease liabilities of DKK 13.9 million, deferred tax liabilities of DKK 30.0 million, trade payables of DKK 1.7 million, a bank loan of DKK 1.0 million, income tax payable of DKK 0.2 million and other liabilities of DKK 3.8 million. They were DKK 3.6 million higher in comparison to the end of 2021.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

11. RISKS AND RISK MANAGEMENT

The Group's activities are exposed to a number of risks. Management believes that the key risks to consider in connection with an analysis of the Group and its activities are described below. The list of risks outlined below is not exhaustive and not prioritised. If these risks materialise, this may adversely affect the Group's development, results of operations, cash flows and financial position.

Risks relating to accounting estimates and judgments

The Group's investment property is measured at its estimated fair value in accordance with IAS 40 and IFRS 13, and any value adjustments are recognised in the income statement. Management has reviewed the updated valuation report received in December 2022 and its underlying assumptions. Management's valuation estimate is in line with that indicated in the report, and the fair value consequently reflects the value stated in the report.

As the property market is not in all respects as efficient and liquid as, for example, the equity market, there can be no assurance that a buyer willing to pay the fair value at which the property is stated in the financial statements can be found at any given time. In other words, properties are subject to a liquidity risk in a sale situation.

Risks relating to property operations

The Group's financial management focuses on the operating results generated by the property, and the Group draws up detailed budgets for its property management operations. The operating performance of the property is affected by external factors, including economic developments and developments in the property and retail markets. To this should be added a number of risks that are to varying degrees controlled by the Group, including tenants' capacity to pay, management of the property, developments in vacancy rates, and temporary rent discounts.

These risk factors may to a greater or lesser degree impact adversely on the results of operations, cash flows and the financial position.

Adverse economic developments may cause demand for leased premises to decline. In the long term, this may lead to a deterioration in letting conditions and put pressure on the rental income obtainable for individual leases.

An economic downturn also increases the risk that tenants and other contracting parties will not be able to fulfil their obligations, including to pay rent, and may result in higher vacancy rates and temporary rent discounts, lower earnings or heavier pressure on return rates.

Tenants may fail to fulfil their payment obligations, but the Group puts a lot of emphasis on attracting reliable and creditworthy tenants. Accordingly, when entering into a lease, the Group seeks as far as possible and relevant to determine the tenants' ability to pay. If in future one or more tenants are unable to fulfil their payment obligations, this could result in lower income and the incurrence of a loss on the tenant in question and resulting vacancy and costs in connection with, among other things, reletting and repairs.

The increased costs of energy in 2021 and 2022, which are a fundamental factor in the business of some tenants, and are paid by CeMat and then re-invoiced, may also be a risk in the future should the tenants become insolvent.

Master plan situation

Land can be used for many purposes, with the main segments being industry, logistics, retail, services, office and residential. The area around Wólczyńska 133 previously housed a lot of industrial works, but in recent years more and more land has been converted into retail, service and residential areas. There are thousands of people living in low- and high-rise apartment blocks in the vicinity of CeMat '70 and more apartments are currently under construction, largely driven by the net inflow of people from the countryside to the larger metropolitan areas, in particular to Warsaw.

There is no local master plan for the majority of the site. According to the study of conditions and directions of spatial development and land use adopted by Warsaw city council, the majority of the site is located in an area zoned for service use with single plots designated for roads.

Only five plots are covered by a local master plan. According to the local master plan, these plots are dedicated for roads.

In 2021, CeMat obtained an individual zoning decision for a residential building with services for one of the front plots.

CeMat '70 has started a dialogue with the city authorities about re-classification of the land from its current service use to an alternative use. This dialogue with the city authorities will be continued.

In 2022, CeMat obtained an individual zoning decision for a collective residence with services for one of the plots on Arkuszowa Street in Warsaw.

The process of issuing individual planning decisions is to a large extent dependent on the discretion of the local authorities, and there is an ongoing discussion about potentially replacing this procedure with other legal solutions.

Obtaining the legal title to part of the land

CeMat '70 has control of the land through the possession right to the site, the perpetual usufruct right and ownership rights. Part of the property is not entered in the land and mortgage register. There has been a standstill in proceedings regarding the acquisition of the right of perpetual usufruct of some of the plots and it should be stated that further reservations may be raised. A specialist legal team has been appointed to support CeMat’s efforts and work on the legal action in the various court and administrative cases.

Claims for title

The claims relate to disputes between the former landowners (or their heirs) and the Polish state, which expropriated the land back in the 1970s. In order for CeMat '70 to sell the land, the company must have title to that land either in the form of actual ownership or a perpetual usufruct right (RPU).

Claims are generally handled in the legal system and there are several appeal possibilities, which means that the individual claim cases typically stay in the court system for a number of years. All court cases involving CeMat '70 land resolved so far have been won by the Polish state (and hence by CeMat '70).

According to Polish law before August 2021, there was no deadline for when former landowners or their heirs could submit a claim to the Polish state about a specific plot of land or strip of road. An amendment to the Code of Administrative Procedure from 2021 makes it difficult to declare a decision invalid after the statutory deadline, leading to the discontinuation of proceedings to declare the invalidity of expropriation decisions initiated 30 years after the decision was issued. As of today, it is difficult to say what the practice of the courts will be, or when the hearings will take place.

However, once a plot of land or strip of road is free of claims, CeMat '70 can apply for perpetual usufruct rights, and the application will be the subject of recognition by the provincial governor in the enfranchisement process. When that title is obtained, future claims will have no impact on CeMat '70's possibilities to sell the land.

CeMat '70's rights to its part of the property are not entered in the land and mortgage register. We cannot exclude the possibility of action against CeMat '70 regarding release of the real estate – plots with an unregulated legal status in the land and mortgage register. The President of the City of Warsaw sent a summons in an attempt to reach a settlement regarding plots in 2019. However, CeMat '70 refused to reach a settlement.

Resolving co-ownership issues

CeMat '70 and the Institute of Technology jointly own internal roads, and one particular plot with a large production/office building located on it, with CeMat '70 owning approx. 71%.

Administration

The nature of real estate development projects requires a number of approvals, licences and arrangements to be obtained by CeMat at every stage of the development process. Despite significant caution being applied in the project execution schedules, there is always the risk that there will be a delay in obtaining them. In addition, there is also the risk that protests will be lodged against permit decisions that have already been issued (also due to the possibility for appellants to appeal with no consequences) or, in the worst-case scenario, a failure to obtain the relevant permits. All the above factors may affect the ability of the Group to conduct and complete its executed and planned projects.

Construction costs risk

Construction costs may increase. This potential increase is mainly related to rises in the costs of hiring a qualified workforce, as well as increases in the costs of building materials. The CeMat Group does not operate a construction business, but instead concludes an agreement with a third-party general contractor for each project, who is responsible for running the construction and finalising the project, which includes obtaining all the necessary permits for safe use of the apartments.

In order to mitigate the risk of an increase in construction costs, the CeMat Group recognises the possibility to conclude a lump-sum contract with the general contractor, which will allow the CeMat Group to complete the project based on the estimated budget.

Risk of non-performance by general contractors

In each project or stage of a project, the Group has concluded, and will conclude, contracts for the construction and implementation of development projects with one general contractor. There is a risk that non-performance of the agreement by the general contractor may cause delays in the project or significantly impact the business, financial condition or results of the CeMat Group. The CeMat Group sees a potential risk of the non-performance of obligations by the general contractor in the availability of a qualified workforce, an increase in salaries and the cost of construction materials. Non-performance may result in claims against the general contractor with the risk that the general contractor may also fail to fully satisfy any possible claims of CeMat. The company and the Group implement selection criteria when hiring a general contractor, which include the experience, professionalism and financial strength of the general contractor (with the obligation to provide a bank or insurance guarantee), as well as the quality of the insurance policy covering all risks associated with the construction process.

Development risks

These are potential problems connected with the sale of dwellings and retail units due to lower demand as a result of changes in the economic situation, including a tightening of accessibility to mortgages from banks and an increase in unemployment.

There is also the potential risk of delay in completing the company's projects, which could be caused by architect delays, a lack of construction personnel, a shortage of raw materials, or prolonged administrative procedures and delays with obtaining building and occupancy permits. There could also be potential problems with obtaining bank financing for the projects.

All of the above could potentially affect the company's cash standing and liquidity.

Financial risks

As a result of the Group's activities, its equity and results of operations are impacted by a number of different risk factors, mainly relating to changes in exchange rates and interest rate levels. See Note 24 "Financial risks and financial instruments" for further information.

Capital resources

The Group's capital resources are reviewed regularly.

Based on the 2023 budget, Management believes that the existing capital resources and expected future cash flows will be sufficient to maintain operations and finance the planned initiatives.

The Group's budgets and, by extension, its future capital resources are inherently subject to risk since cash flow fluctuations may impact on the level of required and available capital resources.

Management believes that any negative deviations from budgeted cash flows can be countered on a timely basis through cash flow-enhancing activities.

Reference is made to Note 24 to the financial statements for a description of the cash flows and capital resources.

Changes in real estate prices

Significant decreases or increases in the estimated rental value and rental situation would result in a significantly lower or higher fair value of the properties. The risk of a decrease in the portfolio value resulting from a drop in rental revenues and an increase in the vacancy rate is mitigated by proactive asset management and active management of the occupancy level.

Environmental risks

The property was used for industrial purposes for 40 years and, therefore, pollution cannot be excluded. However, a number of investigative drillings have been carried out across the property and, to date, no significant pollution has been identified, although we cannot exclude the identification of environmental risks in the future.

Other risks

Other risks that may affect the Group's operations are related to potential changes in Polish law, insurance, the environment and personnel.

Political risk may be related to the geopolitical situation and foreign policy.

As regards insurance, the Group has taken out insurance cover in a number of general areas. In the Group's opinion, this insurance provides satisfactory cover in respect of the Group's activities. There is a risk of insufficient insurance coverage of claims, however.

The Group generally strives to be regarded as an attractive workplace with a favourable working environment and development opportunities for all employees. The Group is of the opinion that there is no significant dependence on individuals in the Group and that staff changes will not lead to any operational or management risks.

Additional risks:

- vacancy rate and lease termination;
- the condition of the buildings and possibility of capex investment;
- master plan situation;
- obtaining the legal title to part of the land;
- resolving the remaining claims regarding title to the land;

- solution/agreement with the Institute of Technology (for the common building and roads);
- summons for a settlement attempt regarding release of the real estate;
- financial risks including foreign exchange risk;
- capital resources;
- change of real estate prices;
- environmental risks;
- requirements from supervisory authorities regarding buildings;
- risk of delays on the part of authorities;
- risk of delays in administrative processes due to project preparation;
- risk of delays in administrative processes due to the participation of third parties;
- risk of the introduction of unfavourable legal regulations;
- risk of tax changes;
- risk of adverse changes in the real estate market;
- risk connected with the cyclical nature of the real estate market;
- risk of external financing being withheld;
- risk of adverse changes in business climate indicators: poorer economic growth, increase in unemployment, decrease in consumption, increase in inflation;
- other risks.

12. STATUTORY REPORTS

Statutory report on corporate governance

CeMat's statutory report on corporate governance, see section 107b of the Danish Financial Statements Act, covers the period 1 January – 31 December 2022.

The report consists of three elements:

- Corporate governance report
- Description of CeMat's management bodies
- An account of the main features of the Group's internal controls and risk management in relation to the financial reporting process.

CeMat's Board of Directors and Management Board continually work within corporate governance principles to ensure that the management structure and control systems are appropriate and satisfactory. The Board of Directors believes that clear management and communication guidelines help to convey an accurate picture of CeMat.

The Audit Committee is handled by the Board of Directors and considers the conditions for this to be met.

Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of the "Rules for issuers of Shares – Nasdaq Copenhagen", CeMat must report on how the Group addresses the recommendations published by the Committee on Corporate Governance in Denmark on 2 December 2020. The recommendations are available on the website of the Committee on Corporate Governance, www.corporategovernance.dk. In preparing the report, CeMat has adopted the "comply-or-explain" principle in relation to each individual recommendation. The Board of Directors believes that CeMat complies with the majority of the recommendations.

