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**ANNUAL REPORT
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CeMat

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MANAGEMENT'S REVIEW



1. HIGHLIGHTS OF THE YEAR 2020

2020 was the first year after the end of cooperation with Topsil and completion of the first stage of the company's transformation from production to a real estate business. Topsil had been the largest tenant and greatest utilities consumer, and it terminated its lease agreement with effect from November 2019. As a result, the occupancy level had dropped from circa 92% in November 2019 to 75% in December 2019.

- A positive consolidated net result after tax of DKK 3.1 million was recorded for the CeMat Group in 2020 (2019: a profit of DKK 5.6 million).
- Consolidated EBITDA for the CeMat Group was DKK 1.1 million in 2020 (2019: DKK 6.4 million).
- Revenue of the CeMat Group was DKK 19.6 million (2019: DKK 34.9 million). The main factor in the lower revenue was the drop in utilities sales to DKK 5.8 million (compared to 2019: DKK 20.8 million) after the decision to cease production and limit the distribution of specialised utilities.
- The income structure has evolved from the sale of utilities to higher rental income, with the rental income accounting for 70% of the total income in mid-2020, compared to 40% of the total income in 2019.
- CeMat recorded an occupancy level of 84.5% at the end of 2020 (versus 75% in December 2019).
- Management has decided to change the company's mission statement due to the successful re-zoning application for one of the plots, with the assumed possibility of making further applications, combined with the positive sentiment to the Warsaw investment market, and also the expertise of our team. In the long term, our mission is to maximise the value of the properties, including the potential possibility of development activity, and deliver the best possible dividends to our shareholders.
- Management decided to change the leasing strategy and focus on a high-margin and low-disruptive rental business like small warehouses and small production units. The new business line of small warehouses is under development.
- CeMat applied for an individual zoning decision for residential and ground floor retail space for one of the plots, with an area of 5,608 sqm, in 2020. The bidding decision was issued in February 2021. The approach assumes CeMat possibly making applications for individual zoning decisions on particular land plots.
- The average PLN to DKK exchange rate in 2020 dropped from 1.75 to 1.68 (between January and December), which affected the financial figures.
- Management implemented actions aimed at mitigating the adverse impact of coronavirus, including maintaining an active dialogue with tenants. These efforts limited the consequences of the pandemic in the CeMat Group, which recorded a temporary rent reduction to a group of 30 tenants, lower sales of utilities and a slightly lower tempo of leasing.

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

2. FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK'000	2020	2019	2018	2017	2016
Revenue	19,571	34,934	39,189	38,981	25,434
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,115	6,407	2,063	3,107	(12,682)
Operating profit/(loss) (EBIT)	1,071	6,373	2,063	3,107	(17,249)
Net financials	(800)	(823)	(241)	(331)	(7,501)
Profit/(loss) from discontinued operations	0	0	0	0	(50,050)
Profit/(loss) for the year	3,130	5,577	136	(2,395)	(75,403)
Of which attributable to parent company shareholders	2,488	4,464	(391)	(2,764)	(82,711)
Cash flows from operating activities	4,112	4,991	1,644	442	(65,396)
Cash flows from investing activities	(1,791)	(1,819)	(2,740)	(4,527)	382,894
Cash flows from financing activities	(907)	(906)	(209)	(114,343)	(191,524)
Share capital	4,997	4,997	4,997	4,997	10,883
Equity attributable to parent company shareholders	95,781	99,048	92,714	94,161	197,152
Equity attributable to non-controlling shareholders	11,291	13,702	14,116	15,953	25,489
Total consolidated equity	107,072	112,750	106,830	110,114	222,641
Total assets	147,454	153,570	130,651	134,221	247,645
Invested capital	126,696	130,923	110,028	111,451	105,552
Net working capital (NWC)	(2,234)	1,622	1,462	2,029	(563)
Financial ratios					
EBITDA margin (%)	5.7	18.3	5.3	8.0	(49.9)
EBIT margin/profit margin (%)	5.5	18.2	5.3	8.0	(67.8)
Return on invested capital (%)	0.8	4.9	1.9	2.8	(16.3)
Equity ratio (%)	72.6	73.4	81.8	82.0	89.9
Return on equity (%)	2.8	5.1	0.1	(1.4)	(31.2)
Current number of shares (thousands)	249,850	249,850	249,850	249,850	544,164
Earnings per share (DKK)	0.01	0.02	0.00	(0.01)	(0.16)
Price per share (DKK)	0.38	0.35	0.37	0.43	0.32
Average number of full-time employees	22	24	23	27	32

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 (the fifth most populous member state of the European Union). The Polish economy is the eighth-largest in the European Union in real GDP terms, with an impressive history of growth over more than two decades.

