Nasdaq Copenhagen
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PUBLICATION OF ANNUAL REPORT

The annual report for 2019 of Cemat A/S has now been published.

Cemat A/S

Frede Clausen
Chairman of the Board

This announcement has been prepared in a Danish-language and an English-language version. In case of doubt, the Danish version prevails.

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2019

ANNUAL REPORT

1 January – 31 December

CeMat

CEMAT A/S

C/O DLA PIPER DENMARK ADVOKATPARTNERSELSKAB

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COMPANY REG> (CVR) no.: 24 93 28 18

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MANAGEMENT’S REVIEW

CeMat

1. CEMAT AT A GLANCE

CeMat A/S (formerly Topsil Semiconductor Materials A/S) is a listed holding company whose activity consists of the operation of Polish real estate companies. The objectives of CeMat '70, W131 and W133 are to identify and execute the best investment strategy for the Group's current portfolio and dividend policy for its shareholders.

All of the Group's sales income is generated in Poland.

CeMat A/S, the parent company, and the Polish holding company CeMat Real Estate derive no income from sales. The operating expenses of CeMat A/S are limited to the costs related to being listed in Denmark and management costs.

The current portfolio of CeMat '70 includes land for office, warehouse and production facilities and investment development sites located mainly in Warsaw. The main property is partially developed with industrial buildings with parking lots. Buildings are accommodated by warehouse, production, office and social space. Part of the complex is rented out for parking purposes. The complex has a total of approx. 32,291 sqm of leasing space and 163,150 sqm of land. Some of the land is only partly owned or possessed by CeMat '70 (you can find more details in section 5).

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 designed for roads. CeMat '70 is engaged in the letting of premises and land and the provision of utilities, including power, water and gas, and facility services etc. to its tenants.

The main part of the portfolio is located in Warsaw, the capital of Poland. The property is located in the northern part of Warsaw, in the Bielany district, approximately 10 kilometres from the city centre. The Bielany district is very well-connected by the public transport system (metro, trams, buses) and the road network in/out of Warsaw. The planned new main arterial roads, namely the North-South road and the North Bridge Road, will make Bielany and the property more attractive.

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 new large shopping mall, Galeria Młociny, constructed 2km away from the CeMat '70 property, is an example of this trend. A new 30m-high residential building is being constructed 400m away, and an office building for PKO BP (a Polish bank leader) is also located in the immediate vicinity.

2. FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK'000	2019	**2018**	**2017**	**2016**	**2015**
Revenue	34,934	39,189	38,981	25,434	14,456
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,407	2,063	3,107	(12,682)	(8,976)
Operating profit/(loss) (EBIT)	6,373	2,063	3,107	(17,249)	(13,711)
Net financials	(823)	(241)	(331)	(7,501)	(12,534)
Profit/(loss) from discontinued operations	0	0	0	(50,050)	(63,313)
Profit/(loss) for the year	5,577	136	**(2,395)**	**(75,403)**	**(90,065)**
Of which attributable to parent company shareholders	4,464	(391)	(2,764)	(82,711)	(90,298)
Cash flows from operating activities	4,991	1,644	442	(65,396)	6,967
Cash flows from investing activities	(1,819)	(2,740)	(4,527)	382,894	(9,392)
Cash flows from financing activities	(906)	(209)	(114,343)	(191,524)	3,772
Share capital	4,997	4,997	4,997	10,883	132,029
Equity attributable to parent company shareholders	99,048	92,714	94,161	197,152	243,912
Equity attributable to non-controlling shareholders	13,702	14,116	15,953	25,489	16,782
Total consolidated equity	112,750	106,830	110,114	222,641	260,694
Total assets	153,570	130,651	134,221	247,645	549,410
Invested capital	130,924	110,028	111,451	105,552	440,069
Net interest-bearing debt/(Net interest asset)	0	0	0	0	182,462
Net working capital (NWC)	1,623	1,462	2,029	(563)	117,643
Financial ratios					
EBITDA margin (%)	18.3	5.3	8.0	(49.9)	(62.1)
EBIT margin/profit margin (%)	18.2	5.3	8.0	(67.8)	(94.8)
Return on invested capital (%)	4.9	1.9	2.8	(16.3)	(2.8)
Equity ratio (%)	73.4	81.8	82.0	89.9	47.4
Return on equity (%)	5.1	0.1	(1.4)	(31.2)	(4.5)
Current number of shares (thousands)	249,850	249,850	249,850	544,164	528,114
Earnings per share (DKK)	0.02	0.00	(0.01)	(0.16)	(0.17)
Price per share (DKK)	0.35	0.37	0.43	0.32	0.28
Average number of full-time employees	23	23	27	32	34

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 have been changed in the annual report for 2019

3. GENERAL ECONOMIC OVERVIEW

Poland

CeMat A/S's activity is focused on Poland, a country with a population of 38.5m, which means it has promising development prospects. According to the World Bank's forecast, GDP growth in 2019 was predicted to reach 4.3% (yoy), the second-highest result in Europe for 2019. That same forecast predicts 3.6% growth in 2020. It should be noted that the Polish economy has seen continuous GDP growth since 1992.

According to economists' forecasts, this unique situation will continue in the coming years, making Poland one of the world's GDP growth champions.

Additionally, Poland has also been upgraded to "developed market" status in indices run by FTSE Russell, becoming the first Central or Eastern European country to reach developed country status, and the first country in the world to be promoted to that status in almost a decade. The economic boom period for Poland is supported by a low unemployment rate (3.5% compared to 6.6% in the EU) and an improving infrastructure that makes the country one of the most attractive investment destinations in Europe. The Polish real estate market continues to demonstrate growth, driven by the growth in GDP.

Warsaw

Warsaw, the capital city of Poland, has a population of 1.8m and it is the most developed city in the country, characterised by a strong economy and the ability to attract international and national investments. Warsaw is recognised as the most liquid real estate market in the country.

Warsaw's metropolitan area covers 3.1 million residents, which makes Warsaw the 8th most-populous capital city in the European Union.

4. CURRENT AND FUTURE SITUATION

Strengthening of the organisation

The CeMat A/S strategy for 2019 was focus on the property side with leasing and asset disposal, but on the other hand it was also a year of strengthening the management and organisation to ensure we have the suitable organisation in place to achieve our strategic goals. Having a highly-skilled and motivated team is integral to our success and we will continue to place an emphasis on building the team and acquiring new management skills for the challenges to come.

Leasing and property management team

The leasing team has grown organically and we are engaged in new deals and providing the best professional service for clients. The leasing team focuses on new leases, lease renewal, reletting and identifying additional sources of value.

CeMat A/S has introduced a professional Property Management team based on experienced and well-qualified staff.

Challenges

Our complex of buildings located in Warsaw was built in the 1980s. The maintenance and refurbishment of these buildings is part of our daily business. We have been implementing a programme of investments for maintenance, including fire protection systems, which will continue over the next few years.

The property had an occupancy level of circa 92% in November 2019 and 75% in December 2019 after Topsil's lease termination. The letting pipeline built in 2019 indicates it will be possible to fill this vacant space on attractive rent terms by 4Q 2020.

Moreover, CeMat '70, as a former production facility transforming old production space, common spaces and technical areas into cash-generating premises, has created an additional circa 3,000 sqm of new letting space in the complex in 2019. This process will continue.

Investment opportunities

CeMat '70 is located in the north-western part of Warsaw in a developing residential and service area, where former industrial activity is being replaced by fast-growing residential, retail and service development. These circumstances will help to create long-term investment opportunities for CeMat A/S.

In January 2020, the Group received an updated valuation report prepared by Cushman & Wakefield. According to this report, the property located in Warsaw has an "as is" fair value of PLN 65,070,000 (or approx. DKK 114,200,000), based on 100% of the property (or shares). This represents an approx. 4% increase in value compared to the valuation in the 2018 report.

Polish holding company CeMat Real Estate is continuing to acquire shares from minority shareholders in CeMat '70 and, as a result, it has increased its stake to 90.04% in December 2019, up from 88.70% last year. The process of buying shares from minority shareholders is ongoing and will continue in 2020.

5. PROPERTY HIGHLIGHTS

Warsaw

GLA: 32,291 sqm

Land: 163,150 sqm

This includes:
- 128,940 sqm of industrial, road and green area 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.