The statutory report on corporate governance 2022, see section 107b of the Danish Financial Statements Act, may be found on CeMat's website at:

https://cemat-en.squarespace.com/corporate-governance/

Statutory report on corporate social responsibility, see sections 99a, 99b and 99d of the Danish Financial Statements Act

In addition to carrying on profitable business activities, CeMat is committed to meeting and expanding the Group's ethical, social and environmental responsibilities as a business enterprise.

CeMat divested its main activity in 2016 and, consequently, the former secondary activity is now the Group's main activity. Going forward, the CeMat Group is purely a real estate business. As a result, the number of employees has been sharply reduced and the environmental impacts are also significantly lower than previously.

In light of the company's size and activities, and the markets in which the Group operates, the Board of Directors has decided not to adopt policies for the voluntary incorporation of corporate social responsibility, including policies for human rights, climate impact and environmental issues. The Board of Directors regularly reviews the need to adopt policies in this area.

The Group no longer reports under the UN Global Compact.

Policy on data ethics

1. Introduction

This policy applies for CeMat A/S, including its daughter companies (collectively referred to as "CeMat").

The purpose of this policy is to ensure that CeMat is only using data for the purposes and in a manner that is both ethical and compliant with applicable legislation.

2. Policy statement

It is the policy of CeMat A/S and its group companies that all data must be processed lawfully and in a fair and ethical manner, and that the data must be protected appropriately considering the risks related to these data, not only for CeMat, but also for others, who could be affected by the confidentiality, integrity or availability of the data being compromised.

Based on the factual circumstances described in section 3, the Management has determined that the likelihood of the inappropriate or unethical use of data is very limited, considering:

- the nature and amount of the data being processed,
- the purposes for which the data is being processed,
- the manner in which the data is being processed, especially since CeMat does not use advanced algorithms to analyse or predict the behaviour of others, and
- the fact that CeMat's use of data is unlikely to have any adverse effects on others, and
- the fact that there is no motive for using data beyond what is strictly necessary, as this would not offer any material benefits for CeMat.

Therefore, management has assessed that aside from the formalised measures required to comply with generally good business practice, and applicable legislation such as the data protection legislation, no further measures are required to protect the data against unfair or unethical use.

3. Nature of the processing of data in CeMat A/S and daughter companies.

3.1. CeMat A/S

As a holding company with no employees, the processing of data in CeMat A/S is – as a general rule – limited to information about members of the Board of Directors and information about the daughter companies, including its key employees. Data is used solely for the purpose of managing the business and the related risks.

3.2. Daughter companies

The business of the daughter companies is to own and develop real estate in Poland. This includes offering property for sale or for rent. The sale of property is done through an agent, and the daughter companies will only receive the data necessary for completing the sales transactions. With regards to property for rent, this is only offered on a B2B basis.

Thus, the daughter companies will be processing:

- Data regarding the real estate owned by the company and other data related to the operations of the company, such as financial information.
- Personal data about employees and contact persons at customers, vendors and business partners.

As for personal data, the daughter companies have taken the steps required to ensure that such data is processed in accordance with the applicable data protection legislation, protecting the rights and freedoms of the data subjects.

4. Required activities

Management of the respective legal entities shall take the necessary steps to:

a) ensure that the legal entity complies with all legal requirements for data processing;

b) monitor that the processing of personal data is performed in accordance with the applicable processes and procedures, to ensure compliance with the data protection legislation;

c) monitor if the categories of data being processed, or the purposes for which such data is processed, change over time;

d) ensure that appropriate actions are taken to address any deviations noted in relation to items a-c above.

5. Review and updates

This policy shall be reviewed and updated as appropriate by the Board of Directors at least on an annual basis or when changes in the business or business environments indicate the need for a review. An annual review must be performed during the fourth quarter of each calendar year.

Policy on diversity

CeMat regards a diverse workforce as an asset. We hire on the basis of talent and personality and offer equal opportunities to all employees, regardless of their background, religion, political conviction, gender or age. We encourage everyone to try to reach their full potential in accordance with their personal ambitions and goals.

We promote a work environment of respect and inclusion and expect our employees to be politically and religiously neutral when acting on behalf of the Group. We acknowledge the right to unionise and bargain collectively and do everything in our power to avoid discrimination.

Policy on gender equality in managerial positions

When selecting new members of CeMat’s Board of Directors, it is important that the candidates have specific professional competencies and qualifications from listed companies, as well as international experience. In addition, diversity in terms of nationality, religion, political conviction, age and gender is taken into account. During potential recruitment processes, employees and any external partners involved are fully informed of the Group’s diversity policy.

At year-end 2022, the total number of employees was 28 (including the Board of Directors and persons who work freelance), eight of whom were women. One woman was a member of the Board of Directors, but there were no women on the Management Board.

The current gender balance of CeMat’s managerial positions is outlined below.

	2022	**2021**
Board of Directors, males	2	2
Board of Directors, females	1	1
Other managerial positions, males	4	4
Other managerial positions, females	2	2

Representatives from Management and members elected by the employees meet on a regular basis to discuss the general situation and working climate in CeMat, with the minutes of these meetings communicated to local staff. Two of the five members of the Board of Directors of CeMat '70 were elected by the employees.

Since the company complies with the rules on gender equality in managerial positions, it does not have an official policy in this regard.

No significant changes are planned for 2023. Instead, CeMat will focus on continuing the good efforts already completed.

Policy on safety
Safety must be a priority for all CeMat employees. There were no accidents in 2022.

CeMat believes that all injuries are preventable, all health risks are controllable and that management is accountable. CeMat also believes that a strong safety culture is an important tool for protecting our products and customers.

Literally speaking, we want our staff to go home from work as healthy as they were when they arrived at their workplace. In order to attain this goal, it is a continuing objective to prevent injuries and work-related health risks through structured effective management, administration, education and training.

Pursuant to national legislation in Poland, a health and safety body has been established. This safety body consists of management and an H&S specialist who holds overall responsibility for CeMat's health and safety performance. The H&S specialist oversees compliance with applicable legislation and plans activities to minimise safety risks. The H&S specialist is also responsible for conducting workplace evaluations and implementing improvements.

Anti-fraud and anti-corruption
Anti-fraud and anti-corruption control is exercised by the Board of Directors and the Management Board of the company, with a policy based on clearly communicating the organisation's values and best business practices. The policy is established on a risk management approach that involves identifying the key factors that influence fraud and corruption risk and reporting to CeMat Management.

Environmental solutions

Programme of actions aimed at limiting the environmental impact of existing buildings:

- Reduction of electricity consumption

Changing the lighting of external areas (roads and car parks) to LED lighting (reducing electricity consumption by 50%).

Changing the lighting of common areas (corridors and staircases) to LED lighting and installing motion sensors. As part of the investment into rearranging the warehouses into SBUs and self-storage units, energy-saving LED lighting is being installed.

- Reduction of heat energy consumption

Automatic temperature control systems have been installed in some buildings. Depending on the outside temperature, time of day and day of the week, the temperature has been lowered to below 20°C in the offices, and below 18°C in the storage rooms.

- Waste segregation

Waste Management Regulations have been drawn up, an agreement has been signed with a waste collection company ensuring the collection of waste segregated into individual fractions, and provisions on the requirement to segregate waste in accordance with the Waste Management Regulations have been added in the form of an appendix to the lease agreements with tenants.

Development projects

Buildings that are part of development projects are designed in accordance with the indicators for the annual demand of a newly designed building for non-renewable primary energy (needed for heating, cooling, ventilation and the supply of hot water), as well as energy required to power lighting and all other electrical devices. In order for the designed buildings to meet these parameters, solutions related to the use of renewable energy sources (e.g. photovoltaic panels), energy-saving lighting sources or partitions with insulation that meet the latest standards, are also implemented.

When designing a building to meet the energy-saving standards, we also reduce the planned level of energy consumption for when the building is in use.

During the construction process, one of the environmental protection measures applied will involve adhering to the rules for the selective collection of construction waste. In addition, each contractor and subcontractor will also have to undergo appropriate training in the relevant environmental protection procedures that will be in force during the course of the construction works. These procedures must ensure compliance with the current environmental protection regulations, and will include in particular: implementation of solutions protecting against pollution and environmental contamination, saving water, reducing energy consumption, and protecting existing greenery.

13. SHAREHOLDER INFORMATION

CeMat strives to maintain an open and continual dialogue with its shareholders, prospective investors and the general public.

CEMAT'S SHARES

In 2022, shares in the OMXC25 CAP index lost 13%, while shares in the OMXC SmallCap index lost 22%. The price of CeMat's shares was DKK 0.65 per share at the end of 2022, equivalent to a 37% decrease (from DKK 1.03).

The Group's market capitalisation at 31 December 2022 was DKK 162.4 million.

The total turnover in stock in 2022 was 91 million shares, which was 4% lower than in 2021, when 94 million shares were traded.

MASTER DATA	
Stock exchange:	Nasdaq Copenhagen
Index:	OMXC SmallCap
Industry:	Property
ISIN:	DK0010271584
Symbol:	CEMAT
Share capital:	DKK 4,997,006.06
Denomination:	DKK 0.02
No. of shares:	249,850,303
Negotiable instruments:	Yes
Voting restrictions:	No

SHARE CAPITAL

The share capital consists of 249,850,303 shares of DKK 0.02 each. The shares have not been divided into classes and carry no special rights.

The Board of Directors and the Management Board regularly assess whether the Group's capital and share structures are consistent with the interests of the shareholders and the Group.

SHAREHOLDER STRUCTURE

One largest shareholder holds 32.5% of the registered share capital. A list of shareholders who have notified the Group that they hold 5% or more of the share capital or votes as at 31.12.2022 under section 29 of the Danish Securities Act is shown below.

Composition of shareholders	Number of shares	Capital DKK	Capital %
EDJ-Gruppen 6700 Havnegade 19 Esbjerg, Denmark	81,250,000	1,625,000.00	32.52
Gist Holding ApS C.F. Richs Vej 31	25,691,023	513,820.46	10.28

EDJ-Gruppen consists of Eivind Dam Jensen and related parties, together with companies controlled by Eivind Dam Jensen.

MANAGEMENT'S HOLDINGS OF CEMAT SHARES

As of 31 December 2022, members of the Board of Directors and their related parties held 91,852,250 shares (nominal value DKK 1,837,045), corresponding to 36.8% of the share capital and a market value of DKK 59.7 million. Members of the Management Board and their related parties held 1,982,381 shares (nominal value DKK 39,648), corresponding to 0.8% of the share capital and a market value of DKK 1.3 million.

The shareholdings of the individual members of the Board of Directors and the Management Board and changes thereto during 2022 can be found on the Group's website under "About us/Management/Board of Directors" and "About us/Management/Management Board" and are specified in this annual report under "Board of Directors and Management Board".

TREASURY SHARES

Pursuant to section 198 of the Danish Companies Act, the Board of Directors is authorised to acquire treasury shares for a period of 18 months from the date of an annual general meeting. CeMat did not hold any treasury shares as of 31 December 2022.

CEMAT'S REGISTER OF SHAREHOLDERS IS MANAGED BY:

Computershare A/S
Lottenborgvej 26 D
2800 Kgs. Lyngby, Denmark

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 23 March 2023 at 2.00 pm at the offices of DLA Piper Denmark, Oslo Plads 2, 2100 Copenhagen OE, Denmark. In addition, CeMat places notices concerning annual general meetings in one of the Danish newspapers.

Notices convening shareholders to annual general meetings and the agendas for the meetings are sent via e-mail to shareholders who have so requested. Shareholders may register for general meetings and find relevant documents on the shareholder portal on the Group's website.

DIVIDEND AND ALLOCATION OF PROFIT

The Board of Directors recommends to the Annual General Meeting that no dividend be declared in respect of the 2022 financial year. The Board of Directors recommends to the Annual General Meeting that the consolidated profit for the year of DKK 22.1 million be transferred to retained earnings.