After the country's economic and political transformation, the Polish economy has doubled in size, as measured in real GDP terms, and narrowed the gap to other states, moving on average from circa 32% to 60% of western European Union countries (EU-15).

The pandemic has interrupted the continuous GDP growth recorded over the last 25 years.

The Central Statistical Office's preliminary estimates of the economic growth figures for 2020 showed a 2.8% fall in GDP. The Polish government implemented a number of measures aimed at mitigating the adverse impact of coronavirus. During the first lockdown, the government announced measures to contain the spread of Covid-19 and proposed an economic package that included fiscal spending (roughly 3% of GDP) and a liquidity component, backed by funding from the European Commission and monetary easing started by the central bank. Some of these actions continued in H2 2020.

According to the forecast from the World Bank, the economy is likely to return to a moderate growth path in 2021 on the back of the easing of pandemic restrictions, seeing a return to normal functioning in a number of sectors, the government's relief programmes and the slow rebound expected among Poland's major trade partners. The World Bank forecast expects Poland's economy to expand by 3.5% in 2021.

Warsaw

Warsaw, the capital city of Poland, has a population of 1.8m and 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 it the 8th most populous capital city in the European Union.



Panoramic view of Bielany district.

Development and Investment Market

Poland's investment volumes reached EUR 5.6 billion last year, which was 25% down on the result from 2019. The board of CeMat A/S is closely monitoring the development and investment market in Warsaw in relation to our property and long-term goals. CeMat is specifically observing and focusing on the housing, industrial and ground floor retail markets.

Despite the pandemic and the economic recession, the results of the new housing sales market, and warehouse and small retail investment, in 2020 turned out to be better than expected.

Developers operating on the six largest residential markets in Poland sold a total of 53,000 units in 2020, which was a 19% drop on the previous year. Warsaw, the biggest residential market in Poland, recorded the most dynamic increase in the prices of units compared to 2019. The average price per square metre of apartments in Warsaw in December was approximately DKK 17.200.

The fact that institutional investors are intensively building up asset portfolios in Poland in the Build-to-Rent housing sector confirms that the Polish market is a stable and attractive place for investing capital. In fact, investment activity has even increased, as the Build-to-Rent sector has proved to be among the most resilient asset classes in the real estate industry. Poland recorded transactions of approximately EUR 260 million in 2020, both in multifamily and student housing, with new investors entering the market.

Transactions in Poland were dominated by sales of industrial properties, which accounted for almost half of the total volume. As an operator of small warehouse units, CeMat is closely observing the Small Business Unit (SBU) segment, which is a rapidly growing part of the market in Poland, and Warsaw in particular. High demand from investors has driven exit yields to historic levels in Warsaw. The sector is looking to the future with optimism.

The pandemic has not stopped investments in small retail units, but it has strengthened the popularity of convenient shopping within walking distance from home. Unlike shopping centres, ground floor retail, such as grocery stores and pharmacies, appears to be a highly attractive product for investors.

*) Data based on reports from Jones Lang LaSalle and Cushman & Wakefield, rynekpierwotny.pl

4. COVID IMPACT & RESPONSE

Since the start of the pandemic, the CeMat team has focused on supporting our tenants and clients. We are benefiting from a newly opened in-house property management team, who have kept our premises safe and are in active dialogue with our tenants.

With regard to our property, our targeted approach was to keep rent collection strong, instead of giving rent reductions to those tenants with strong underlying businesses but who had been negatively impacted by Covid-19 in H1. CeMat helped a group of 30 tenants with temporary rent reductions and other actions. As a result, the CeMat Group recorded rental income that was lower than expected, but we saw an improvement in the debt collection period in H1, which stood at 26 days in June. Moreover, we only recorded one case of a lease agreement being terminated as a result of the pandemic.

The lockdown from March and April resulted in lower sales of utilities to our clients.

On the other hand, the absorption of new space in H1 was in line with expectations from the beginning of the year, before Covid-19. Demand was mainly focused on small warehouses and offices for the e-commerce and service sectors. CeMat signed 26 new agreements and deal renewals during the period affected by Covid-19 until the end of June.

We noticed a significant improvement in the condition of our tenants' business in the second half of the year, which resulted in a lack of new rent reductions.