Number of tenants: 141

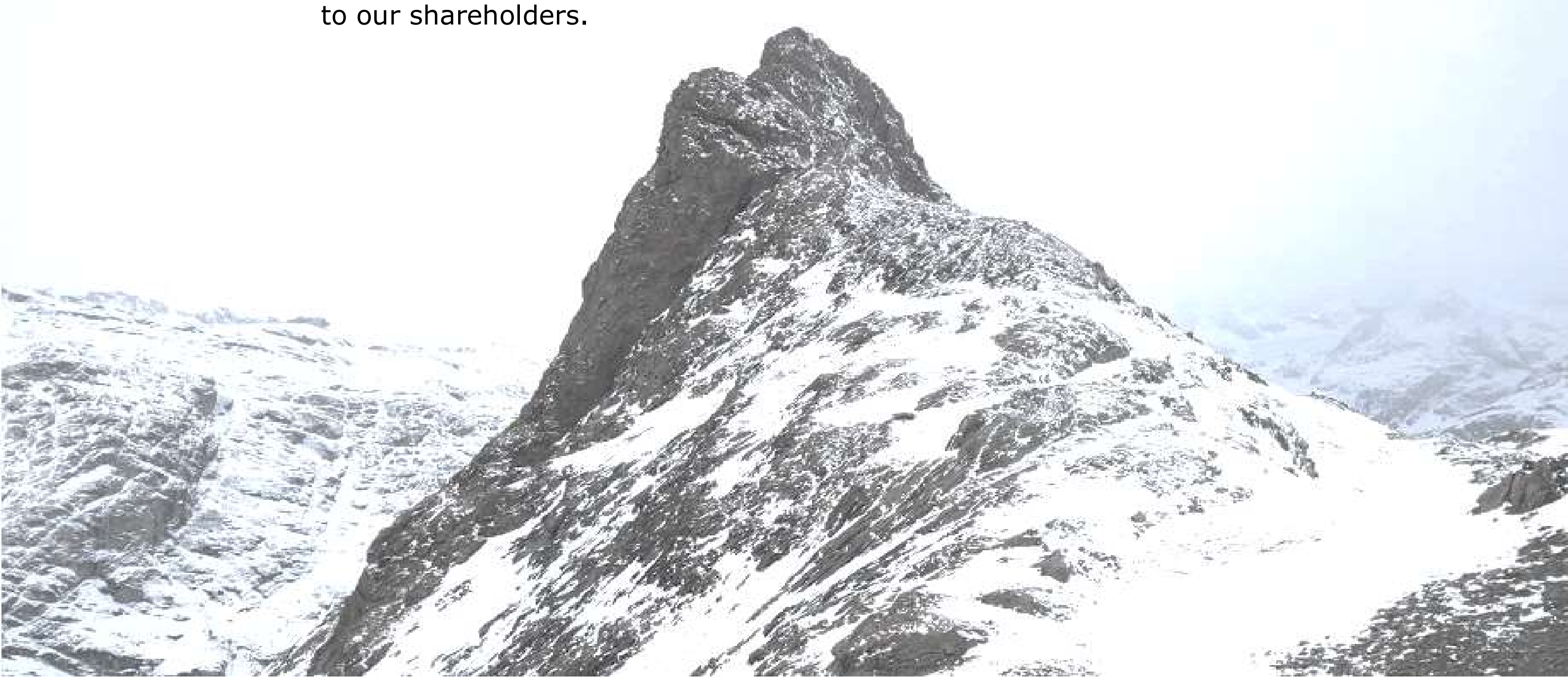
Blichowo

Residential land
Land 13,603 sqm

6. OUR MISSION

Our mission is to transform the company from a production business to a real estate business, and to focus on the leasing and management of the property to provide a cash-generating business.

In the long term, our mission is to dispose of the properties and deliver a dividend to our shareholders.



7. GOALS ACHIEVED IN 2019

Rental income growth

One of the main focuses was on letting efficiency, including lease renewal, reletting and new leases at new rent levels.

CeMat recorded rental income of DKK 14.1 million in 2019 and DKK 13.2 million in 2018.

It needs to be highlighted that the property's good location close to the centre of Warsaw, flexibility in lease terms and the possibility of technical adaptation have resulted in the property's unique situation. CeMat '70 is a leader in the segment of small warehouses and small production units in the northern part of Warsaw.

A new letting strategy has been implemented which foresees the replacement of weaker tenants with new lease agreements, a new asking price and a no fit-out contribution policy. CeMat has also made changes to the structure of the rental amount – dividing the income into net rent and service charges.

CeMat '70, as a former production facility transforming non-productive areas into cash-generating premises, has also created 3,000 sqm of new letting space, which is reflected in the property value.

The largest tenant terminated its lease agreement with effect from November 2019, which created an opportunity for new contracts for this space based on rent driven by high market demand. The strong pipeline built up in Q3 and Q4 confirmed these expectations, and the first contract has now been signed.

- Rental income increased by circa 7% in comparison to 2018, while the number of tenants increased from 133 to 141.

EBIDTA

In the Annual Report 2018, an expected EBITDA of around DKK 3-4 million was announced. In December 2019, CeMat upgraded this expectation to DKK 6 million. In the end, a consolidated EBITDA of DKK 6.4 million was achieved.

Increased property value

The positive letting trend and the mainly higher income from the property in Warsaw is reflected in the updated valuation report prepared by Cushman & Wakefield.

According to this report, the property located in Warsaw has an "as is" fair value of PLN 65,070,000 (or approx. DKK 114,200,000), based on 100% of the property (or shares). That means an approx. 4% increase in value compared to the valuation in the 2018 report.

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Occupancy level in 2019

As we had forecast in the Annual Report 2018, there was a temporary decrease in the occupancy level at the end of December 2019 as the biggest tenant terminated its lease agreement with effect from November 2019. As a result, the occupancy level dropped from 92% in November 2019 to 75.3% in December 2019. We are expecting a quick recovery of this situation by Q4 2020.

The unique location of the property in Warsaw, its closeness to the city centre and business district, its excellent public transport links and the lack of similar properties on the Warsaw market is reflected in its current market position.

Moreover, the property has unique flexibility to meet tenants' demands. The configuration of offices and warehouse space allows units to be created from 20 sqm upwards. CeMat has created a market niche lure group of atypical tenants and unmet needs, which has led to a number of opportunities including lower competition and higher margins for the landlord.

The uniqueness of the property on the Warsaw market and the local market condition has resulted in a strong pipeline, and management expects the occupancy level to recover by Q4 2020. A first agreement has been concluded for the space formerly occupied by Topsil, which supports Management's projection.

Obtaining legal titles to the properties

CeMat '70, W131 and W133 are controlling the land through the possession right to the site, the perpetual usufruct right and ownership rights. Part of the property are not entered in the land and mortgage register.

CeMat '70 cannot obtain legal title to a plot of land or strip of road as long as 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 considered so far have been decided in line with CeMat '70's expectations. Two additional decisions made by the Regional Governor have confirmed that the claims are unjustified and the claimants do not have the rights to the property as of December 2019.

In particular situations where the expectations of the claimant are reasonable, and at the market level, CeMat '70 negotiates contract conditions to settle the case.

However, in cases where the claimant's expectations are not reasonable and above the market conditions, we will continue with our legal efforts to resolve those claims.

A specialist legal team has been appointed to support CeMat's efforts.

This scenario envisages a prospective timeframe of 4 to 5 years.

Re-classification of the land for alternative use

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 mainly for roads. CeMat '70 has started preparations to study the re-classification of land from its current service use to an alternative use. Cemat has signed an agreement with a top Polish architecture firm to prepare a re-classification of land use in Warsaw.

The efforts of CeMat '70 are supported by the external circumstances. The General Director for National Roads and Motorways has announced the route for the new part of the North-South Road near CeMat ’70 properties. This decision eliminated one of the uncertain urban planning issue regarding the road system and help in discussion with City Planning Department about the spatial plan.

Asset disposal

The local real estate market in Warsaw is strong and there is a high demand among investors and developers. Creating a model for future cooperation with potential investors will be one of the priorities for our daily business activity. Prior to signing the disposal agreement, we decided to clarify some of the conditions highlighted by potential investors beforehand. Signing of the agreement has therefore been postponed.

Blichowo

CeMat has re-classified the land in Blichowo from agricultural to small residential houses.

8. GOALS TO BE ACHIEVED IN 2020

Building a professional property team

One of the goals for 2020 is to continue the process of strengthening our organisation and ensuring that our team has the appropriate skills to fulfil both the short and long-term goals. CeMat has introduced a professional property management team and created the circumstances which will allow the letting team to achieve its goals for 2020. The Property Management team is actively working on areas of cost and process optimisation.

CeMat will focus on obtaining new skills for the organisation in order to create the possibility for new sources of income and to deliver the highest possible and optimal dividends to our shareholders in the coming years.

Occupancy level

At the end of December 2019, we recorded a temporary decrease in the occupancy level as one of our tenants terminated its lease agreement in 2018, with effect from November 2019. The occupancy level dropped from 92% in November 2019 to 75.53% in December 2019. The end of our cooperation with Topsil provides the opportunity to obtain better leasing conditions compared to the previous agreement over the coming year. The leasing team and company management worked out a detailed plan which was implemented in 2019. The result is a strong pipeline which will allow the high occupancy level to be restored by Q4 2020. The first agreement has already been signed and we are observing strong demand from other potential tenants. This underlines the strong position of CeMat '70 on the Warsaw real estate market.