INVESTOR QUERIES

Any questions or comments from shareholders, analysts and other stakeholders should be addressed to Frede Clausen via the Investor Secretariat at e-mail: investor@cemat.dk or tel.: +45 33 34 00 58.

ANNOUNCEMENTS IN 2022

2022	**Announcement**
23.02	Publication of Annual Report 2021
02.03	Notice to convene Annual General Meeting 2022
24.03	Managers' transactions
24.03	Course of the Annual General Meeting
30.08	Obtaining individual zoning decision for one of the land plots
31.08	Interim report H1 2022
02.09	Managers' transactions
02.09	Managers' transactions
06.09	Managers' transactions

FINANCIAL CALENDAR 2023/2024

2023	**Announcement**	**Silent period**
22.02	Annual Report 2022	24.01.2023 - 22.02.2023
23.03	Annual General Meeting	
31.08	Interim report – H1 2023	02.08.2022 - 31.08.2022

2024	**Announcement**	**Silent period**
21.02	Annual Report 2023	23.01.2023 - 21.02.2023
21.03	Annual General Meeting	

14. BOARD OF DIRECTORS AND MANAGEMENT BOARD

Board of Directors

<u>Frede Clausen (born 1959)</u>
Chairman
Professional board member
Various banking qualifications
Graduate Diploma in Business Administration
Elected 2018, Chairman 2018
Current term expires in 2023

No. of shares held in CeMat (own and related parties):
9,490,641 (2021: 9,490,641)

Remuneration paid in 2022: DKK 500,000

Directorships and other managerial positions:
Frede Clausen Holding ApS
Core Poland Residential V
Malik Supply A/S (chairman)
Developnord A/S (chairman)
Søndergaard Holding Aalborg ApS (chairman)
Ib Andersen VVS A/S (chairman)
Palma Ejendomme ApS (chairman)
Ejendomsselskabet Gøteborgvej 18 ApS (vice-chairman)
PL Holding Aalborg A/S (chairman)

Special qualifications:
Strategic management, business development and real estate

<u>Eivind Dam Jensen (born 1951)</u>
Deputy Chairman
Estate agent
Member of the Danish Association of Chartered Estate Agents,
Diploma Administrator
Elected 2005, Deputy Chairman 2005
Current term expires in 2023

No. of shares held in CeMat (own and related parties):
81,250,000 (2021: 81,250,000)

Remuneration paid in 2022: DKK 350,000

Directorships and other managerial positions:
Owner of Chartered Estate Agency E. Dam Jensen
Chairman and sole shareholder of A/S Eivind Dam Jensen
Owner of Brundtland Golfcenter (via A/S Eivind Dam Jensen)

Special qualifications:
Purchase, sale, valuation and letting of commercial and investment properties and property management

<u>Joanna L. Iwanowska-Nielsen (born 1968)</u>
Member of the Board of Directors
Real estate expert
Degree in International Trade, Organisation and Management from the Warsaw School of Economics
Elected 2016
Current term expires in 2023

No. of shares held in CeMat (own and related parties):
1,111,609 (2021: 1,011,609)

Remuneration paid in 2022: DKK 200,000

Directorships and other managerial positions:
Member of the Board of Directors at Sustainable Małkowo
Member of the Board of Directors at Coille Righ Green Energy, Scotland
Member of the Board of Directors at WildaNova
Partner in NOLTA Consultants and NOLTA Career Experts
Member of EPI (European Property Institute) expert panel
Member of Warsaw Women in Real Estate & Development
No directorships in other Danish companies

Special qualifications:
Experience in the real estate trade in Poland, CEE and internationally (development, strategy, sales and project management in both the commercial and residential property sectors, including sustainable housing and energy solutions), EMCC accredited business coach & mentor.

Management Board

<u>Jarosław Lipiński (born 1977)</u>
CEO
Master of Law degree at the Nicolaus Copernicus University in Toruń
Further studies at the AMBA Academy, Warsaw School of Economics, Finance for Managers, Warsaw School of Economics
Employed with CeMat A/S since 2018

Directorships and other managerial positions:
Over the course of the last 24 years, Jarosław Lipiński has gained wide experience within the real estate industry and held executive positions with a number of international enterprises, including 11 years with TK Development A/S (Agat Ejendomme), in charge of letting and development.

Special qualifications:
Residential and retail development, property management, business development

No. of shares held in CeMat: 1,982,381 (2021: 1,786,610)

15. MANAGEMENT STATEMENT

We have today presented the annual report of CeMat A/S for the financial year 1 January – 31 December 2022.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the consolidated and parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities, equity and financial position at 31 December 2022 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended 31 December 2022.

Furthermore, in our opinion, the Management's review gives a true and fair view of the developments in the activities and financial position of the Group and the parent company, the results for the year and of the Group's and the parent company's financial position in general and describes the significant risk and uncertainty factors that may affect the Group and the parent company.

We recommend that the annual report be approved by the shareholders in the general meeting.

Copenhagen, 22 February 2023

MANAGEMENT BOARD

Jarosław Lipiński
CEO

BOARD OF DIRECTORS

Frede Clausen **Chairman**	Eivind Dam Jensen **Deputy Chairman**	Joanna L. Iwanowska-Nielsen **Board member**

16. INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CEMAT A/S

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

Opinion
We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of CeMat A/S for the financial year 1 January - 31 December 2022, which comprise income statement, total income statement, balance sheet, statement of changes in equity, cash flow statement, notes and a summary of significant accounting policies, for both the Group and the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022, and of the results of the Group and Parent Company operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Our opinion is consistent with our extract from audit book to the audit committee and the board of directors.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our belief we have not performed any prohibited non-audit services, as stated in article 5, subarticle 1, in regulation (EU) no. 537/2014.

We were first appointed auditor of CeMat A/S on 8 March 2017 for the financial year 2017. We were reappointed annually by a resolution of a general meeting for a total continuous period of 1 years until and including the financial year 2022.

Key Audit Matters
Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of investment properties
The carrying amount of the Group's investment properties is DKK ('000) 157,854 at 31 December 2022, cf. note 9. Investment properties are measured at fair market value and the total fair market value

adjustment of the year is a net gain of DKK ('000) 25,277 (2021: DKK ('000) 30,723), cf. note 9 of the Financial Statements, which is recognised in the income statement.

We have assessed that the fair market valuation is a key audit matter as the investment properties constitute 78% of the Group's total assets and because estimates and preconditions may have material impact on the Financial Statements. A different estimate could potentially have a significant impact on the Group's assets, profit and equity.

In December 2022 the company's Management obtained a valuation report from an external valuation expert which the value recognised in the financial statements is based upon.

We assessed that the key factors in connection with the valuation of investment properties are particularly linked to the following elements in the management's valuation model, and our audit was therefore focused on these elements for the individual properties and plots:

- Minimum return on investment requirement
- Future market rent
- Ownership
- Competences and independence of the external valuation expert

We refer to the further description in note 9 of the annual report.

Our audit response
We have obtained an understanding of the Management's processes for and control of the valuation of the investment property in Poland, challenged these and ensured that the methods and principles used is unchanged from previous years.

We have challenged and assessed the most important preconditions forming the basis for the valuation, including:

- We assessed and tested the management's expectations for rate of return requirements by comparison with the expectations of the previous year, assessment in relation to location and property type and comparison of external assessments or market reports.
- We assessed and tested the Group's assessment of the future rental level including comparison of budgeted rental income for the coming year with realized rental income for the current year and testing whether assumptions related to vacant rent are substantiated by market data.
- We assessed and tested the management's assessment of the risks associated with ownership of some of the company's plots by comparison with previous years and the history of taking over full ownership.
- We have assessed the competences and independence of the company's external valuation expert. The valuation report is prepared by a leading international estate agent in Warsaw.

Moreover, a recalculation was performed of the model forming basis for the valuation and we have assessed the adequacy and sufficiency of Management's disclosures on investment properties.

Statement on Management Commentary
Management is responsible for Management Commentary.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management Commentary, 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 Management Commentary and, in doing so, consider whether Management Commentary 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 Management Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary 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 Statements Act. We did not identify any material misstatement of Management Commentary.

Management's Responsibilities 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 the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act, and for such internal control as 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 about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 judgment and maintain professional skepticism 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements and the Parent Company Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Independent Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our Independent Auditor's Report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON COMPLIANCE WITH THE ESEF REGULATION

As part of our audit of the Consolidated Financial Statements and Parent Company Financial Statements of CeMat A/S we performed procedures to express an opinion on whether the annual report of CeMat A/S for the financial year 1 January to 31 December 2022 with the file name CEMAT-2022-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:
- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:
- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of CeMat A/S for the financial year 1 January to 31 December 2022 with the file name CEMAT-2022-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 22 February 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Brian Olsen Halling
State Authorised Public Accountant
MNE no. 32094

FINANCIAL

STATEMENTS

17. INCOME STATEMENT

1 January – 31 December

PARENT COMPANY				GROUP	
2022	**2021**	**DKK'000**	**Note**	**2022**	**2021**
0	0	Revenue	3	26,574	21,307
0	0	Cost of goods and services sold		(7,417)	(5,071)
(1,598)	(1,432)	Other external expenses		(10,442)	(7,586)
(1,086)	(876)	Staff costs	4	(5,227)	(5,281)
(2,684)	**(2,308)**	**Operating profit/(loss) (EBITDA)**		**3,488**	**3,369**
0	0	Depreciation		(28)	(43)
(2,684)	**(2,308)**	**Operating profit/(loss) (EBIT)**		**3,460**	**3,326**
0	0	Revaluation investment property	9	25,325	30,871
0	271	Financial income	5	184	7
(1,220)	(1,124)	Financial expenses	6	(1,157)	(1,045)
(3,383)	**(3,161)**	**Profit/(loss) before tax**		**27,812**	**33,159**
0	0	Tax on profit/(loss) for the year	7	(5,730)	(6,898)
(3,383)	**(3,161)**	**Profit/(loss) for the year**		**22,082**	**26,261**
		Distribution of profit/(loss) for the year:			
		Parent company shareholders		20,326	24,199
		Non-controlling interests		1,756	2,062
				22,082	**26,261**
(0.01)	(0.01)	Earnings per share (DKK)	8	0,08	0.10
(0.01)	(0.01)	Diluted earnings per share (DKK)	8	0,08	0.10

18. STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

PARENT COMPANY				GROUP	
2022	**2021**	**DKK'000**	**Note**	**2022**	**2021**
(3,383)	(3,161)	Profit/(loss) for the year		22,082	26,261
		Items that may be reclassified to profit or loss:			
0	0	Foreign exchange adjustment, foreign entities		(2,446)	(1,191)
(3,383)	**(3,161)**	**Comprehensive income for the year**		**19,636**	**25,070**
		Distribution of comprehensive income for the year:			
(3,383)	(3,161)	Parent company shareholders		18,084	23,125
0	0	Non-controlling interests		1,552	1,945
(3,383)	**(3,161)**			**19,636**	**25,070**

19. CASH FLOW STATEMENT

For 2022

PARENT COMPANY				GROUP	
2022	**2021**	**DKK'000**	**Note**	**2022**	**2021**
(2,684)	**(2,308)**	**Operating profit/(loss) (EBIT)**		**3,460**	**3,326**
0	0	Depreciation	9	28	43
320	(11)	Change in net working capital	21	(6,434)	(3,357)
0	0	Other (deposits, etc.)		958	535
0	0	Tax paid/received		(701)	66
0	0	Financial income received		77	1
(71)	(42)	Financial expenses paid		(999)	(891)
(2,435)	**(2,361)**	**Cash flows from operating activities**		**(3,611)**	**(277)**
0	0	Acquisition of property, plant and equipment		(3,897)	(785)
0	0	Capital expenditures, development of the investment property		(1,126)	(456)
0	**0**	**Cash flows from investing activities**		**(5,023)**	**(1,241)**
0	0	Lease repayments	18	(32)	(40)
2,536	1,747	Loans and credits raised	18	0	950
0	0	Acquisition of shares in subsidiary		(105)	(773)
2,536	**1,747**	**Cash flows from financing activities**		**(137)**	**137**
(101)	**(614)**	**Cash flows for the year**		**(8,771)**	**(1,381)**
206	820	Cash and cash equivalents at beginning of year		16,204	17,750
0	0	Market value adjustment of cash and cash equivalents		(294)	(165)
307	**206**	**Cash and cash equivalents at end of year**	**14**	**7,139**	**16,204**