The demand for space was equally satisfactory in the second half of the year, which confirmed analysts' claims about the strengthening of the position of city warehouses during the pandemic. The closure of shopping centres during the lockdown, the sharp increase in sales on online channels and the resultant change in consumer habits strengthened the trend of the strengthening of the position of micro-warehouses and last mile logistics. CeMat signed a further 43 new space agreements and renewals from July to December. The dynamic of net growth in the second half of the year was lower due to the loss of one of the tenants.

The experience gained in recent years, and also market sentiment towards the micro-warehouse sector in the first phase of the pandemic, led to a change in leasing strategy. The new strategy was proposed as a solution to market demand, enabling CeMat to achieve a higher income base and improve rentability. It is the management team's ambition to maximise the average rent per square metre and disperse the risk related to the highly competitive market of the regular warehouse segment.

The sale of utilities in Q4 was back to the level from the pre-pandemic period, and energy sales to tenants in December was even better than before the pandemic.

The average PLN to DKK exchange rate in 2020 dropped from 1.75 to 1.68 (from January to December), which also affected the financial figures.

5. 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.

Rental income from warehouses and offices is the main income in the Group's structure, accounting for 70% of the revenue.

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

6. OUR MISSION

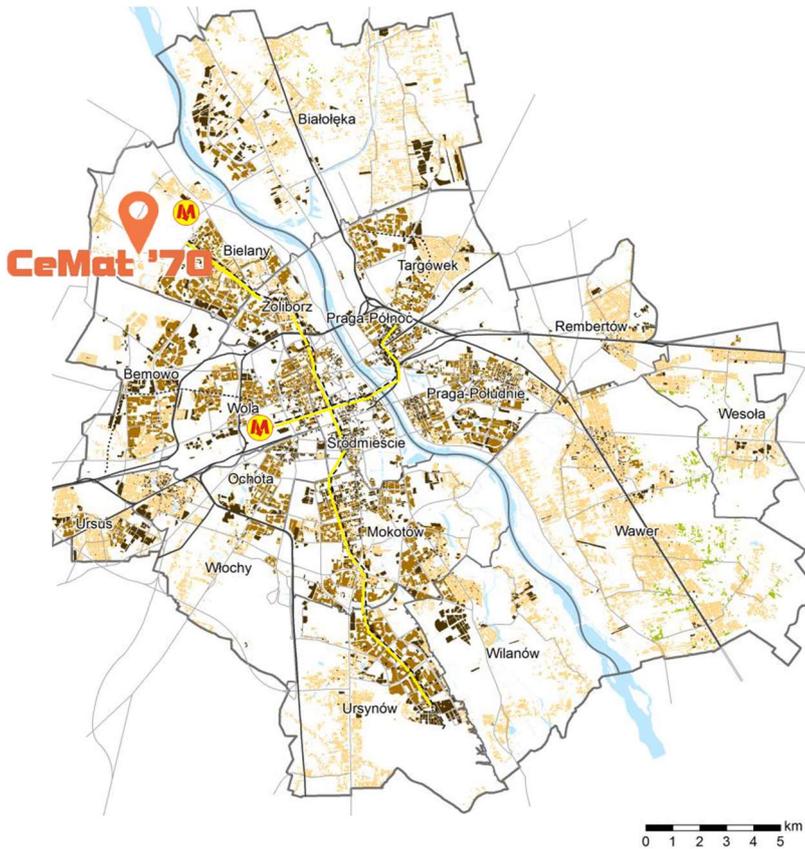
Having successfully applied for an individual zoning decision for one of the plots, CeMat assumes the possibility of making further applications. Moreover, the positive sentiment to the Warsaw investment market helps to create an opportunity for CeMat to maximise the value of its properties over the long term. The new approach assumes CeMat's involvement in additional activities to maximise the value of particular land plots. The scope of the additional work of the CeMat team for each plot and project is analysed on an individual basis taking into account the potential risks, time frames and possibilities of obtaining additional benefits over the current land value. As a result, Management has decided to change the company's mission statement with regard to the long term.

Our mission is to operate a profitable real estate enterprise, focusing on the leasing and management of the property to provide a cash-generating business.

In the long term, our mission is to maximise the value of the properties, including the potential possibility of development activity, and deliver the best possible dividends to our shareholders.

7. PROPERTY HIGHLIGHTS

The current portfolio of the CeMat Group includes investment development sites located mainly in Warsaw, the capital of Poland. The main property is partially developed with former industrial buildings. The buildings are accommodated by warehouse, production, office and social space. The complex has a total of approx. 32,291 sqm of leasing space and 163,150 sqm of land.