CeMat '70 will launch a new marketing tool based mainly on a new website, with active marketing on social media to support the letting activity.

Income growth

The goal is to improve the net income from the property. We are expecting growth of 9% in the rental income in 2020, in comparison to 2019. CeMat will consequently revise the conditions of the current lease agreements, conclude new agreements on better rental conditions and identify new income streams.

The strong pipeline for 2020 supports our expectations.

The structure of the income has evolved from the sale of utilities to higher rental income. We estimate that rental income in 2020 will account for 65% of the total income, compared to 40% of the total income in 2019.

Land re-zoning

One of our goals is to develop a dialogue with the city authorities in Warsaw about potential changes to the study of conditions and directions of spatial development and land use in the city, and also to the local master plan. In the opinion of the management team, the current study is not optimal and the location of the property, the planned road system and the significant developments in the surroundings need to be reflected in changes to the local master plan.

CeMat has signed an agreement with a recognised architecture firm to prepare a re-classification of land use. We will be actively working on this in 2020.

Obtaining legal title to the properties

CeMat '70 will continue to work actively on its legal action. CeMat has been actively working on legal action in all such cases and all the court and administrative cases considered so far have been decided in line with CeMat '70's expectations. CeMat '70 has made efforts to resolve some of these cases with negotiations but, in some cases, the expectations of the claimants are not reasonable and above the market level and we are therefore not in a position to resolve these cases with a civil agreement. In these cases, the legal action will continue and we are not expecting a quick resolution. All the court cases involving CeMat '70 land resolved so far have been won by the Polish state (and therefore by CeMat '70). The specialist legal team appointed in 2019 will continue with the approved plan of action.

We would like to keep expectations in this scenario which envisage a prospective timeframe of 4 to 5 years.

Institute of Technology cooperation

As organisations with long-standing historic links, CeMat '70 and ITME have common business goals in resolving some of the ownership issues. Continued dialogue, cooperation and mutually beneficial solutions will be one of the goals for 2020.

Asset disposal

CeMat will continue with its efforts to resolve legal and spatial plan issues. Creating a model of sale of the land partly or in whole to potential investors will be one of the priorities for our daily business activity.

Other opportunities

CeMat '70 and ITME are in dispute about the ownership of a 5,000 sqm plot of land near Warsaw's international airport. This land has been under ITME administration for more than 20 years. Both CeMat '70 and ITME applied more than 20 years ago for perpetual usufruct rights; but neither of them was granted such rights. CeMat '70 and its legal advisers concluded in 2016, after re-examining the old files, that CeMat '70 should be given title to the land and re-applied. The first administrative decision eventually decided in favour of CeMat '70, but it was contested by ITME and the case is now on its way through the court system. This plot of land is assumed to have a value of PLN 15-20 million (DKK 27-36 million) but it is very uncertain who will eventually be given title to the land.

9. LONG-TERM GOALS

Current activity is mainly focused on generating maximum cash flows from the current properties and preparing for their disposal.

CeMat's transformation from a production business to a real estate business is a process which needs to be supported by an experienced real estate team. CeMat has started preparing the solid foundations to achieve its long-term goals over a period of 4-5 years.

We have four milestones to achieve in order to dispose of the properties for the best possible price:

- Obtaining the legal title to plots;

Before the moment of disposal, CeMat '70 needs to have the legal title to the property regulated. Regulating legal title to a property is possible by legal action or by individual negotiation with the claimants.

- Re-zoning land;

CeMat '70 needs to keep open an 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 needs to be supported by architects, and CeMat '70 has signed a contract with a top Polish architecture firm. The scope of the contract is to prepare the new master plan or individual zoning decision and maintain a dialogue with the city architect about the most appropriate solution for CeMat '70.

- 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. CeMat and the Institute of Technology need to find a common solution to resolve this issue.

- Signing the disposal agreement with an investor.

After all the milestones above have been achieved, there will be an opportunity to significantly increase the value of the current portfolio with the prospect of disposal for the best possible price. It is the opinion of the Management that achieving these milestones can drive up the value of the Warsaw property 2-3 times higher than the current valuation over a period of 4 to 5 years. We do not exclude the possibility of a partial sale in the meantime.

10. OUTLOOK FOR 2020

The revenue of CeMat '70 is expected to decrease in 2020 due to lack of sale of utilities to Topsil after the termination of its leasing contract. The structure of the income has evolved from the sale of utilities to higher rental income. We estimate that rental income in 2020 will account for 65% of the total income, compared to 40% of the total income in 2019. We expect better rental terms for the space previously occupied by Topsil.

- Consolidated EBITDA for the CeMat group is expected to be around DKK 1-2 million in 2020.

- A small positive net result, before taking into account the valuation of the investment property, is expected for 2020.

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, developments in the financial markets and changes in legislation, demand for the Group's services and competition.

11. FINANCIAL REVIEW

The activities of CeMat A/S comprise a listed holding company in Denmark with a property business in Poland operated through the 90.04%-owned subsidiary 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 technical gases, and facility services etc. to its tenants. CeMat '70 (and its subsidiaries W131 and W133) have 141 tenants and at the moment an occupancy rate of approximately 75%.

INCOME STATEMENT

Revenue for 2019 amounted to DKK 34.9 million (2018: DKK 39.2 million), comprising rental income of DKK 14.1 million and sales of utilities, including power, water and technical gases, and facility services etc. to tenants of DKK 20.8 million. The decrease in sales revenue was the result of the departure of the largest tenant - Topsil PL - and the gradual termination of production which resulted in less demand for utilities sold to Topsil PL by CeMat.

Direct production costs totalled DKK 13.4 million in 2019, down from DKK 20.0 in 2018, consisting of costs for the purchase of utilities for resale to tenants.

Other external expenses amounted to DKK 9.4 million in 2019, compared with DKK 12.1 million in 2018.

Personnel costs came to DKK 5.7 million in 2019, up from DKK 5.0 million in 2018.

EBITDA for 2019 was a profit of DKK 6.4 million, against a profit of DKK 2.1 million for 2018.

In January 2020, the Group received an updated valuation report, according to which the fair value of the real estate property in Warsaw in its current state is PLN 65.1 million (DKK 114.2 million), which is PLN 2.6 million (DKK 5.8 million) higher than last year. This valuation report is the basis for the assessment of the market value of the investment property. Additionally, the land plot in Blichowo was valued by the Management at PLN 0.1 million (DKK 0.2 million). Taking into account the valuation of the investment property and the capital expenditures, a profit on the revaluation of DKK 2.7 million was achieved.

Net financials amounted to an expense of DKK 0.8 million in 2019, compared to an expense of DKK 0.2 million in 2018. This worse result in financial operations is due to the implementation of IFRS 16. One of the effects of implementing the new accounting standard was the recognition of interest on financial leasing. Before the implementation of IFRS 16, the equivalent of interest on leasing were fees for the right of perpetual usufruct or instalments of operating leasing presented as other external expenses.

Tax on profit/loss for the year was DKK 2.7 million, which was mainly a result of the positive results of CeMat '70 and the deferred tax resulting from the revaluation of the investment property.

CeMat achieved a profit after tax of DKK 5.6 million in 2019, compared to a profit of DKK 0.1 million in 2018. The increase in net profit compared to the stock exchange announcement of 12.12.2019 results from revaluation of the investment property as at 31.12.2019

CASH FLOW STATEMENT

Cash flows from operating activities were an inflow of DKK 5.0 million in 2019.

Cash flows from investing activities were an outflow of DKK 1.8 million. Cash was spent on upgrading the company's facilities and preparing the company's properties for divestment.

Cash flows from financing activities were an outflow of DKK 0.9 million. Cash was spent on lease repayments and purchasing CeMat '70 shares from minority shareholders

BALANCE SHEET

Total assets amounted to DKK 150.2 million as at 31 December 2019, primarily comprising the investment property with an estimated market value of DKK 129.3 million (of which DKK 114.3 million is the value of the investment property based on its valuation and DKK 15.0 million is the value of the right of use resulting from the implementation of IFRS 16), receivables of DKK 3.3 million and cash and cash equivalents of DKK 17.6 million.

For reporting purposes, the property in Poland is classified as an investment property. In January 2020, Management received an updated external valuation report from a leading international valuation expert operating in the Warsaw area. According to this report, the property in Warsaw had, as at 31.12.2019, an "as is" fair value of PLN 65.1 million (or approx. DKK 114.1 million). Additionally, the agricultural plot in Blichowo was valued by the Management at PLN 0.1 million (DKK 0.2 million).