20. BALANCE SHEET

Balance sheet as at 31 December 2022

PARENT COMPANY		ASSETS		GROUP	
2022	**2021**	**DKK'000**	**Note**	**2022**	**2021**
0	0	Investment property	9	157,854	137,157
0	0	Plant and machinery right of use	9	117	165
0	**0**	**Property, plant and equipment**		**157,971**	**137,322**
93,339	93,339	Investments in subsidiaries	10	0	0
0	0	Other non-current receivables	11	366	273
93,339	**93,339**	**Financial assets**		**366**	**273**
93,339	**93,339**	**Non-current assets**		**158,337**	**137,595**
0	**0**	**Inventories**	**12**	**33,360**	**25,034**
0	0	Trade receivables	13	2,200	1,727
1,341	1,312	Receivables from subsidiaries		0	0
0	0	Income tax receivable		0	0
0	0	Other receivables		472	257
1,341	**1,312**	**Receivables**		**2,672**	**1,984**
307	**206**	**Cash and cash equivalents**	**14**	**7,139**	**16,204**
1,648	**1,518**	**Current assets**		**43,171**	**43,222**
94,987	**94,857**	**Assets**		**201,508**	**180,817**

Balance sheet as at 31 December 2022

PARENT COMPANY		EQUITY AND LIABILITIES		GROUP	
2022	**2021**	**DKK'000**	**Note**	**2022**	**2021**
4,997	4,997	Share capital	15	4,997	4,997
0	0	Translation reserve	16	(26,120)	(23,878)
57,134	60,518	Retained earnings		159,442	139,002
62,131	**65,515**	**Equity attributable to parent company shareholders**		**138,319**	**120,121**
0	**0**	**Equity attributable to non-controlling interests**		**12,577**	**11,246**
62,131	**65,515**	**Equity**		**150,896**	**131,367**
0	0	Lease liabilities	17	13,128	15,751
0	0	Other non-current liabilities		3,263	2,173
0	0	Deferred tax liabilities	7	30,000	25,636
0	**0**	**Non-current liabilities**		**46,391**	**43,560**
1,033	976	Bank loans	18	1,033	976
0	0	Lease liabilities	17	815	943
287	244	Trade payables	19	1,715	1,447
30,635	27,366	Debt to subsidiaries		0	0
0	0	Income tax payable		222	20
901	756	Other payables	20	437	2,504
32,856	**29,342**	**Current liabilities**		**4,221**	**5,890**
32,856	**29,342**	**Total liabilities**		**50,612**	**49,450**
94,987	**94,857**	**Equity and liabilities**		**201,508**	**180,817**
		Charges, guarantees and contingent liabilities, contractual liabilities	22-23		
		Other notes without reference	24-32		

21. STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for 2022 (Group)

DKK'000	Share capital	Translation reserve	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to non-controlling interests	Total equity
Equity at 01.01.2022	**4,997**	**(23,878)**	**139,002**	**120,121**	**11,246**	**131,367**
Profit/(loss) for the year	0	0	20,326	20,326	1,756	22,082
Other comprehensive income	0	(2,242)	0	(2,242)	(204)	(2,446)
Comprehensive income	**0**	**(2,242)**	**20,326**	**18,084**	**1,552**	**19,636**
Acquisition of non-controlling interests	0	0	116	116	(221)	(105)
Expenditure from the company's social benefits fund	0	0	(2)	(2)	0	(2)
Equity at 31.12.2022	**4,997**	**(26,120)**	**159,442**	**138,319**	**12,577**	**150,897**
Equity at 01.01.2021	**4,997**	**(22,804)**	**113,588**	**95,781**	**11,291**	**107,072**
Profit/(loss) for the year	0	0	24,199	24,199	2,062	26,261
Other comprehensive income	0	(1,074)	0	(1,074)	(117)	(1,191)
Comprehensive income	0	(1,074)	24,199	23,125	1,945	25,070
Acquisition of non-controlling interests	0	0	1,222	1,222	(1,989)	(767)
Expenditure from the company's social benefits fund	0	0	(7)	**(7)**	**(1)**	(8)
Equity at 31.12.2021	**4,997**	**(23,878)**	**139,002**	**120,121**	**11,246**	**131,367**

Statement of changes in equity for 2022 (Parent Company)

DKK'000	Share capital	Retained earnings	Total equity
Equity at 01.01.2022	**4,997**	**60,518**	**65,515**
Comprehensive income for the year	0	(3,383)	(3,383)
Equity at 31.12.2022	**4,997**	**57,134**	**62,131**
Equity at 01.01.2021	**4,997**	**63,679**	**68,676**
Comprehensive income for the year	0	(3,161)	(3,161)
Equity at 31.12.2021	**4,997**	**60,518**	**65,515**

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1. ACCOUNTING POLICIES

The consolidated and the parent company financial statements of CeMat A/S for 2022 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class D entities (listed) as set out in the Danish Executive Order on Adoption of IFRSs issued in pursuance of the Danish Financial Statements Act and the rules and regulations of Nasdaq Copenhagen.

The consolidated financial statements and the parent company financial statements are presented in Danish kroner (DKK), which is the Group's presentation currency and the functional currency of the parent company.

Implementation of new and revised standards and interpretations
New and revised standards and interpretations applying to financial years beginning on 1 January 2022 have been implemented in the annual report for 2022.

Standards and interpretations affecting the profit/loss for the year or the financial position
The implementation of new and revised standards and interpretations in the annual report for 2022 has not resulted in changes to presentation or disclosure.

Standards and interpretations affecting presentation and disclosure
The implementation of new and revised standards and interpretations in the annual report for 2022 has not resulted in changes to presentation or disclosure.

Standards and interpretations not yet in force
In Management's opinion, the application of new and revised standards and interpretations will not have a material impact on the annual reports for the coming financial years. In other respects, the accounting policies are consistent with last year's, as described in the following.

Consolidated financial statements
The consolidated financial statements consolidate the financial statements of the parent company, CeMat A/S, and subsidiaries in which the parent company directly or indirectly holds more than 50% of the shares.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the parent company and those of the subsidiaries, which are all prepared in accordance with the Group's accounting policies.

On consolidation, items of the same nature are aggregated and intra-group income and expenses, intra-group balances and shareholdings are eliminated. Unrealised gains and losses on transactions between consolidated companies are also eliminated.

Financial statement items of subsidiaries are fully consolidated. The non-controlling interests' proportionate share of the profit/loss is included in the consolidated profit/loss and comprehensive income for the year and as a separate item under consolidated equity.

Non-controlling interests
On initial recognition, non-controlling interests are either recognised at their fair value or at their pro-rata share of the fair value of the acquired company's identifiable assets, liabilities and contingent liabilities. The choice of method is made individually for each transaction. The non-controlling interests are subsequently adjusted for their proportionate share of changes to the equity of the subsidiary. The comprehensive income is allocated to the non-controlling interests irrespective of the non-controlling interest consequently becoming negative.

Acquisition or sale of non-controlling interests in a subsidiary not resulting in loss of controlling influence is recognised in the consolidated financial statements as an equity transaction, and the difference between the remuneration and the carrying amount is allocated to the parent company's share of equity.

Foreign currency translation
On initial recognition, transactions denominated in currencies other than the individual company's functional currency are translated at the exchange rate ruling at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange differences between the exchange rate at the transaction date and the exchange rate at the date of payment or the balance sheet date, respectively, are recognised in the income statement under financial items.

Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date.

On recognition in the consolidated financial statements of entities whose financial statements are presented in a functional currency other than Danish kroner (DKK), the income statements are translated at average exchange rates for the respective months, unless these deviate materially from the actual exchange rates at the transaction dates. In that case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Foreign exchange adjustments of receivables from or payables to subsidiaries which are considered part of the parent company's overall investment in the subsidiary in question are recognised in other comprehensive income in the consolidated financial statements, while they are recognised in the income statement of the parent company.

Tax
Tax for the year, which consists of current tax and changes in deferred tax for the year, is recognised in the income statement with respect to the portion attributable to the profit/loss for the year and directly in equity with respect to the portion attributable to entries directly in equity.

Current tax payable and receivable is recognised in the balance sheet as the tax calculated on the taxable income for the year, adjusted for tax paid on account.

The calculation of the year's current tax is based on the tax rates and tax rules applicable at the balance sheet date.

Deferred tax is measured using the tax rates and tax rules that, based on legislation in force or in reality in force at the balance sheet date, are expected to apply in the respective countries when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognised in the income statement, unless the deferred tax can be attributed to items previously recognised directly in equity. In the latter case, the change is also recognised directly in equity.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to the initial recognition of goodwill or the initial recognition of a transaction, apart from business combinations, and where the temporary difference existing at the date of initial recognition affects neither profit/loss for the year nor taxable income.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, unless the parent company is able to control when the deferred tax is to be realised and it is likely that the deferred tax will not crystallise as current tax within the foreseeable future.

Deferred tax is calculated based on the planned use of the individual asset and the settlement of the individual liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through a set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each balance sheet date, an assessment is made as to whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

INCOME STATEMENT

Revenue
Revenue is measured as the fair value of the consideration received or receivable. If interest-free credit has been granted for payment of the outstanding consideration extending beyond the usual credit period, the fair value of the payment is calculated by discounting future payments. The difference between the fair value and the nominal value of the consideration is recognised as financial income in the income statement over the extended credit period by using the effective interest method.

Revenue is stated exclusive of VAT, duties, discounts, etc. levied on behalf of a third party.

For leasing contracts that provide for rent exemptions, the effective rent for the entire contract period is used.

Revenues from the sale of real estate (residential units, commercial space, etc.) are recognised at the time when the real estate purchaser takes over control of the real estate acquired and receives significant risks and rewards of ownership. According to the assessment of the management of the company, this takes place at the moment of handing over the real estate to the buyer on the basis of the acceptance protocol signed by the parties, provided that the buyer has made 100% payments towards the purchase price of the real estate.

Cost of goods and services sold
Cost of goods and services sold comprise direct costs incurred in generating the revenue.

Other external expenses
Other external expenses include premises maintenance costs, advertising costs, administrative expenses, bad debts, etc. Other external expenses also comprise costs of development projects that do not qualify for recognition in the balance sheet.

Staff costs
Staff costs comprise wages and salaries and social security costs, pensions, share-based payment, etc. to the employees of the Group.

Financial items
Financial items comprise interest income and expenses, the interest element of finance lease payments, realised and unrealised foreign exchange gains and losses as well as surcharges and allowances under the Danish tax prepayment scheme.

BALANCE SHEET

Investment property
Investment property comprises properties owned for the purpose of receiving rent or obtaining capital gains.

On initial recognition, investment property is measured at cost, comprising the purchase price and any costs directly attributable to the acquisition.

Subsequently, investment property is measured at fair value, representing the price at which it is estimated that the property can be sold to an independent buyer at the balance sheet date.

Investment property is divided into four groups: Internal roads; plots designed for external roads; development areas; and industrial buildings.

Internal roads; plots designed for external roads; and development areas (in the following referred to as “properties”) are valued using a comparative approach. This approach assumes the variation in prices between at least three comparable properties can be explained by the differences in their individual attributes such as location, surroundings, accessibility, development potential etc. The influence of each of these attributes on value is assigned a percentage weighting, and the characteristics of each comparable and the subject are then rated, typically from 1-5, very good to very poor. The price of each comparable is adjusted according to how it differs from the subject, with the resulting adjusted average price from the comparables taken as providing a reasonable indication of the subject’s value.