Warsaw

GLA: 32,291 sqm

Warehouse: 28,164 sqm

Office: 4,127 sqm

Number of tenants: 182

CeMat '70, as a former production facility transforming non-productive areas into cash-generating premises, has also created circa 400 sqm of new letting space, launching from January 2021.

Land: 159,300 sqm

This includes:

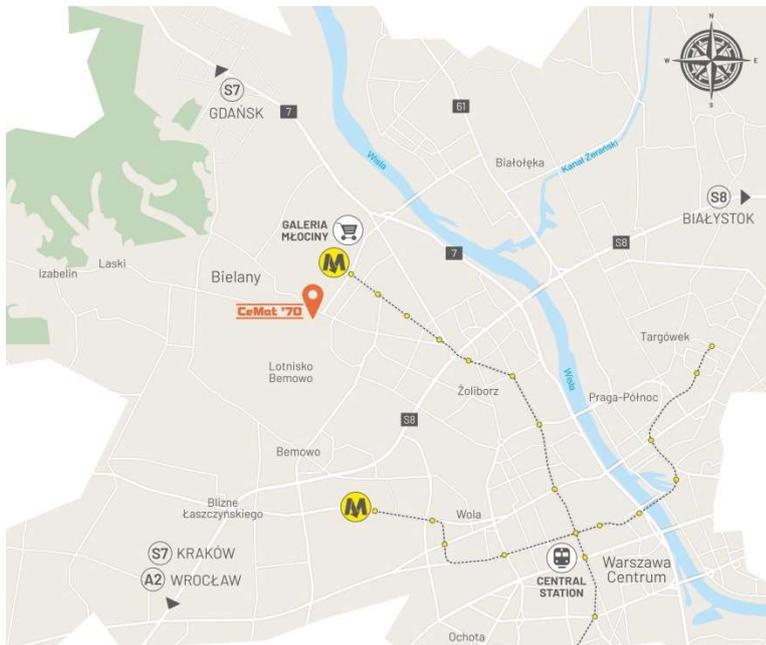
- 125,090 sqm of industrial, road and green area plots;
- 10,722 sqm of internal road plots where CeMat has a 75% share;
- 23,488 sqm of industrial plots where CeMat has a 71.4% share.

The total property area including an appropriate share in the plots is 149,902 sqm.

CeMat '70, W131 and W133 have control of the land through the possession right to the site, the perpetual usufruct right and ownership rights. Part of the property of CeMat '70 is possession right and is not entered in the land and mortgage register. W131 and W133 have control of the land through perpetual usufruct. The land of CeMat is the possession right to 58% of the property, the perpetual usufruct right over 41% of the property and ownership right over 1% of the property.

The potential investment value is represented by about 90% of the CeMat plots located inside the current industrial complex. The other 10% of the plots located outside the complex are green areas and, according to the study of the spatial plan of Warsaw, designated for the expressway and the North Bridge route. In the future, determining the exact path of these two routes will determine which of these plots can be additionally used for development projects. In addition, some of these plots are controlled through possession and the rights are less documented than for the plots located inside the complex. In the years 2019-2020, CeMat took unsuccessful court action to establish a legal title to some of the plots. The result of this procedure was a reduction in the position of the land outside the complex of about 3,850 sqm.

The property is located in the northern part of Warsaw, in the Bielany district, approximately 10 kilometres from the city centre.



CeMat's location in the Bielany district

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 large new 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.



CeMat & PKO BP office building



Galeria Młociny shopping center

Blichowo

Residential land

Land: 13,603 sqm

8. GOALS ACHIEVED IN 2020

2020 was the first year after the end of cooperation with Topsil and the completion of the first stage of the company's transformation from production to a real estate business. Topsil had been the largest tenant and it terminated its lease agreement with effect from November 2019. Historically, Topsil was a company with close links to CeMat and it was its greatest utilities consumer. Formerly, the structure of sales had been reflected by large turnover and a relatively small margin. In addition, the rent paid by Topsil had also been lower than the market rate, which now creates a good opportunity for CeMat. As a result, a smaller revenue was recorded in 2020. It was Management's goal to return to a profitable business with a lower revenue, and this was achieved in 2020.

Topsil's lease termination resulted in CeMat's natural transition from the medium to the small warehouse market segment. In 2019, CeMat had 93 warehouse tenants, but in 2020 this number increased to 116. Due to its unique flexibility to meet tenants' demands, the configuration of offices and warehouse space allows units to be created from 10 sqm upwards. CeMat is operating in a market niche lure group of atypical tenants and unmet needs, which has led to a number of opportunities such as lower competition and higher margins for the landlord.