Consolidated equity as of 31 December 2019 stood at DKK 112.8 million, of which DKK 99.0 million was attributable to the shareholders of CeMat A/S, and DKK 13.7 million to non-controlling interests in CeMat '70 S.A. The equity ratio was 75.1% as of 31 December 2019.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

12. 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 January 2020 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 and 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.

Other risks

- vacancy rate and lease termination;
- the condition of the buildings and possibility of capex investment;
- master plan situation;
- 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;
- capital resources;
- change of real estate prices;
- environmental risks;
- requirements from supervisory authorities regarding buildings;
- other risks.

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.

One of the front plots benefits from an individual zoning decision for an office building. The details of the proposed development are a 10-storey building with 23,000 sqm of usable area.

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.

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 (PUR).

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 as it currently stands, there is no deadline for when former landowners or their heirs can submit a claim to the Polish state about a specific plot of land or strip of road. However, once a plot of land or strip of road is free of claims, CeMat '70 can apply for perpetual usufruct rights, and when that title is obtained, future claims 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 actions 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 and the action is not continuing now.

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%. The Institute called a tender last year but the price and conditions presented in the tender were not acceptable to any buyer.

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 23 "Financial risks and financial instruments" for further information.

Capital resources

The Group's capital resources are reviewed regularly.

Based on the 2020 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 23 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 40 years for industrial purposes 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.

Other risks

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

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.

13. 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 2019.

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.

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 6 May 2013, most recently updated in November 2017. 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. CeMat complies with 36 of the 47 corporate governance recommendations.

The statutory report on corporate governance 2019, 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 and 99b 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 an investment property 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 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 2019, the total number of employees was 28 (including the Board of Directors), six 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.

	2019	**2018**
Board of Directors, males	2	2
Board of Directors, females	1	1
Other managerial positions, males	4	4
Other managerial positions, females	0	0

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.

No significant changes are planned for 2020. Instead, CeMat will focus on continuing the good efforts already completed.

Policy on safety
Safety must be a priority for all CeMat employees. The accident rate in 2019 was 3.8% (one minor accident).

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.

14. SHAREHOLDER INFORMATION

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

CEMAT'S SHARES

In 2019, shares in the OMXC25 CAP index gained 26%, while shares in the OMXC SmallCap index gained 17%. The price of CeMat's shares was DKK 0.352 per share at the end of 2019, equivalent to a 6% decrease (from DKK 0.373).

The Group's market capitalisation at 31 December 2019 was DKK 88 million.

The total turnover in stock in 2019 was 30 million shares, which was 12% lower than in 2018, when 34 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 32.3% of the registered share capital. A list of shareholders who have notified the Group that they hold 5% or more of the share capital and votes under section 29 of the Danish Securities Act is shown below.

Composition of shareholders	Number of shares	Capital DKK	Capital %
EDJ-Gruppen Kongensgade 34 6701 Esbjerg, Denmark	80,750,000	1,615,000.00	32.32

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 2019, members of the Board of Directors and their related parties held 83,782,462 shares (nominal value DKK 1,675,649), corresponding to 33.5% of the share capital and a market value of DKK 29.5 million. No members of the Management Board hold any shares.

The shareholdings of the individual members of the Board of Directors and the Management Board and changes thereto during 2019 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 2019.

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 25 March 2020 at 2.00 pm at the offices of DLA Piper Denmark, Radhuspladsen 4, 1550 Copenhagen V, Denmark.

Notices convening shareholders to annual and extraordinary 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. In addition, CeMat places notices concerning annual and extraordinary general meetings in the Danish newspaper Berlingske Tidende.

DIVIDEND AND ALLOCATION OF PROFIT

The Board of Directors recommends to the Annual General Meeting that no dividend be declared in respect of the 2019 financial year. The Board of Directors recommends to the Annual General Meeting that the consolidated profit for the year of DKK 5.6 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 4736 5600.

ANNOUNCEMENTS IN 2019

2019	**Announcement**
21.02	Annual Report 2018
21.02	Notice convening annual general meeting
05.03	Managers' transactions
19.03	Course of the annual general meeting
21.03	Closely related persons transactions
13.08	Interim report, H1 2019
14.08	Updated Financial calendar 2019-2020
15.08	Managers' transactions
21.08	Closely related persons transactions
04.09	Closely related persons transactions
12.12	Financial calendar 2020/2021
12.12	Upgrade of expectations for 2019

FINANCIAL CALENDAR 2020/2021

2020	**Announcement**	**Silent period**
20.02	Annual Report 2019	22.01.2020 - 20.02.2020
25.03	Annual General Meeting	
19.08	Interim report – H1 2020	21.07.2020 - 19.08.2020
2021	**Announcement**	**Silent period**
23.02	Annual Report 2020	25.01.2021 - 23.02.2021
24.03	Annual General Meeting	

15. BOARD OF DIRECTORS AND MANAGEMENT BOARD

Board of Directors

Frede Clausen (born 1959)
Chairman
Professional board member
Various banking educations
Graduate Diploma in Business Administration
Elected 2018, Chairman 2018
Current term expires in 2020

No. of shares held in CeMat (own and related parties): 3,032,462 (2018: 1,249,380)

Remuneration paid in 2019: DKK 350,000

Directorships and other managerial positions:
Frede Clausen Holding ApS
PE Skagen ApS (chairman)
K/S Købmagergade 59. st. (vice-chairman)
Core Poland Residential V
Malik Supply A/S
Developnord A/S (chairman)

Special qualifications:
Strategic management, business development and real estate

Eivind Dam Jensen (born 1951)
Deputy Chairman
Estate agent
Member of the Danish Association of Chartered Estate Agents, Diploma Administrator
Elected 2005, Deputy Chairman 2005
Current term expires in 2020

No. of shares held in CeMat (own and related parties): 80,750,000 (2018: 78,000,000)

Remuneration paid in 2019: DKK 245,000

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

Joanna L. Iwanowska-Nielsen (born 1968)
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 2020

Remuneration paid in 2019: DKK 140,000

Directorships and other managerial positions:
Member of the board of directors of WildaNova
Partner in NOLTA Consultants and NOLTA Career Experts
Member of the EPI (European Property Institute) expert panel
Member of Warsaw Women in Real Estate & Development
No directorships in other Danish companies

No. of shares held in CeMat: 0

Special qualifications:
Experience in real estate trade in Poland, CEE and internationally (development, strategy, sales and project management in both the commercial and residential property sectors)

Management Board

Jarosław Lipiński (born 1977)
CEO
Master of Law degree
Further studies at the MBA Academy, Warsaw School of Economics
Polish citizen
Employed with CeMat A/S since 2018

Directorships and other managerial positions:
Over the course of the last 19 years, Jaroslaw Lipinski has gained wide experience within the real estate industry and has held executive positions with a number of international enterprises, including for the past 10 years with TK Development A/S, in charge of letting and development.

No. of shares held in CeMat: 0

16. MANAGEMENT STATEMENT

We have today presented the annual report of CeMat A/S for the financial year 1 January – 31 December 2019.

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 2019 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended 31 December 2019.

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, 20 February 2020

MANAGEMENT BOARD

Jarosław Lipiński
CEO

BOARD OF DIRECTORS

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

17. INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cemat A/S

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 2019, 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 2019, and of the results of the Group and Parent Company operations and cash flows for the financial year 1 January - 31 December 2019 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 a resolution of a general meeting for a total continuous period of 1 year until and including the financial year 2019.

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 2019. 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

Key Audit Matter
The carrying amount of the Group's investment properties is DKK ('000) 129,196 at 31 December 2019, 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) 2,701, cf. note 9 of the Financial Statements, which is recognised in the income statement. Further the value is impacted by the application of IFRS 16 on land plots. In all material respects the properties consist of a number of land plots and a rental property located in Warsaw, Poland.

We have assessed that the fair market valuation is a key issue in relation to our audit because investment properties constitute 84% of the Group's total assets and because of the material estimates that Management has to make in connection with the measurement.

Measurement at fair market value involves considerable accounting estimates because Management estimates a number of preconditions, which have a material impact on the measurement. An incorrect fair market value measurement could have a considerable impact on the Group's assets, results, and equity.

In January 2020 the company's Management obtained a valuation report from an external valuation expert which supports the value recognised in the financial statements. The valuation report is prepared by a leading international estate agent in Warsaw.

The valuation is based on the following material preconditions:
- Minimum return on interest requirement
- Future market rent
- Ownership

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

How our audit addressed the key audit matters
We have obtained an understanding of the Management's processes for and control of the measurement of the land plots and the rental property in Poland.

The most important preconditions forming basis for the valuation were verified during our audit. Moreover, a recalculation was performed of the model forming basis for the valuation. We have assessed whether the external valuation expert is assumed to possess the right competences and sufficient independence.