Industrial buildings are valued using an earnings-based approach based on normal earnings. Income from each lessee is expected to be generated for as long as the lease is in force or until the first time it may be terminated if considered advantageous. Thereafter, income is expected to continue to be generated at market rent. Adjustments are made for lost rental income, fitting-out deposits and un-obtainable running costs.

The required rates of return having been set are an important input in estimating the fair values. The required rate of return used ranges from 12.3% to 13.0%.

As regards properties where claims as to title have not yet been accommodated, the value is further reduced by 20% due to the risk that such claims will be accommodated and due to the expenses associated with this transitional phase.

Adjustments of the fair value of investment property are recognised in profit or loss in the financial year in which the change occurred.

Investments in subsidiaries
On initial recognition, investments in subsidiaries are measured at cost plus transaction costs. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value.

Inventory

Finished products
Finished products are mainly residential units and parking spaces. Finished products are valued at the lower of the two values: manufacturing cost and net realisable value. The net realisable value is the estimated selling price assessed by the Management Board of the company based on market prices.

Work in progress
Work in progress is valued at the lower of the two values: purchase price / production cost / fair value at the moment of transfer from the investment property (land plots) and the net realisable value. In the event of any discrepancies, a write-down is made. With regard to the company's development projects, the necessity to make an impairment loss is assessed on the basis of the "impairment test" described below, based on an analysis of the production cost and the net realisable value.

Inventory impairment test

If a development project is expected to generate a loss, it results in a write-down of work in progress, which is immediately recognised in the profit and loss account.

For each development project, budgets are prepared that include both past and future cash flows for each implemented project. These budgets are updated at least semi-annually. For the purposes of impairment testing, project budgets include all past and projected net revenues less the direct costs of land acquisition, design, construction and other costs related to project preparation, demonstration premises and the on-site sales office. These budgets are also encumbered with associated past and projected borrowing costs and projected customer claims (if applicable). Project budgets are prepared using the principle of prudent valuation. If the margin on the project, calculated taking into account all revenues and the above-mentioned costs, is positive, then there is no need to create an inventory impairment write-down. A negative margin indicates a potential impairment problem, which, after careful verification of cash flows for a given project, results in the recognition of an inventory impairment loss in the amount of the estimated negative value of this margin.

The revaluation write-off is recognised in the cost of sales in the item "Adjustment of the value of inventories to the net realisable value". A possible reversal of such an impairment loss for a given project is possible if the expected value of the margin on this project becomes positive.

Transferring land plots from investment property to inventories
Investment property is transferred to inventory when the development process has been decided and initiated, a decision on the possible way of developing the plot has been obtained, and expenses related to the project have already taken place.

Receivables
Receivables comprise non-current deposits in connection with the purchase and sale of goods and receivables from sale of goods and services. Receivables are classified as loans and receivables, which are financial assets with fixed or determinable payments that are not quoted in an active market and are not derivative financial instruments.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value less write-downs for bad debts.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a consequence of past events during the financial year or prior years, and when it is likely that settlement of the obligation will require an outflow of the Group's financial resources. Warranty commitments cover commitments to repair faulty or defective products sold within the warranty period.
Provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at present value.

Lease liabilities
IFRS 16 eliminates the classification of leases as either operating leases or finance leases. Lease liabilities for all leases with a term of more than 12 months are recognised, unless the underlying asset is of low value.

At the commencement date, a lease liability is measured at the present value of future lease payments. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modification or to reflect revised in-substance fixed lease payments.

Other financial liabilities
Other financial liabilities comprise bank debt, trade payables and other payables to public authorities. On initial recognition, other financial liabilities are measured at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost, applying the effective interest method, to the effect that the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

CASH FLOW STATEMENT

The consolidated cash flow statement is presented according to the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the year.

The cash effect of acquisitions and divestments of entities is shown separately under cash flows from investing activities. Cash flows from the acquisition of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from the disposal of entities are recognised up to the date of disposal.

Cash flows from operating activities are presented according to the indirect method and stated as operating profit, adjusted for non-cash operating items and changes in working capital and financial income and expenses, less the income tax paid during the financial year attributable to operating activities.

Cash flows from investing activities comprise payments related to the purchase and sale of financial assets, including non-current prepayments for goods, subsidiaries as well as the purchase, development, improvement, sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or the composition of the parent company's share capital and related costs as well as the raising and repayment of loans, cash deposits, instalments on interest-bearing debt, acquisition of treasury shares and payment of dividends. Furthermore, cash flows regarding assets held under finance leases in the form of lease payments made are recognised.

Cash and cash equivalents comprise cash deposits.

Segment information
The Group is assessed as having two segments:
(A) Property management division comprising letting of premises and land and the provision of utilities to tenants, including power, water, natural gas, facility services, etc.
(B) Property development – including the preparation and implementation of development projects, primarily in the field of housing and commercial space.

Financial ratios	**Formula**
EBITDA margin (%)	EBITDA*100
	Revenue
EBIT margin (%) (Profit margin)	EBIT*100
	Revenue
Return on invested capital (%)	EBIT*100
incl. goodwill	Average invested capital
Equity ratio (%)	Equity*100
	Total assets
Return on equity (%)	Profit/loss for the year after tax*100
	Average equity

Calculations of earnings per share and diluted earnings per share are specified in Note 8.

Net working capital (NWC) is defined as the value of inventories, receivables and other operating assets less trade payables and other current operating liabilities. Cash and cash equivalents and deferred tax assets are not included in the net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities less interest-bearing assets, such as cash and cash equivalents.

Invested capital is defined as net working capital plus the carrying amount of non-current property, plant and equipment and intangible assets, less other provisions and non-current operating liabilities.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as EBIT plus depreciation, amortisation and goodwill impairment of the year.

New standards, interpretations and amendments effective from 1 January 2022

The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2022:

- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for periods beginning on or after 1 January 2022
- Annual Improvements to IFRS Standards 2018–2020, effective for periods beginning on or after 1 January 2022
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract), effective for periods beginning on or after 1 January 2022
- Property, Plant and Equipment — Proceeds before Intended Use, effective for periods beginning on or after 1 January 2022

The new standards, interpretations and amendments do not have significant impact on the Group's financial statements.

New standards, interpretations and amendments not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these are:

- IAS 1 "Presentation of Financial Statements", the amendments are effective for annual periods beginning on or after 1 January 2023
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the amendments are effective for annual periods beginning on or after 1 January 2023
- IFRS 16 "Leases", the amendments are effective for annual reporting periods beginning on or after 1 January 2024
- IFRS 17 "Insurance Contracts", the amendments are effective for annual reporting periods beginning on or after 1 January 2023

2. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

In applying the Group's accounting policies, as outlined in Note 1, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which cannot be immediately inferred from other sources.

The estimates and assumptions applied are based on historical experience and other factors that Management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Group is subject to risks and uncertainties that may cause actual outcomes to deviate from such estimates. CeMat's risks are described in "Risks and risk management" and in Note 24 "Financial risks and financial instruments".

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the reference period in which the change occurs and in future reference periods if the change affects the period in which it is made as well as subsequent reference periods.

Measurement of investment property

The Group's investment property is measured at its estimated fair value in accordance with IAS 40 and IFRS 13, and any value adjustments are recognised in the income statement. Management has reviewed the updated valuation report received in December 2022 and its underlying assumptions. Management's valuation estimate is in line with that indicated in the report, and the fair value consequently reflects the value stated in the report.

As the property market is not in all respects as efficient and liquid as, for example, the equity market, there can be no assurance that a buyer willing to pay the fair value at which the property is stated in the financial statements can be found at any given time. In other words, properties are subject to a liquidity risk in a sales situation.

Investments in subsidiaries

Investments in subsidiaries are recognised in the parent company's financial statements at cost less any write-downs to the recoverable amount.

Forward-looking statements

All forward-looking statements in this annual report reflect Management's current expectations for certain future events and financial results. Forward-looking statements are inherently subject to uncertainty, and actual results may therefore differ materially from expectations.

Factors that may cause actual results to deviate materially from expectations include, but are not limited to, general economic developments, developments in the financial markets and changes in the Polish real estate rental market. Changes in the political climate in Poland may also affect forecasts and results.

Tax asset utilisation

Deferred tax assets are recognised for all unutilised tax losses and differences to the extent it is considered likely that they can be utilised through taxable income within a foreseeable number of years.

The annual report is published only in English.

3. SEGMENT INFORMATION

Based on IFRS 8 Operating Segments, the CeMat Group is assessed as having two segments:

(A) Property management division comprising letting of premises and land and the provision of utilities to tenants, including power, water, natural gas, facility services, etc.

(B) Property development – including the preparation and implementation of development projects, primarily in the field of housing and commercial space.

The assessment of the results of operations in individual segments is made mainly on the basis of sales revenues and gross profit obtained in these segments.

2022 **DKK'000**	**Property Management**	**Development*)**	**Total**
Sales revenue	26,574	0	26,574
GROSS PROFIT	**12,700**	**(402)**	**12,298**
Overheads			(8,939)
Other income / costs			129
EBITDA			**3,488**
Depreciation			(28)
EBIT			**3,460**
Revaluation investment property			25,325
Net result on financial activities			(973)
PROFIT (LOSS) BEFORE TAX			**27,812**
Tax on profit/(loss) for the year including deferred tax			(5,730)
PROFIT (LOSS) FOR THE YEAR			**22,082**

*) In 2022, there were no revenues in the Development segment. The Development segment has been separated in terms of functionality. According to the accounting policy, revenues and profits from the sale of real estate (residential units, commercial space, etc.) will be recognized when the real estate purchaser takes over control over the real estate acquired and receives significant risks and rewards of ownership.

2021 **DKK'000**	**Property Management**	**Development*)**	**Total**
Sales revenue	21,307	0	21,307
GROSS PROFIT	**10,110**	**0**	**10,110**
Overheads			(7,735)
Other income / costs			994
EBITDA			**3,369**
Depreciation			(43)
EBIT			**3,326**
Revaluation investment property			30,871
Net result on financial activities			(1,038)
PROFIT (LOSS) BEFORE TAX			**33,159**
Tax on profit/(loss) for the year including deferred tax			(6,898)
PROFIT (LOSS) FOR THE YEAR			**26,261**

*) In 2021, there were no revenues or costs in the Development segment. The Development segment has been separated in terms of functionality. According to the accounting policy, revenues and profits from the sale of real estate (residential units, commercial space, etc.) will be recognized when the real estate purchaser takes over control over the real estate acquired and receives significant risks and rewards of ownership.

Other segment information:

Property management revenue can be broken down into the letting of premises and land and the provision of utilities to tenants, including power, water, natural gas, facility services, etc:

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
0	0	Letting	18,639	15,736
0	0	Utilities	7,935	5,571
0	**0**	**Total**	**26,574**	**21,307**

Revenue is generated by the Polish subsidiaries CeMat Real Estate, CeMat '70 S.A. and W133, and the Group derives all of its revenue from Poland.

4. STAFF COSTS

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
1,050	840	Directors' fees	1,050	840
36	36	Wages and salaries	3,134	3,366
0	0	Bonuses for Management Board	324	299
0	0	Pension contributions, defined contribution plans	550	642
0	0	Other social security costs	169	133
1,086	**876**	**Total**	**5,227**	**5,281**
1	**1**	**Average number of full-time employees**	**22**	**21**

The calculation of the average number of full-time employees (FTE) is based on the number of employees at the end of each month, not including members of the Board of Directors. For the purpose of the above table, the Management Board is understood as the CEO of CeMat A/S and the CEO and CFO of the subsidiary companies CeMat '70, CeMat Real Estate, W131, W133 and Arkuszowa 56. Additional remuneration of the CEO for consultancy services of DKK 859 thousand (2021: DKK 698 thousand) related to development project or preparation of land plots for divestment or development is recognised as inventories (work in progress) or investment property and is not included in the table above.

CeMat has signed an annex which intends to a new performance-based remuneration system for CEO, contribute to business strategy, long-term interests and sustainability through the application of the long-term performance and development targets of the company. An additional bonus will be paid if the companies obtain a profit from the sale of the properties in an amount exceeding the limit of PLN 103,500,000. This limit is based on the sale of undeveloped real estate and profits from the sale of developed real estate.

Group and parent company

Remuneration of Board of Directors and Management Board

	Board of Directors		Management Board	
DKK'000	**2022**	**2021**	**2022**	**2021**
Directors' fees	1,050	840	0	0
Salaries	0	0	1,468	1,220
Bonuses	0	0	324	299
Pension contributions	0	0	132	121
Total	**1,050**	**840**	**1,924**	**1,640**

The fee to the Chairman of the Board of Directors for the current term amounts to DKK 500 thousand (2021: DKK 400 thousand), to the Deputy Chairman DKK 350 thousand (2021: DKK 280 thousand) and to an ordinary member DKK 200 thousand (2021: DKK 160 thousand). For the purpose of the above table, the Management Board is understood as the CEO of CeMat A/S and the CEO and CFO of the subsidiary companies CeMat '70, CeMat Real Estate, W131, W133 and Arkuszowa 56. Additional remuneration of the CEO for consultancy services of DKK 859 thousand related to development project or preparation of land plots for divestment or development recognised as inventories (work in progress) or investment property is included in the line "Salaries" in the table above.

5. FINANCIAL INCOME

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
53	55	Interest from group entities	0	0
0	0	Interest on bank deposits etc.	184	7
53	**55**	**Interest income**	**184**	**7**
468	216	Foreign exchange adjustments	0	0
521	**271**	**Total**	**184**	**7**

6. FINANCIAL EXPENSES

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
1,146	1,083	Interest to group entities	0	0
0	0	Interest relating to lease liabilities	978	994
56	17	Interest on bank loans	56	17
18	25	Other interest	126	33
1,220	**1,125**	**Interest expenses**	**1,160**	**1,044**
0	0	Foreign exchange adjustments	(3)	1
1,220	**1,125**	**Total**	**1,157**	**1,045**

7. TAX ON THE PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX

GROUP

The current tax for the financial year has been calculated at a tax rate of 22.0%.

DKK'000	2022	2021
Current tax	(901)	(516)
Change in deferred tax including change in value	(4,823)	(6,353)
Adjustment of current tax relating to prior years	(6)	(29)
Total	**(5,730)**	**(6,898)**

Tax on the profit/loss for the year may be specified as follows:

Profit/(loss) before tax	**27,858**		**33,159**	
Tax at a rate of 22.0%	(6,118)	(22.0%)	(7,295)	(22.0%)
Effect of different tax rate in foreign entities	950	3.4%	1,095	3.3%
Tax base of non-deductible expenses and non-taxable income	200	0.7%	82	0.2%
Adjustment of current tax relating to prior years	(6)	0.0%	(29)	(0.1%)
Value adjustment of deferred tax	(756)	(2,7%)	(751)	(2.3%)
Effective tax/tax rate for the year	**(5,730)**	**(20.6%)**	**(6,898)**	**(20.8%)**

7. TAX ON THE PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX (CONTINUED)

GROUP

Breakdown of deferred tax for the Group stated in the balance sheet:	2022	2021
Deferred tax liabilities, see balance sheet	(30,000)	(25,636)
Deferred tax, net	**(30,000)**	**(25,636)**

2022 DKK'000	Deferred tax 01.01.2022	Recognise in Income Statement 2022	Loss of usability of tax losses 2022	Foreign exchange adjustment 2022	Deferred tax 31.12.2022
Property, plant and equipment	(24,715)	(4,469)		(103)	(29,287)
Trade receivables	(1,186)	(321)			(1,507)
Other payables etc	265	(33)			232
Temporary differences	**(25,636)**	**(4,823)**	**0**	**(103)**	**(30,562)**
Tax loss carry-forwards	24,140	750	0	(2)	24,888
Unutilised tax losses	**24,140**	**750**	**0**	**(2)**	**24,888**
Value adjustment	(24,140)	(756)	568	2	(24,325)
Total	**(25,636)**	**(4,829)**	**568**	**(103)**	**(30,000)**

The Group does not expect to be able to utilise part of the tax losses within 3-5 years. Accordingly, no tax asset has been recognised in the consolidated balance sheet.

2021 DKK'000	Deferred tax 01.01.2021	Recognise in Income Statement 2021	Loss of usability of tax losses 2021	Foreign exchange adjustment 2021	Deferred tax 31.12.2021
Property, plant and equipment	(18,697)	(6,210)	0	192	(24,715)
Trade receivables	(955)	(231)	0	0	(1,186)
Other payables etc	177	88	0	0	265
Temporary differences	**(19,475)**	**(6,353)**	**0**	**192**	**(25,636)**
Tax loss carry-forwards	29,704	751	(6,254)	(61)	24,140
Unutilised tax losses	**29,704**	**751**	**(6,254)**	**(61)**	**24,140**
Value adjustment	(29,704)	(751)	6,254	61	(24,140)
Total	**(19,475)**	**(6,353)**	**0**	**192**	**(25,636)**

The Group does not expect to be able to utilise the tax losses within 3-5 years. Accordingly, no tax asset has been recognised in the consolidated balance sheet.

7. TAX ON THE PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX (CONTINUED)

PARENT COMPANY

The current tax for the financial year has been calculated at a tax rate of 22.0%.

DKK'000	**2022**		**2021**	
Current tax	0		0	
Change in deferred tax	0		0	
Adjustment of current tax relating to prior years	0		0	
Adjustment of deferred tax relating to prior years	0		0	
Total	**0**		**0**	
Tax on the profit/loss for the year may be specified as follows:				
Profit/(loss) before tax	**(3,383)**		**(3,161)**	
Tax at a rate of 22.0%	744	(22.0%)	695	(22.0%)
Adjustment of current tax relating to prior years	(5)	0.1%	(29)	0.9%
Value adjustment of deferred tax	(739)	21.8%	(666)	21.1%
Effective tax/tax rate for the year	**0**	**0.0%**	**0**	**0.0%**

2022 **DKK'000**	**Deferred tax 01.01.2022**	**Recognised in income statement 2022**	**Deferred tax 31.12.2022**
Intangible assets			
Property, plant and equipment			
Inventories			
Other payables etc.			
Temporary differences	**0**	**0**	**0**
Tax loss carry-forwards	23,587	739	24,326
Unutilised tax losses	**23,587**	**739**	**24,326**
Value adjustment	(23,587)	(739)	(24,326)
Total	**0**	**0**	**0**

Tax losses are not expected to be utilised in full within a period of 3-5 years. Accordingly, no tax asset has been recognised in the parent company's balance sheet.

2021 DKK'000	Deferred tax 01.01.2021	Recognised in income statement 2021	Deferred tax 31.12.2021
Intangible assets	0	0	0
Property, plant and equipment	0	0	0
Inventories	0	0	0
Other payables etc.	0	0	0
Temporary differences	**0**	**0**	**0**
Tax loss carry-forwards	22,921	666	23,587
Unutilised tax losses	**22,921**	**666**	**23,587**
Value adjustment	(22,921)	(666)	(23,587)
Total	**0**	**0**	**0**

Tax losses are not expected to be utilised in full within a period of 3-5 years. Accordingly, no tax asset has been recognised in the parent company's balance sheet.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

PARENT COMPANY			GROUP	
2022	**2021**	**DKK**	**2022**	**2021**
(0.01)	(0.01)	Earnings per share (DKK)	0.08	0.10
(0.01)	(0.01)	Diluted earnings per share (DKK)	0.08	0.10
(3,383)	(3,162)	Earnings used in the calculation of earnings per share (DKK'000):	20,326	24,199
249,850	249,850	Average number of shares used to calculate earnings per share ('000)	249,850	249,850
249,850	249,850	Average number of shares used to calculate diluted earnings per share ('000)	249,850	249,850

The average number of outstanding shares is calculated as the number of days prior to a capital increase multiplied by the number of shares in circulation. If several capital increases are made, the number of days between the capital increases multiplied by the number of shares in circulation during the relevant period is added together. The sum is divided by 365.

9. PROPERTY, PLANT AND EQUIPMENT

GROUP

2022 **DKK'000**	**Investment property**	**Investment property, right of use**	**Total Investment property**	**Plant and machinery right of use**	**Total right of use**	**Total property plant and equipment**
Carrying amount at 1 January 2022	120,635	16,522	137,157	165	16,687	137,322
Foreign exchange adjustments	(2,252)	(299)	(2,551)	(3)	(302)	(2,554)
Right of use, depreciation	0	0	0	(28)	(28)	(28)
Additions	0	0	0	0	0	0
Disposals	0	0	0	(17)	(17)	(17)
Transfer to inventories (work in progress)	(4,655)*	0	(4,655)	0	0	(4,655)
Shortening the leasing period	0	(2,446)	(2,446)	0	(2,446)	(2,446)
Enhancement costs	5,024	0	5,024	0	0	5,024
Revaluation to market value	25,277	48	25,325	0	48	25,325
Carrying amount at 31 December 2022	**144,029**	**13,825**	**157,854**	**117**	**13,942**	**157,971**

*The fair value of one of the plots has been transferred to inventories (work in progress) in connection with the commencement of a development project.

2021 **DKK'000**	**Investment property**	**Investment property, right of use**	**Total Investment property**	**Plant and machinery right of use**	**Total right of use**	**Total property plant and equipment**
Carrying amount at 1 January 2021	112,833	13,808	**126,641**	55	**13,863**	**126,696**
Foreign exchange adjustments	(1,480)	(126)	**(1,606)**	0	**(126)**	**(1,606)**
Right of use, depreciation	0	0	**0**	(43)	**(43)**	**(43)**
Additions	0	2,692	**2,692**	153	**2,845**	**2,845**
Transfer to inventories (work in progress)	(22,684)*	0	**(22,684)**	0	**0**	**(22,684)**
Enhancement costs	1,243	0	**1,243**	0	**0**	**1,243**
Revaluation to market value	30,723	148	**30,871**	0	**148**	**30,871**
Carrying amount at 31 December 2021	**120,635**	**16,522**	**137,157**	**165**	**16,687**	**137,322**

*The fair value of one of the plots has been transferred to inventories (work in progress) in connection with the commencement of a development project.

The Polish properties have an assessed value of DKK 157,971 thousand, of which DKK 143,889 thousand is the real estate in Warsaw, DKK 140 thousand is a land plot in Blichowo and DKK 13,942 thousand is right of use resulting from the application of IFRS 16. The value of the real estate in Warsaw is supported by an external valuation report received in December 2022, prepared by a leading international estate agent in Warsaw. The value of the land plot in Blichowo has been assessed by the company's management using a comparative method.

The value of the real estate in Warsaw represents the estate agent's assessment of the current fair value. In addition to the general price level in the market, the assessment is based on these main assumptions: the present use of the property, the state of the buildings, the percentage of ownership, the income generated by the property and the zoning of the area. Any changes to these, particularly the percentage of ownership (i.e. the positive or negative resolution of former owners' claims), changes in zoning (e.g. to residential) and the general price development of similar properties in the area, could favourably or adversely impact the property valuation.

For the valuation purposes, the property was divided into four groups: internal roads, industrial schemes (buildings), development land and plots designated for external roads.

For the purpose of the valuation of internal roads, development land and external roads, a comparative approach has been used whereby recent sales are used to determine the likely value of the subject. This approach assumes that the variation in prices between at least three comparable properties can be explained by differences in their individual attributes such as location, surroundings, accessibility, development potential, etc. The influence of each of these attributes on the value is assigned a percentage weighting, and the characteristics of each comparable and the subject are then rated, typically from 1 – 5, from very good to very poor. The price of each comparable is adjusted according to how it differs from the subject, with the resulting adjusted average price from the comparables taken as providing a reasonable indication of the subject's value.