Moreover, we have assessed the adequacy and sufficiency of Management's disclosures on investment properties.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements or the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

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 disclosure 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 submit a statement to those charged with governance that we have met relevant ethical requirements relating to independence and inform of all relations and other matters which may reasonably be conceived to influence our independence and, where relevant, associated security measures.

Based on the matters communicated to the Management we determine which matters were the most significant in connection with the audit of the Consolidated Financial Statements and the Parent Company Financial Statements for the period under review and consequently became the Key Audit Matters. We describe these matters in our Independent Auditor’s Report, unless legal or other regulatory requirements prevent the publication of the matter, or in the very rare cases where we determine that the matter should not be communicated in our Independent Auditor’s Report, because the negative consequences could reasonably be expected to be of more critical importance than the advantages that such communication would bring to the public interest.

Copenhagen, 20 February 2020

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Brian Olsen Halling
State Authorised Public Accountant
MNE no. 32094

FINANCIAL STATEMENTS

CeMat

18. INCOME STATEMENT

1 January – 31 December

PARENT COMPANY				GROUP	
2018	**2019**	**DKK'000**	**Note**	**2019**	**2018**
0	0	Revenue	3	34,934	39,189
0	0	Direct production costs		(13,447)	(20,016)
(2,203)	(2,368)	Other external expenses		(9,378)	(12,110)
(790)	(778)	Staff costs	4	(5,701)	(5,000)
(2,993)	**(3,146)**	**Operating profit/(loss) (EBITDA)**		**6,408**	**2,063**
0	0	Depreciation		(35)	0
(2,993)	**(3,146)**	**Operating profit/(loss) (EBIT)**		**6,373**	**2,063**
0	0	Revaluation investment property	9	2,687	(250)
58	59	Financial income	5	251	209
(442)	(1,219)	Financial expenses	6	(1,074)	(450)
(3,377)	**(4,306)**	**Profit/(loss) before tax**		**8,237**	**1,572**
0	0	Tax on profit/(loss) for the year	7	(2,660)	(1,436)
(3,377)	**(4,306)**	**Profit/(loss) for the year**		**5,577**	**136**
		Distribution of profit/(loss) for the year:			
		Parent company shareholders		4,464	(391)
		Non-controlling interests		1,113	527
				5,577	**136**
(0.01)	(0.02)	Earnings per share (DKK)	8	0.02	(0.00)
(0.01)	(0.02)	Diluted earnings per share (DKK)	8	0.02	(0.00)

19. STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

PARENT COMPANY				GROUP	
2018	**2019**	**DKK'000**	**Note**	**2019**	**2018**
(3,377)	(4,306)	Profit/(loss) for the year		5,577	136
		Items that may be reclassified to profit or loss:			
0	0	Foreign exchange adjustment, foreign entities		1,241	(2,950)
(3,377)	**(4,306)**	**Comprehensive income for the year**		**6,818**	**(2,814)**
		Distribution of comprehensive income for the year:			
(3,377)	(4,306)	Parent company shareholders		5,539	(2,917)
0	0	Non-controlling interests		1,279	103
(3,377)	**(4,306)**			**6,818**	**(2,814)**

20. CASH FLOW STATEMENT

For 2019

PARENT COMPANY				GROUP	
2018	**2019**	**DKK'000**	**Note**	**2019**	**2018**
(2,993)	**(3,145)**	**Operating profit/(loss) (EBIT)**		**6,373**	**2,063**
0	0	Depreciation	9	35	0
204	139	Change in net working capital	19	(159)	568
0	0	Other (deposits, etc.)		362	296
0	0	Tax paid/received		(781)	(1,030)
0	0	Financial income received		107	92
(76)	(41)	Financial expenses paid		(946)	(345)
(2,865)	**(3,047)**	**Cash flows from operating activities**		**4,991**	**1,644**
0	0	Acquisition of intangible assets		0	0
0	0	Acquisition of property, plant and equipment		(1,729)	(1,402)
0	0	Capital expenditures, divestment of the investment property		(90)	(888)
0	0	Acquisition of shares in subsidiary		0	0
0	0	Loans granted		0	0
0	**0**	**Cash flows from investing activities**		**(1,819)**	**(2,290)**
0	0	Lease repayments		(47)	(209)
3,461	2,589	Loans and credits raised		0	0
0	0	Repayments of loans and credits		0	0
0	0	Dividends paid		0	0
0	0	Acquisition of shares in subsidiary		(859)	(450)
3,461	**2,589**	**Cash flows from financing activities**		**(906)**	**(659)**
595	**(458)**	**Cash flows for the year**		**2,266**	**(1,305)**
885	1,480	Cash and cash equivalents at beginning of year		15,170	16,919
0	0	Market value adjustment of cash and cash equivalents		162	(444)
1,480	**1,022**	**Cash and cash equivalents at end of year**	**13**	**17,598**	**15,170**

21. BALANCE SHEET

Balance sheet as at 31 December 2019

PARENT COMPANY		ASSETS		GROUP	
2018	**2019**	**DKK'000**	**Note**	**2019**	**2018**
0	0	Investment property	9	129,196	108,567
0	0	Right of use		105	0
0	0	**Property, plant and equipment**		**129,301**	**108,567**
93,339	93,339	Investments in subsidiaries	10	0	0
0	0	Other non-current receivables	11	587	580
93,339	**93,339**	**Financial assets**		**587**	**580**
0	**0**	**Deferred tax asset**	**7**	**0**	**0**
93,339	**93,339**	**Non-current assets**		**129,888**	**109,147**
0	0	Trade receivables	12	5,588	5,788
1,231	1,304	Receivables from subsidiaries		0	0
0	35	Other receivables		496	546
1,231	**1,339**	**Receivables**		**6,084**	**6,334**
1,480	**1,022**	**Cash and cash equivalents**	**13**	**17,598**	**15,170**
2,711	**2,361**	**Current assets**		**23,682**	**21,504**
96,050	**95,700**	**Assets**		**153,570**	**130,651**

Balance sheet as at 31 December 2019

PARENT COMPANY		EQUITY AND LIABILITIES		GROUP	
2018	2019	DKK'000	Note	2019	2018
4,997	4,997	Share capital	14	4,997	4,997
0	0	Translation reserve	15	(15,819)	(16,894)
69,797	65,491	Retained earnings		109,870	104,609
74,794	**70,488**	**Equity attributable to parent company shareholders**		**99,048**	**92,712**
0	**0**	**Equity attributable to non-controlling interests**		**13,702**	**14,118**
74,794	**70,488**	**Equity**		**112,750**	**106,830**
0	0	Lease liabilities	16	14,057	0
0	0	Other non-current liabilities		1,542	1,190
0	0	Deferred tax liabilities	7	18,907	17,744
0	**0**	**Non-current liabilities**		**34,506**	**18,984**
0	0	Lease liabilities	16	905	0
508	701	Trade payables	17	1,427	2,497
20,115	23,770	Debt to subsidiaries		0	0
0	0	Income tax payable		947	15
633	741	Other payables	18	3,035	2,375
21,256	**25,212**	**Current liabilities**		**6,314**	**4,887**
21,256	**25,212**	**Total liabilities**		**40,820**	**23,821**
96,050	**95,700**	**Equity and liabilities**		**153,570**	**130,651**
		Operating lease liabilities	20		
		Charges, guarantees and contingent liabilities, contractual liabilities	21-22		
		Other notes without reference	23-30		

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22. STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for 2019 (Group)

DKK'000	Share capital	Translation reserve	Reserve for share-based payment	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to non-controlling interests	Total equity
Equity at 01.01.2018	**4,997**	**(14,368)**	**0**	**103,532**	**94,161**	**15,953**	**110,114**
Profit/(loss) for the year	0	0	0	(391)	(391)	527	136
Other comprehensive income	0	(2,526)	0	0	(2,526)	(424)	(2,950)
Comprehensive income	0	(2,526)	0	(391)	(2,917)	103	(2,814)
Acquisition of non-controlling interests	0	0	0	1,490	1,490	(1,937)	(447)
Expenditure from the company's social benefits fund	0	0	0	(22)	(22)	(1)	(23)
Equity at 31.12.2018	**4,997**	**(16,894)**	**0**	**104,609**	**92,712**	**14,118**	**106,830**
Equity at 01.01.2019	**4,997**	**(16,894)**	**0**	**104,609**	**92,712**	**14,118**	**106,830**
Profit/(loss) for the year	0	0	0	4,464	4,464	1,113	5,577
Other comprehensive income	0	1,075	0	0	1,075	166	1,241
Comprehensive income	0	1,075	0	4,464	5,539	1,279	6,818
Acquisition of non-controlling interests	0	0	0	824	824	(1,692)	(868)
Expenditure from the company's social benefits fund	0	0	0	(27)	**(27)**	**(3)**	(30)
Equity at 31.12.2019	**4,997**	**(15,819)**	**0**	**109,870**	**99,048**	**13,702**	**112,750**

Statement of changes in equity for 2019 (Parent Company)

DKK'000	Share capital	Reserve for share-based payment	Retained earnings	Total equity
Equity at 01.01.2018	**4,997**	**0**	**73,174**	**78,171**
Comprehensive income for the year	0	0	(3,377)	(3,377)
Equity at 31.12.2018	**4,997**	**0**	**69,797**	**74,794**
Equity at 01.01.2019	**4,997**	**0**	**69,797**	**74,794**
Comprehensive income for the year	0	0	(4,306)	(4,306)
Equity at 31.12.2019	**4,997**	**0**	**65,491**	**70,488**

23. NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The consolidated and the parent company financial statements of CeMat A/S for 2019 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 2019 have been implemented in the annual report for 2019.