Industrial buildings are valued using an earnings-based approach based on normal earnings. Income from each lessee is expected to be generated for as long as the lease is in force or until the first time it may be terminated if considered advantageous. Thereafter, income is expected to continue to be generated at market rent. Adjustments are made for lost rental income, fitting-out deposits and unobtainable running costs. Market rents applied range from DKK 55.6 per sqm for warehouses, to DKK 62.4 per sqm for offices and DKK 79.4 per sqm for self-storage boxes

For the purpose of the valuation of the industrial buildings, an equivalent yield approach has been used. An equivalent yield is defined in the Glossary of Property Terms (2nd edition), published by Estates Gazette, as "the constant capitalisation rate applied to all cash flows, that is, the internal rate of return from an investment property reflecting reversions to current market rent, and such items as voids and expenditures, but disregarding potential changes in market rents. Conventionally calculated on a nominal basis, assuming that rents are receivable/payable annually in arrears".

The required rates of return which have been set are an important factor in estimating the fair values. An equivalent yield of between 10.9% and 11.55% was adopted, which reflects the risks associated with a normal ownership or usufruct interest property including open-ended lease agreements and the physical state of the particular buildings. Using the equivalent yields mentioned above, a value of the subject was obtained reflecting an initial yield of between 9.79% and 13.47% and a final yield of between 12.06% and 12.99%.

Other assumptions:
Short-term leases: assumed to expire after their notice periods
Letting voids: 24 months for offices / 12 for warehouse & production space
Reletting voids: 10 months for offices / 5 for warehouse & production space
No fit-out contributions
Letting fees: 16.5%
No rent-free periods and empty service charge
Irrecoverable operating costs DKK 6.7 million (including property tax, perpetual usufruct fee, security, insurance, cost of the utilities based on the operating cost budget, plus management fee of 2% of market rent)
Capital expenditure of DKK 3.7 million

In the case of properties for which the company is not entered in the land and mortgage register as a perpetual usufructuary or owner due to claims or protracted administrative proceedings, the value is further reduced by 20% due to the risk that such claims will be accommodated and due to the expenses associated with the transitional phase.

Valuation sensitivity to the main factors used:

+/- DKK 3,300 thousand for a change in the price of land by 10% (applied to internal roads, development land and external roads);

+/- DKK 15,600 thousand for a change in market rent rate by 10% (applied to plots of land with buildings i.e. perpetual usufruct right over plot 59/17 and possession right over plots 69/8 and 69/3);

- DKK 11,200 thousand for an increase in equivalent yield by 10%; + DKK 14,500 thousand for a decrease in equivalent yield by 10% (applied to plots of land with buildings i.e. perpetual usufruct right over plot 59/17 and possession right over plots 69/8 and 69/3);

+/- DKK 2,000 thousand for a change in the discount for legal title by 10% (applies to plots in possession, i.e. without a legal title).

Fair value hierarchy information	**Level 1**	**Level 2**	**Level 3**	**at 31/12**
2022				
Land / roads			32,756	32,756
Plots of land with buildings			111,273	111,273
Right of use			13,942	13,942
Total Investment property	**-**	**-**	**157,971**	**157,971**
2021				
Land / roads			36,402	36,402
Plots of land with buildings			84,233	84,233
Right of use			16,687	16,687
Total Investment property	**-**	**-**	**137,322**	**137,322**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Rental income from investment property

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
0	0	Rental income from investment property	18,639	15,736
0	**0**	**Rental income from investment property**	**18,639**	**15,736**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Direct operating expenses arising from investment property

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
0	0	Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	6,946	5,657
0	0	Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period	671	834
0	**0**	**Direct operating expenses arising from investment property**	**7,617**	**6,491**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Amounts of minimum lease payments at balance sheet date under non-cancellable operating leases.

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
		Operating lease payments may be specified as follows:		
0	0	Within 1 year	6,063	5,591
0	0	Between 1 and 5 years	895	1,768
0	**0**	**Total**	6,958	**7,359**

For agreements with tenants for an indefinite period, the above figures represent the aggregate rental income from leasing agreements within their notice periods. For agreements with tenants for a definite period, the above figures represent the aggregate rental until the end of the agreement.

10. INVESTMENTS IN SUBSIDIARIES

PARENT COMPANY		
2022	**2021**	**DKK'000**
93,339	93,339	Cost at 1 January
93,339	**93,339**	**Value at 31 December**

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Domicile	Interest (%) 2022	Interest (%) 2021	Share of voting rights (%) 2022	Share of voting rights (%) 2021	Activity
CeMat Real Estate S.A.	Poland	100.00	100.00	100.00	100.00	Ownership share in CeMat '70 S.A.
CeMat '70 S.A.	Poland	93.28	93.15	93.28	93.15	Letting of commercial properties
W133 Sp. z o.o.	Poland	93.28	93.15	93.28	93.15	Holding of rights
W131 Sp. z o.o.	Poland	93.28	93.15	93.28	93.15	Holding of rights
Arkuszowa 56 Sp. z o.o.	Poland	93.28	93.15	93.28	93.15	Holding of rights

CeMat Real Estate S.A. holds the ownership interest in CeMat '70 S.A., while CeMat '70 S.A. holds the ownership interests in W133 Sp. z o.o., W131 Sp. z o.o. and Arkuszowa 56 Sp. z o.o.

11. OTHER NON-CURRENT RECEIVABLES

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
0	0	Prepayment, settlement of claim of title to land	366	273
0	**0**	**Total**	366	**273**

12. INVENTORIES

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
0	0	Property under construction – land plot transferred from the investment property	26,928	22,684
0	0	Other expenditures related to the development projects	6,432	2,350
0	**0**	**Total**	33,360	**25,034**

No inventories are carried at fair value less costs to sell. There was not any write- down of inventories recognised as an expense in the period. There was not any reversal of a write-down to net realisable value. No inventories are pledged as security for liabilities. There was not any cost of inventories recognised as expense.

Inventory recovery

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
0	0	Recoverable within 12 months	0	0
0	0	Recoverable after more than 12 months	33,360	25,034
0	**0**	**Total**	33,360	**25,034**

13. TRADE RECEIVABLES

PARENT COMPANY			GROUP	
2022	2021	DKK'000	2022	2021
0	0	Trade receivables	2,715	2,151
0	0	Loss provisions included in the above receivables and recognised in “Other external expenses”	(515)	(424)
0	**0**	**Total**	**2,200**	**1,727**

Overdue receivables for which provisions have not been made.

PARENT COMPANY			GROUP	
2022	2021	DKK'000	2022	2021
0	0	Overdue by up to 1 month	762	587
0	0	Overdue by 1 to 3 months	264	222
0	0	Overdue by more than 3 months	59	108
0	**0**	**Total**	1,085	**917**

Overdue receivables for which provisions have not been made, by geographical area:

PARENT COMPANY			GROUP	
2022	2021	DKK'000	2022	2021
0	0	Europe	1,085	917
0	**0**	**Total**	1,085	**917**

With the implementation of IFRS 9, the company has applied the simplified expected credit loss model to measure the expected credit loss allowance for all trade receivables. Based on the low realised losses on receivables historically, adjustments to reflect current and forward-looking information on macroeconomic factors affecting the ability of clients to settle the receivable such as GDP and unemployment rates do not increase the risk of losses significantly.

13. TRADE RECEIVABLES (CONTINUED)

Provision account for receivables:

PARENT COMPANY			GROUP	
2022	2021	DKK'000	2022	2021
0	0	Provision account at 1 January	424	301
0	0	Reversed provisions	(149)	0
0	0	Provisions for the year	249	125
0	0	Translation differences	(9)	(2)
0	**0**	**Provision account at 31 December**	515	**424**

14. CASH AND CASH EQUIVALENTS AS PER THE CASH FLOW STATEMENT

The Group's cash and cash equivalents primarily consist of bank deposits. No credit risk is deemed to be associated with cash and cash equivalents. Bank deposits carry floating rates of interest. The carrying amount equals the fair value of the assets.

15. SHARE CAPITAL

The share capital consists of 249,850,303 shares of DKK 0.02 each. The shares have not been divided into classes and carry no special rights.

'000	**2022**	**2021**
Number of shares at 1 January	249,850	249,850
Cancellation of own shares	-	-
Number of shares at 31 December	**249,850**	**249,850**

DKK'000		
Share capital at 1 January	4,997	4,997
Cancellation of own shares	-	-
Share capital at 31 December	**4,997**	**4,997**

16. OTHER RESERVES

The translation reserve comprises all foreign exchange adjustments arising from the translation of the financial statements of entities with other functional currencies than DKK and the foreign exchange adjustments of receivables from or payables to subsidiaries which are considered part of the parent company's overall investment in the subsidiary.

17. LEASE LIABILITIES

GROUP

Lease liabilities arise from the application of IFRS 16 and relate to the right of perpetual usufruct and the leasing of a company car. Disclosures regarding the depreciation charge for right-of-use assets and the carrying amount of right-of-use assets at the end of the reporting period are included in Note 9. Interest expense on lease liabilities is presented in Note 6. The total cash outflow for leases was DKK 956 thousand in 2022. The expense relating to short-term operating leases for which no lease liability was recognised at the end of the reporting period was DKK 16 thousand. The fixed incremental borrowing rate applied for first time recognition of lease liability was 6%. The total lease obligation was discounted using the incremental borrowing rate over the total lease period, which is 67 years.

	Minimum lease payments, DKK'000		**Present value of minimum lease payments, DKK'000**	
	2022	**2021**	**2022**	**2021**
Finance lease liabilities fall due as follows:				
Within 1 year from the balance sheet date	867	1,002	818	943
Between 1 and 5 years from the balance sheet date	3,473	4,152	2,843	3,401
More than 5 years from the balance sheet date	52,619	64,061	10,285	12,343
At 31 December	**56,959**	**69,215**	**13,946**	**16,687**

2022	**Expiry**	**Fixed or floating interest rate**	**Present value of minimum lease payments, DKK'000**	**Fair value DKK'000**
Lease liability, right of use investment property	2089	Fixed	13,825	13,824
Lease liability, right of use plant and machinery	2025	Floating	121	121
Total			**13,946**	**13,946**

2021	**Expiry**	**Fixed or floating interest rate**	**Present value of minimum lease payments, DKK'000**	**Fair value DKK'000**
Lease liability, right of use investment property	2089	Fixed	16,522	16,522
Lease liability, right of use plant and machinery	2025	Floating	165	165
Total			**16,687**	**16,687**

18. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

GROUP

2022 DKK'000	Beginning of year	Cash flow Proceeds from loans	Cash flow Repayment of loans	Non-cash Other	Non-cash Exchange rate adjust.	End of year
Lease liabilities	172	0	(32)	(22)	0	118
Bank loans	976	0	0	57	0	1,033
Total financial liabilities	**1,148**	**0**	**(32)**	**35**	**0**	**1,151**

2021 DKK'000	Beginning of year	Cash flow Proceeds from loans	Cash flow Repayment of loans	Non-cash Other	Non-cash Exchange rate adjust.	End of year
Lease liabilities	55	0	(40)	157	**0**	**172**
Bank loans	0	950	**0**	26	**0**	**976**
Total financial liabilities	**55**	**950**	**(40)**	**183**	**0**	**1,148**

PARENT COMPANY

2022 DKK'000	Beginning of year	Cash flow Proceeds from loans	Cash flow Repayment of loans	Non-cash Other	Non-cash Exchange rate adjust.	End of year
Loans from subsidiaries	27,367	2,536	0	1,146	(490)	30,559
Bank loans	976	0	0	57	0	1,033
Loans	**28,343**	**2,536**	**0**	**1,203**	**(490)**	**31,592**

2021 DKK'000	Beginning of year	Cash flow Proceeds from loans	Cash flow Repayment of loans	Non-cash Other	Non-cash Exchange rate adjust.	End of year
Loans from subsidiaries	25,715	797	**0**	1,082	**(227)**	**27,367**
Bank loans	0	950	**0**	26	**0**	**976**
Loans	**25,715**	**1,747**	**0**	**1,108**	**(227)**	**28,343**

19. TRADE PAYABLES

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
287	244	Amounts owed to suppliers for goods and services delivered	1,715	1,447
287	**244**	**Total**	**1,715**	**1,447**

The carrying amount equals the fair value of the liabilities. Amounts owed to suppliers fall due within one year.