Standards and interpretations affecting the profit/loss for the year or the financial position
In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 Leases ("IFRS 16"), which replaced IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Thus, IFRS 16 eliminates the classification of leases as either operating leases or finance leases. At the commencement date, lessees are required to recognise an asset representing their right to use the underlying leased asset and a lease liability representing their obligation to make lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset or fair value adjustment in the case of assets valued at fair value.

Lessees may choose whether they want to use the full retrospective or modified retrospective approach, with the transitional provisions offering certain practical expedients. IFRS 16 is effective for annual periods beginning on or after 1st January 2019. The Group decided to apply IFRS 16 using a simplified retrospective approach, with the cumulative effect of initially applying the Standard recognised at the date of initial application. This approach enables the Group not to restate comparative data but instead to recognise the effect of applying the Standard as an adjustment to the opening balance of retained earnings on the date of initial application.

The CeMat Group has the right of perpetual usufruct (RPU) to some land plots. This is essentially a long-term land lease that grants the lessee the right to keep benefits derived from the land. Under Polish law, an RPU can be granted only by the State Treasury or by communes or their unions. The perpetual usufructuary (lessee) is entitled to use the land to the exclusion of other persons and may dispose of his rights within the same limits.

The perpetual usufruct to land will be presented - in accordance with the new Standard within investment property - as a right-of-use asset, and future perpetual usufruct charges will be discounted and disclosed as liabilities.

The Group estimated the value of the lease liabilities and right-of-use assets relating to those properties based on the following assumptions:

- The lease term will be the remaining period of the perpetual usufruct as at the date of these financial statements,
- The lease interest rate was set as the incremental borrowing rate,
- The perpetual usufruct charges will remain at the 2019 levels,
- Pursuant to paragraph C8(b)(2) of the Standard, the Group decided to measure the right-of-use assets as at the date of initial application of the Standard at an amount equal to the lease liabilities.

Application of the new standard resulted in recognition of lease liability of DKK 14.9 million and an increase in the fair value of the investment property of DKK 14.9 million. The 2019 EBIT increased by DKK 0.9 million and the net result remained unchanged.

The above approach to the implementation of IFRS 16 has been modified in comparison to the approach presented in the 2018 annual report. It has been adapted to the latest standards updates and interpretations..

Standards and interpretations affecting presentation and disclosure
The implementation of new and revised standards and interpretations in the annual report for 2019 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.

Other operating income and operating costs
Other operating income and costs comprise items of a secondary nature relative to the main activity of the Group, including gains and losses on sales of intangible assets and property, plant and equipment, if the selling price of the assets exceeds the original cost.

Production costs
Production costs 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.

DISCONTINUED OPERATIONS

Discontinued operations comprise material business areas or geographical areas that have been divested or are held for sale pursuant to an overall plan.

The profit/(loss) from discontinued operations is reported under a separate line item in the income statement comprising the operating profit/(loss) after tax from the operations in question and any gains or losses arising on fair value adjustment or divestment of the assets and liabilities relating to the operations.

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 12.7% to 14.9%.

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.

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 2019 or 1 January 2019 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
Following the divestment of the Group's silicon business, the Group's only segment is property management

Key figures and financial ratios
Key figures and financial ratios have been defined and calculated in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Finance Society.

Financial ratios	Formula
EBITDA margin (%)	EBITDA*100 / Revenue
EBIT margin (%) (Profit margin)	EBIT*100 / Revenue
Return on invested capital (%) incl. goodwill	EBIT*100 / 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 2019
The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2018:

- IFRS 16 Leases
- Amendments to IFRS 9, 'Financial instruments' – Prepayment features with negative compensation
- Amendments to IAS 28, 'Investments in associates
- Amendments to IAS 19, 'Employee benefits' – Plan amendment, curtailment or settlement
- Annual improvements 2015-2017: IFRS 3, 'Business combinations', IFRS 11, 'Joint ventures', IAS 12, 'Income taxes', IAS 23, 'Borrowing costs''
- IFRIC 23, 'Uncertainty over income tax' '

Apart from IFRS 16 Leases, whose impact on the profit/loss for the year and the financial position was described earlier in this note, the remaining 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:

- Amendments to IFRS 3, 'Business combinations', definition of a business), effective for periods beginning on or after 1 January 2020
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' definition of material, effective for periods beginning on or after 1 January 2020
- Amendments to the Conceptual framework, effective for periods beginning on or after 1 January 2020
- IFRS 17, 'Insurance contracts', effective for periods beginning on or after 1 January 2021

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 23 "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 January 2020 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 one segment comprising letting of premises and land and the provision of utilities to tenants, including power, water, technical gases, facility services, etc.

Other segment information:

A breakdown of revenue on letting and provision of utilities is shown below:

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Letting	14,141	13,214
0	0	Utilities	20,793	25,975
0	**0**	**Total**	**34,934**	**39,189**

Revenue is generated by the Polish subsidiary CeMat ’70 S.A., and the Group derives all of its revenue from Poland.

4. STAFF COSTS

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
735	735	Directors' fees	735	735
55	43	Wages and salaries	3,983	3,360
0	0	Bonuses for executive officers	0	0
0	0	Bonuses for Management Board	277	158
0	0	Pension contributions, defined contribution plans	603	549
0	0	Other social security costs	103	198
790	**778**	**Total**	**5,701**	**5,000**
1	**1**	**Average number of full-time employees**	**24**	**23**

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 and W133. Additional remuneration of the CEO for consultancy services is included in the line “Wages and salaries” in the table above.

Group and parent company

Remuneration of Board of Directors, Management Board and executive officers:

	Board of Directors		Management Board		Other executive officers	
DKK'000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Directors' fees	735	735	0	0	0	0
Salaries	0	0	1,183	814	0	0
Bonuses	0	0	277	158	0	0
Of which bonus granted as a result of divestment of silicon business (included in profit/(loss) from discontinued operations)	0	0	0	0	0	0
Pension contributions	0	0	125	27	0	0
Share-based payment	0	0	0	0	0	0
Total	**735**	**735**	**1,585**	**999**	**0**	**0**

The fee to the Chairman of the Board of Directors for the current term amounts to DKK 350 thousand (2018: DKK 350 thousand), to the Deputy Chairman DKK 245 thousand (2018: DKK 245 thousand) and to an ordinary member DKK 140 thousand (2018: DKK 140 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 and W133. Additional remuneration of the CEO for consultancy services is included in the line "Salaries" in the table above.

5. FINANCIAL INCOME

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
58	59	Interest from group entities	0	0
0	0	Interest on bank deposits etc.	251	209
0	0	Other interest	0	0
58	**59**	**Interest income**	**251**	**209**
0	0	Foreign exchange adjustments	0	0
58	**59**	**Total**	**251**	**209**

6. FINANCIAL EXPENSES

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
746	931	Interest to group entities	0	0
0	0	Interest on bank loans	0	0
0	0	Interest relating to lease liabilities	890	2
74	37	Other interest	184	446
820	**968**	**Interest expenses**	**1,074**	**448**
0	0	Fees, guarantees, etc.	0	0
(378)	251	Foreign exchange adjustments	1	2
442	**1,219**	**Total**	**1,075**	**450**

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	**2019**	**2018**
Current tax	(1,705)	(855)
Change in deferred tax including change in value	(934)	(581)
Adjustment of current tax relating to prior years	(21)	0
Adjustment of deferred tax relating to prior years	0	0
Total	**(2,660)**	**(1,436)**

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

Profit/(loss) before tax	**8,239**		**1,573**	
Tax at a rate of 22.0%	(1,812)	(22.0%)	(346)	(22.0%)
Effect of different tax rate in foreign entities	369	4.5%	160	10.2%
Tax base of non-deductible expenses and non-taxable income	89	1.1%	(146)	(9.3%)
Adjustment of current tax relating to prior years	(21)	(0.3%)	(58)	(3.7%)
Adjustment of deferred tax relating to prior years	0	0.0%	4,063	258.4%
Value adjustment of deferred tax	(1,285)	(15.6%)	(5,109)	(324.9%)
Effect on deferred tax of change in tax rate	0	0.0%	0	0.0%
Effective tax/tax rate for the year	**(2,660)**	**(32.3%)**	**(1,436)**	**(91.3%)**

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:	**2019**	**2018**
Temporary differences in tax assets and liabilities		
Deferred tax asset, see balance sheet	0	0
Deferred tax liabilities, see balance sheet	(18,907)	(17,744)
Deferred tax, net	**(18,907)**	**(17,744)**

2019 **DKK'000**	**Deferred tax 01.01.2019**	**Recognised in income statement 2019**	**Foreign exchange adjustment 2019**	**Deferred tax 31.12.2019**
Intangible assets	0	0	0	0
Property, plant and equipment	(17,286)	(784)	(229)	(18,299)
Inventories	0	0	0	0
Trade receivables	(632)	(211)	0	(843)
Other payables etc.	174	61	0	235
Temporary differences	**(17,744)**	**(934)**	**(229)**	**(18,907)**
Tax loss carry-forwards	28,348	1,285	0	29,633
Unutilised tax losses	**28,348**	**1,285**	**0**	**29,633**
Value adjustment	(28,348)	(1,285)	0	(29,633)
Total	**(17,744)**	**(934)**	**(229)**	**(18,907)**

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.

2018 **DKK'000**	**Deferred tax 01.01.2018**	**Recognised in income statement 2018**	**Foreign exchange adjustment 2018**	**Deferred tax 31.12.2018**
Intangible assets	0	0	0	0
Property, plant and equipment	(17,252)	(500)	466	(17,286)
Inventories	0	0	0	0
Trade receivables	(483)	(149)	0	(632)
Other payables etc.	106	67	0	173
Temporary differences	**(17,629)**	**(581)**	**466**	**(17,744)**
Tax loss carry-forwards	23,239	5,109	0	28,348
Unutilised tax losses	**23,239**	**5,109**	**0**	**28,348**
Value adjustment	(23,239)	(5,109)	0	(28,348)
Total	**(17,629)**	**(581)**	**466**	**(17,744)**

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	2019		2018	
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	(4,306)		(3,377)	
Tax at a rate of 22.0%	947	(22.0%)	743	(22.0%)
Tax base of non-deductible expenses and non-taxable income	0	0.0%	0	0.0%
Adjustment of current tax relating to prior years	(15)	0.3%	0	0.0%
Adjustment of deferred tax relating to prior years	0	0.0%	364	(10.8%)
Value adjustment of deferred tax	(932)	21.6%	(1,107)	32.8%
Effect of change in tax rate	0	0.0%	0	0.0%
Effective tax/tax rate for the year	0	0.0%	**0**	**0.0%**

2019 **DKK'000**	**Deferred tax 01.01.2019**	**Recognised in income statement 2019**	**Deferred tax 31.12.2019**
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	21,598	932	22,530
Unutilised tax losses	**21,598**	**932**	**22,530**
Value adjustment	(21,598)	(932)	(22,530)
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.

2018 DKK'000	Deferred tax 01.01.2018	Recognised in income statement 2018	Deferred tax 31.12.2018
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	20,491	1,107	21,598
Unutilised tax losses	**20,491**	**1,107**	**21,598**
Value adjustment	(20,491)	(1,107)	(21,598)
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

8. EARNINGS PER SHARE

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

PARENT COMPANY			GROUP	
2018	**2019**	**DKK**	**2019**	**2018**
(0.01)	(0.02)	Earnings per share (DKK)	0,02	(0.00)
(0.01)	(0.02)	Diluted earnings per share (DKK)	0,02	(0.00)
(3,378)	(4,306)	Earnings used in the calculation of earnings per share (DKK'000):	4,464	(391)
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

2019 **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 2019	108,567	0	**108,567**	0	**0**	**108,567**
Right of use, impact of the application of IFRS 16	0	14,707	**14,707**	137	**14,844**	**14,844**
Foreign exchange adjustments	1,235	163	**1,398**	3	**166**	**1,401**
Right of use, depreciation	0	0	**0**	(35)	**(35)**	**(35)**
Additions	0	0	**0**	0	**0**	**0**
Transfers	0	0	**0**	0	**0**	**0**
Disposals	0	0	**0**	0	**0**	**0**
Enhancement costs	1,837	0	**1,837**	0	**0**	**1,837**
Revaluation to market value	2,701	(14)	**2,687**	0	**(14)**	**2,687**
Carrying amount at 31 December 2019	**114,340**	**14,856**	**129,196**	**105**	**14,961**	**129,301**

Investment **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 2018	109,422	0	**0**	0	**0**	**109,422**
Right of use, impact of the application of IFRS 16	0	0	**0**	0	**0**	**0**
Foreign exchange adjustments	(2,877)	0	**0**	0	**0**	**(2,877)**
Right of use, depreciation	0	0	0	0	**0**	**0**
Additions	0	0	**0**	0	**0**	**0**
Transfers	0	0	**0**	0	**0**	**0**
Disposals	0	0	**0**	0	**0**	**0**
Enhancement costs	2,272	0	**0**	0	**0**	**2,272**
Revaluation to market value	(250)	0	**0**	0	**0**	**(250)**
Carrying amount at 31 December 2018	**108,567**	**0**	**0**	**0**	**0**	**108,567**

The Polish properties have an assessed value of DKK 129,301 thousand, of which DKK 114,185 thousand is the real estate in Warsaw, DKK 155 thousand is a land plot in Blichowo and DKK 14,961 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 January 2020, 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.

The required rates of return which have been set are an important factor in estimating the fair values. The required rates of return used range from 12.7% to 14.9% before tax.

As regards properties where claims to the legal 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.

Valuation sensitivity to the main factors used:

+/- DKK 4,400 thousand for a change in the price of land by 10%;

+/- DKK 5,400 thousand for a change in market rent rate by 10%;

+/- DKK 7,800 thousand for a change in rate of return by 10%;

+/- DKK 1,500 thousand for a change in the discount for legal title by 10%.

Fair value hierarchy information	**Level 1**	**Level 2**	**Level 3**	**at 31/12**
2019				
Investment property	**-**	**-**	**129,301**	**129,301**
2018				
Investment property	**-**	**-**	**108,567**	**108,567**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Rental income from investment property

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Rental income from investment property	14,141	13,214
0	**0**	**Rental income from investment property**	**14,141**	**13,214**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Direct operating expenses arising from investment property

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	4,262	4,116
0	0	Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period	952	978
0	**0**	**Direct operating expenses arising from investment property**	**5,214**	**5,094**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Amounts of minimum lease payments at balance sheet date under noncancelable operating leases

.

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
		Operating lease payments may be specified as follows:		
0	0	Within 1 year	4,801	5,936
0	0	Between 1 and 5 years	1,943	0
0	0	More than 5 years	0	0
0	**0**	**Total**	**6,744**	**5,936**

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		
2018	**2019**	**DKK'000**
93,339	93,339	Cost at 1 January
0	0	Acquisitions
0	0	Disposals
0	0	Impairment of investments
93,339	**93,339**	**Value at 31 December**

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Domicile	**Interest (%) 2019**	**Interest (%) 2018**	**Share of voting rights (%) 2019**	**Share of voting rights (%) 2018**	**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	90.04	88.70	90.04	88.70	Letting of commercial properties
W133 Sp. Z.O.O.	Poland	90.04	88.70	90.04	88.70	Holding of rights
W131 Sp. Z.O.O.	Poland	90.04	88.70	90.04	88.70	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. and W131 Sp. z.o.o.

11. OTHER NON-CURRENT RECEIVABLES

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Prepayment, settlement of claim of title to land	587	580
0	**0**	**Total**	**587**	**580**

12. TRADE RECEIVABLES

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Trade receivables	5,804	5,936
0	0	Loss provisions included in the above receivables and recognised in “Other external expenses”	(216)	(148)
0	**0**	**Total**	**5,588**	**5,788**

All receivables against which provisions have been made are overdue by more than three months.

Overdue receivables for which provisions have not been made

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Overdue by up to 1 month	781	484
0	0	Overdue by 1 to 3 months	133	295
0	0	Overdue by more than 3 months	42	68
0	**0**	**Total**	**956**	**847**

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

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Europe	956	847
0	0	USA	0	0
0	0	Asia	0	0
0	**0**	**Total**	**956**	**847**

A provision is made to reduce the carrying amount of receivables if the value is found to be impaired based on an individual assessment of each debtor’s ability to pay, for example in case of suspension of payment, bankruptcy, etc., should this be deemed necessary. Receivables are written down to net realisable value, corresponding to the sum of expected future net payments received on the receivables.

The carrying amount of receivables equals their fair value.