20. OTHER PAYABLES

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
901	756	Wages and salaries, BoD fee, social security contributions, etc. payable	1,587	1,356
0	0	Holiday pay obligation etc.	230	100
0	0	VAT and other indirect taxes payable	(1,754)	(160)
0	0	Cost provisions and other payables	373	1,208
901	**756**	**Total**	436	**2,504**

The carrying amount of payables in respect of payroll, Board of Directors fees, tax deducted at source, social security contributions, holiday pay etc., VAT and other indirect taxes and other payables corresponds to the fair value of these liabilities. Holiday pay obligations etc. represent the Group's obligation to pay wages and salaries during holidays in the next financial year, to which the employees have earned entitlement as at the balance sheet date. All items under other payables are expected to be settled within one year.

21. CHANGE IN NET WORKING CAPITAL

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
0	0	Change in receivables	(688)	(85)
0	0	Change in inventories (work in progress)	(3,946)	(3,090)
320	(11)	Change in trade payables and other payables	(1,800)	(182)
320	**(11)**	**Total**	**(6,434)**	**(3,357)**

22. GUARANTEES AND CONTINGENT LIABILITIES

No guarantees or sureties have been issued to third parties.

23. OTHER CONTRACTUAL COMMITMENTS

At the balance sheet date, the Group had no contractual commitments.

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
0	0	Trade receivables	2,200	1,727
1,341	1,312	Intra-group receivables	0	0
0	0	Other receivables, current	472	257
0	0	Other receivables, non-current	366	273
307	206	Cash and cash equivalents	7,139	16,204
1,648	**1,518**	**Loans, advances and receivables**	**10,177**	**18,461**
30,635	27,366	Debt to subsidiaries	0	0
0	0	Finance lease liabilities, current	815	943
0	0	Finance lease liabilities, non-current	13,128	15,751
1,033	976	Bank loans	1,033	976
0	0	Other non-current liabilities	3,263	2,173
287	244	Trade payables	1,715	1,447
0	0	Income tax payable	222	20
901	756	Other payables	436	2,504
32,856	**29,342**	**Financial liabilities**	**20,612**	**23,814**

Finance lease liabilities are measured at fair value, while other remaining liabilities are measured at amortised cost.

The Group's risk management policy

Risk management is an integral part of the day-to-day management of the business and is subject to continuous review by Management. Management believes that all material risks, apart from financial risks, concern supplier-customer relations. Due to the nature of its operations and capitalisation, the Group is not particularly exposed to fluctuations in exchange rates and interest rates. The Group pursues a low-risk profile, with currency, interest rate and credit risks arising only in connection with commercial relations. It is the Group's policy not to actively speculate in financial risks.

The Group manages its financial risks by means of a model for managing its cash budgeting covering a period of 1 year.

Currency risk

Currency risk constitutes the risk of losses (or the possibility of gains) when exchange rates change. Currency risk arises when income and expense items in foreign currency are recognised in profit or loss or from the value adjustment of balance sheet items denominated in other currencies.

The Group's sales are primarily settled in PLN and cost items are typically settled in DKK or PLN. The Group does not use derivative financial instruments to hedge currency risks from cash flows or balance sheet items. Instead, the Group uses foreign currency to settle same-currency debt items, which generally reduces currency risk.

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Unhedged net position at balance sheet date:

GROUP

2022 Currency	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position, DKK'000	Of which hedged DKK'000	Unhedged net position, DKK'000
PLN	6,832	2,672	(18,391)	(8,887)	0	(8,887)
DKK	307	0	(2,221)	(1,914)	0	(1,914)
Total	**7,139**	**2,672**	**(20,612)**	**(10,801)**	**0**	**(10,801)**

2021 Currency	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position, DKK'000	Of which hedged DKK'000	Unhedged net position, DKK'000
PLN	15,998	1,984	(21,838)	(3,856)	0	(3,856)
DKK	206	0	(1,976)	(1,770)	0	(1,770)
Total	**16,204**	**1,984**	**(23,814)**	**(5,626)**	**0**	**(5,626)**

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24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

PARENT COMPANY

2022 Currency	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position, DKK'000	Of which hedged DKK'000	Unhedged net position, DKK'000
PLN	0	1,341	(30,635)	(29,294)	0	(29,294)
DKK	307	0	(2,221)	(1,914)	0	(1,914)
Total	**307**	**1,341**	**(32,856)**	**(31,208)**	**0**	**(31,208)**

2021 Currency	Cash, deposits and securities DKK'000	Receivables DKK'000	Liabilities DKK'000	Net position, DKK'000	Of which hedged DKK'000	Unhedged net position, DKK'000
PLN	0	1,312	(27,366)	(26,054)	0	(26,054)
DKK	206	0	(1,976)	(1,770)	0	(1,770)
Total	**206**	**1,312**	**(29,342)**	**(27,824)**	**0**	**(27,824)**

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

The Group's credit risks associated with financial activities correspond to the amounts recognised in the balance sheet. The Group assesses the need for insurance on individual debtors on an ongoing basis. This assessment is based on the individual debtor's present and expected future commitment to the Group.

The primary credit risk of the Group is associated with trade receivables. No special credit risks are found to exist in this regard.

Capital management

The Group evaluates the need to adapt its capital structure on an ongoing basis. Management believes that the financing of the Group's future operations will be secured with the existing financial resources and cash flows from operating activities.

As regards the free cash flow generated by the Group, first priority is to allocate free cash flows to the Group's continued expansion and shareholder dividends.

For the Group, equity as a percentage of total equity and liabilities at the end of 2022 was 74.9% (2021: 72.7%). The realised return on equity for the Group for 2022 was 15.7% (2021: 22.0%).

The Group's financial gearing at the balance sheet date is calculated as follows:

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
1,033	976	Bank debt	1,033	976
(307)	(820)	Cash and cash equivalents	(7,139)	(16,204)
726	**156**	**Net interest-bearing debt**	**(6,106)**	**(15,228)**
62,131	**65,515**	**Equity**	**150,896**	**131,367**
0.01	**0.00**	**Financial gearing**	**(0.04)**	**(0.12)**

Liquidity and capital resources

At Group level, free cash and cash equivalents amounted to DKK 7.1 million at 31 December 2022, of which DKK 4.8 million are attributable to CeMat '70 S.A.

Based on expectations for 2023, Management believes that the existing capital resources and the expected future cash flows will be sufficient to maintain operations and finance planned investments.

The Group's budgets, and consequently also its future capital resources, are inherently subject to risk since the extent and timing of cash flow fluctuations will have an impact on the Group's capital resources. Management believes that any negative deviations in its operations relative to budgeted cash flows can be mitigated on a timely basis by cash flow-enhancing measures.

Risk related to obtaining external financing

The real estate development business, in which the Group intends to operate, requires significant initial expenditures to purchase land and to cover construction, infrastructure, and design costs. As such, the Group, in order to continue and develop its business, require significant amounts of cash through external financing by banks. The Group's ability to obtain such financing depend on many factors, in particular, on market conditions which are beyond the Group's control. In the event of difficulties to obtain the required financing, there is a risk that the scale of the Group's development and pace of achieving its strategic objectives may differ from what was originally planned. In such situation as described above, there is no certainty whether the Group will be able to obtain the required financing, nor whether financial resources will be obtained under conditions that are favourable to the Group.

Loans that the Company intends to obtain will be against variable interest rates that are based on WIBOR rates plus a margin. Therefore, changes in the WIBOR rates will have impact on the cash flow and the profitability of the Company.

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Availability of mortgages

The demand for residential real estate largely depends on the availability of credits and loans for financing the purchase of apartments and houses by individuals. Possible increase in interest rates, deterioration of the economic situation in Poland, the pandemic situation and the increase in unemployment in Poland as well as possible administrative restrictions on lending activities of the banks may cause a drop in demand for apartments and houses, and therefore a decrease in interest from potential buyers in the Company's development projects, which in turn may have a significant adverse impact on activities, financial standing or performance of the Company.

25. IMPLICATIONS OF THE COVID-19 PANDEMIC ON THE FINANCIAL STATEMENTS

The outbreak of the Covid-19 pandemic and the subsequent lockdown did not directly limit the company's operations. However, it did affect the operating activities of some tenants and, consequently, their financial condition.

This resulted in the need to grant selected tenants rent concessions in order to avoid losing them, an increase in writing off bad debts and the termination of leasing contracts. Another negative effect of the pandemic was the lower consumption of utilities by the tenants affected by the lockdown and the associated lower margin on their resale. These events had a negative impact on the company's finances especially in 2020. Their impact on the company's finances in 2021 was limited and in 2022, the company did not experience any effects of the covid-19 pandemic.

The company took advantage of Polish government aid programmes in 2021. Exemption from perpetual usufruct fee in the amount of DKK 0.2 million and partial redemption (DKK 0.6 million) of a financial subsidy from the government were recognised in the income statement under other external expenses.

26. FEE FOR AUDITORS APPOINTED BY THE GENERAL MEETING

PARENT COMPANY			GROUP	
2022	**2021**	**DKK'000**	**2022**	**2021**
140	135	Audit of annual report	263	258
48	26	Non-audit services	48	26
188	**161**	**Total**	311	**284**

27. RELATED PARTIES

The Group has no related parties exercising control.

The Group has the following related parties:
- Ambit Jarosław Lipiński, owned by member of the Management Board

The parent company has the following related parties:
- CeMat Real Estate S.A., subsidiary in Poland
- CeMat '70 S.A., subsidiary in Poland

The parent company had transactions with the following related parties in 2021 and 2022:
- CeMat Real Estate S.A., subsidiary in Poland
- CeMat '70 S.A., subsidiary in Poland

28. RELATED PARTY TRANSACTIONS

PARENT COMPANY			GROUP	
2022	2021	DKK'000	2022	2021
54	55	Subsidiaries, interest income	0	0
1,147	1,083	Subsidiaries, interest expenses	0	0
1,201	**1,138**	**Total transactions**	**0**	**0**

Other management remuneration etc. is stated separately in connection with note 4 “Staff costs”.

PARENT COMPANY			GROUP	
2022	2021	DKK'000	2022	2021
1,341	1,312	Subsidiaries, loans receivable	0	0
(64)	0	Subsidiaries, creditor payable	0	0
(30,559)	(27,366)	Subsidiaries, loans payable	0	0
(29,282)	**(26,054)**	**Total outstanding amount**	**0**	**0**

29. SHAREHOLDER INFORMATION

The parent company has registered the following shareholders holding more than 5% of the voting rights or nominal value of the share capital as at 31.12.2022

Composition of shareholders	Number of shares	Capital DKK	Capital %
EDJ-Gruppen Havnegade 19 6700 Esbjerg, Denmark	81,250,000	1,625,000.00	32.52
Gist Holding ApS C.F Richs Vej 31	25,691,023	513,820.46	10.28

30. BOARD OF DIRECTORS AND MANAGEMENT BOARD

The Board of Directors and Management Board of CeMat A/S hold shares in CeMat A/S.

	Shareholding, nominal value, DKK'000	
Shares (own and related parties*)	**2022**	**2021**
Frede Clausen, Chairman	190	190
Eivind Dam Jensen (EDJ-Gruppen), Deputy Chairman	1,625	1,625
Joanna Iwanowska-Nielsen, Member of the Board of Directors	22	20
Jarosław Lipiński, CEO	40	36
Total	**1,877**	**1,871**

* Related parties are Management's close family and companies in which they hold managerial positions or directorships.

31. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

32. APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

The Board of Directors approved this annual report for publication at a board meeting held on 22 February 2023. The annual report will be presented to the shareholders of the parent company for approval at the annual general meeting to be held on 23 March 2023.

CEMAT A/S

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