Provision account for receivables:

PARENT COMPANY			GROUP	
2018	2019	DKK'000	2019	2018
0	0	Provision account at 1 January	148	59
0	0	Losses during the year	0	0
0	0	Reversed provisions	0	(27)
0	0	Provisions for the year to cover losses	68	116
0	**0**	**Provision account at 31 December**	**216**	**148**

13. 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.

14. 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	**2019**	**2018**
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**

15. 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.

16. 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 937 thousand in 2019. The expense relating to short-term operating leases for which no lease liability was recognised at the end of the reporting period was DKK 23 thousand. The fixed incremental borrowing rate applied for first time recognition of lease liability was 6%. For the first time of recognition the total lease obligation was discounted using the incremental borrowing rate over the total lease period which is 70 years.

	Minimum lease payments, DKK 000		Present value of minimum lease payments, DKK'000	
	2019	**2018**	**2019**	**2018**
Finance lease liabilities fall due as follows:				
Within 1 year from the balance sheet date	960	0	905	0
Between 1 and 5 years from the balance sheet date	3,665	0	3,022	0
More than 5 years from the balance sheet date	58,936	0	11,037	0
At 31 December	**63,561**	**0**	**14,964**	**0**

2019	**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	14,856	14,856
Lease liability, right of use plant and machinery	2022	Floating	108	108
Total			**14,964**	**14,964**

2018	**Expiry**	**Fixed or floating interest rate**	**Present value of minimum lease payments, DKK'000**	**Fair value DKK'000**
Lease liability	2019	Floating	0	0
Total			**0**	**0**

17. TRADE PAYABLES

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
508	701	Amounts owed to suppliers for goods and services delivered	1,427	2,497
508	**701**	**Total**	**1,427**	**2,497**

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

18. OTHER PAYABLES

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
633	741	Wages and salaries, BoD fee, social security contributions, etc. payable	1,410	857
0	0	Holiday pay obligation etc.	246	160
0	0	VAT and other indirect taxes payable	753	264
0	0	Cost provisions and other payables	626	1,094
633	**741**	**Total**	**3,035**	**2,375**

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.

19. CHANGE IN NET WORKING CAPITAL

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Change in inventories	0	0
0	(35)	Change in receivables	250	950
204	174	Change in trade payables and other payables	(409)	(382)
204	**139**	**Total**	**(159)**	**568**

20. OPERATING LEASE LIABILITIES

It is the parent company's policy to lease cars and certain operating equipment on operating leases. The leases have been entered into for terms of 3-5 years with fixed lease payments that are subject to annual index adjustments. The perpetual usufruct right with a term of 71 years as of 31.12.2018 was also classified as an operating lease with fixed lease payments that are subject to annual index adjustments. Due to the implementation of IFRS 16 in 2019, operating lease liabilities are presented in the balance sheet as lease liabilities.

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
		Operating lease payments may be specified as follows:		
0	0	Within 1 year	0	941
0	0	Between 1 and 5 years	0	3,618
0	0	More than 5 years	0	59,184
0	**0**	**Total**	**0**	**63,743**

21. GUARANTEES AND CONTINGENT LIABILITIES

No guarantees or sureties have been issued to third parties.

22. OTHER CONTRACTUAL COMMITMENTS

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

23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Trade receivables	5,588	5,788
1,231	1,304	Intra-group receivables	0	0
0	35	Other receivables, current	496	546
0	0	Other receivables, non-current	587	580
1,480	1,022	Cash and cash equivalents	17,598	15,170
2,711	**2,361**	**Loans, advances and receivables**	**24,269**	**22,084**
0	0	Debt to credit institutions, current	0	0
0	0	Debt to credit institutions, non-current	0	0
20,115	23,770	Debt to subsidiaries	0	0
0	0	Prepayments received, current	0	0
0	0	Prepayments received, non-current	0	0
0	0	Finance lease liabilities, current	905	0
0	0	Finance lease liabilities, non-current	14,057	0
0	0	Other non-current liabilities	1,542	1,189
508	701	Trade payables	1,427	2,497
633	741	Other payables	3,982	2,390
21,256	**25,212**	**Financial liabilities**	**6,076**	**6,076**

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.

23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Unhedged net position at balance sheet date:

GROUP

2019 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	16,576	6,049	(20,471)	2,154	0	2,154
DKK	1,022	35	(1,442)	(385)	0	(385)
Other currencies	0	0	0	0	0	0
Total	**17,598**	**6,084**	**(21,913)**	**1,769**	**0**	**1,769**

2018 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	13,690	6,334	(4,935)	15,089	0	15,089
DKK	1,480	0	(1,141)	339	0	339
Other currencies	0	0	0	0	0	0
Total	**15,170**	**6,334**	**(6,076)**	**15,428**	**0**	**15,428**

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23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

PARENT COMPANY

2019 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	1,304	(23,770)	(22,466)	0	(22,466)
DKK	1,022	35	(1,442)	(385)	0	(385)
Other currencies	0	0	0	0	0	0
Total	**1,022**	**1,339**	**(25,212)**	**(22,851)**	**0**	**(22,851)**

2018 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	1,231	(20,115)	(18,884)	0	(18,884)
DKK	1,480	0	(1,141)	339	0	339
Other currencies	0	0	0	0	0	0
Total	**1,480**	**1,231**	**(21,256)**	**(18,545)**	**0**	**(18,545)**

23. 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 2019 was 73.4% (2018: 81.8%). The ratio dropped in comparison to 2018 due to implementation of IFRS 16 in 2019. The realised return on equity for the Group for 2019 was 5,1% (2018: (0.1%)).

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

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Credit institutions/bank debt	0	0
(1,480)	(1,022)	Cash and cash equivalents	(17,598)	(15,170)
(1,480)	**(1,022)**	**Net interest-bearing debt**	**(17,598)**	**(15,170)**
74,794	70,488	**Equity**	112,750	106,830
(0.02)	**(0.01)**	**Financial gearing**	**(0.16)**	**(0.14)**

Liquidity and capital resources

At Group level, free cash and cash equivalents amounted to DKK 17.6 million at 31 December 2019, of which DKK 15.2 million are attributable to CeMat ´70 S.A.

Based on expectations for 2020, 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.

24. FEE FOR AUDITORS APPOINTED BY THE GENERAL MEETING

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
133	128	Audit of annual report	236	236
0	0	Tax advisory services	0	0
105	0	Assurance engagements other than audits	0	105
257	142	Non-audit services	148	257
495	**270**	**Total**	**384**	**598**

25. RELATED PARTIES

The Group has no related parties exercising control.

The Group has the following related parties:
- CeMat Real Estate S.A. (formerly Topsil Semiconductor Materials S.A.), subsidiary in Poland
- CeMat'70 S.A., subsidiary in Poland
- W 131 Sp. z o.o.., subsidiary in Poland
- W 133 Sp. z o.o.., subsidiary in Poland
- Ambit Jarosław Lipiński, owned by member of the Management Board

The parent company has the following related parties:
- CeMat Real Estate S.A. (formerly Topsil Semiconductor Materials S.A.), subsidiary in Poland
- CeMat'70 S.A., subsidiary in Poland

The parent company had transactions with the following related parties in 2018 and 2019:
- CeMat Real Estate S.A. (formerly Topsil Semiconductor Materials S.A.), subsidiary in Poland
- CeMat'70 S.A., subsidiary in Poland

26. RELATED PARTY TRANSACTIONS

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Subsidiaries, sale of goods	0	0
0	0	Subsidiaries, purchase of goods	0	0
58	59	Subsidiaries, interest income	0	0
744	928	Subsidiaries, interest expenses	0	0
802	**987**	**Total transactions**	**0**	**0**

Other management remuneration etc. is stated separately in connection with note 4, “Staff costs” All related party transactions have been carried out on an arm’s length basis.

PARENT COMPANY			GROUP	
2018	**2019**	**DKK'000**	**2019**	**2018**
0	0	Subsidiaries, debtor receivable	0	0
1,231	1,304	Subsidiaries, loans	0	0
(155)	(29)	Subsidiaries, creditor payable	0	0
(19,960)	(23,741)	Subsidiaries, loans	0	0
(18,884)	**(22,466)**	**Total outstanding amount**	**0**	**0**

27. 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:

Composition of shareholders	Number of shares	Capital DKK	Capital %
EDJ-Gruppen			
Kongensgade 34			
6701 Esbjerg, Danmark	80,750,000	1,615,000.00	32.32

28. 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*)	**2019**	**2018**
Frede Clausen, Chairman	61	25
Eivind Dam Jensen (EDJ-Gruppen), Deputy Chairman	1,615	1,560
Total	**1,676**	**1,585**

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

29. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

30. APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

The Board of Directors approved this annual report for publication at a board meeting held on 20 February 2020. The annual report will be presented to the shareholders of the parent company for approval at the annual general meeting to be held on 25 March 2020.

CeMat

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