Moreover, the pandemic has accelerated changes in the real estate market and CeMat has observed that the positive sentiment of the market to small business units and micro-warehouses is reflected in relatively high demand.

As a result, CeMat A/S management has decided to change its leasing strategy and focus on a high-margin and low-disruptive rental business like small warehouses and small production units, with limited production and distribution of specialised resources.

The positive sentiment to the Warsaw investment market helps to create an opportunity for CeMat to maximise the value of its properties over the long term. The new approach assumes CeMat's involvement in additional activities to maximise the value of particular land plots. The scope of the additional work of the CeMat team for each plot and project is analysed on an individual basis taking into account the potential risks, time frames and possibilities of obtaining additional benefits over the current land value.

The company's Board of Directors has undertaken actions aimed at mitigating the adverse impact of coronavirus, including active dialogue with tenants, changes to the leasing strategy and the revision of costs. More details about the impact of Covid-19 and CeMat's response are provided in section 4.

All financial figures were affected by the weakening of the PLN against the DKK (we assumed the rate of 1.75 in the budget, but the full-year average rate was actually 1.68).

Revenue

Revenue of the CeMat Group was DKK 19.6 million.

The drop from DKK 34.9 million the previous year was mainly the result of resigning from part of the utilities sales (a drop from DKK 20.8 million to DKK 5.8 million) and having to rebuild the occupancy level from the 75% recorded in December 2019. As a result, the income structure has evolved from the sale of utilities to rental income accounting for 70% of the total income in 2020, compared to 40% of the total income in 2019.

Apart from the letting of premises, CeMat is also engaged in the provision of utilities, including power, water and gas, and facility services etc. to its tenants.



Income structure has evolved from the sale of utilities to rental income accounting for 70% of the total income in 2020, compared to 40% of the total income in 2019.

EBITDA

Consolidated EBITDA of the CeMat Group was DKK 1.1 million.

In the Annual Report 2019, an expected EBITDA of around DKK 1-2 million was announced for 2020. In April 2020, the Board of Directors had to suspend the earlier expectations and the new expectations were published in the H1 Report at the level of between DKK 0.5–1.0 million.

Property value

According to the Cushman & Wakefield report, the property located in Warsaw has an "as is" fair value of PLN 69.0 million (last year's report: PLN 65.1 million) or approx. DKK 112.7 million (last year's report: DKK 114.2 million) based on 100% of the property (or shares).

The positive market sentiment 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 69,020,000 (or approx. DKK 112,690,000), based on 100% of the property (or shares).

Net result after tax

The positive net result of DKK 3.1 million was achieved after taking into account the valuation of the investment property.

Rental income

CeMat A/S recorded rental income of DKK 13.7 million in 2020 and DKK 14.1 million in 2019.

As a result of the decrease in the occupancy level to 75% at the end of December 2019, CeMat A/S had to rebuild the rental income in 2020.



Comparing the rental income in December 2020, the rent is circa 17% higher than in December 2019.

Occupancy level in 2020

CeMat was leasing out 27,215 sqm at the end of 2020, compared to 24,315 sqm in December 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 a result of the biggest tenant – Topsil – terminating its lease agreement with effect from November 2019. Our goal for 2020 was to recover this situation by Q4 2020, which the letting team successfully managed.

CeMat recorded an occupancy level of 84.5% at the end of 2020. This result includes the new space which is recognised in the letting area in 2020 – where the former production space, common spaces and technical areas have been transformed into cash-generating premises, creating an additional circa 3,000 sqm of new letting space in the complex, which is recognised in the total letting space in 2020.

The occupancy level of the vacant space formerly occupied by former tenant Topsil is 64.68%.

The absorption of the new space is at a satisfactory level compared to the situation before the Covid-19 pandemic, with demand mainly focused on small warehouses for the e-commerce and service sectors. CeMat signed 86 new agreements and deal renewals in 2020. It should be highlighted that the property's good location close to the centre of Warsaw, flexibility in lease terms and the possibility to carry out technical adaptations have resulted in the property's solid situation during the pandemic.

Land re-zoning

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 lawyers. CeMat applied for an individual zoning decision for residential and ground floor retail space for one of the plots, with an area of 5,608 sqm, in 2020.

According to the decision, the parameters of the potential investment allow for construction of a residential building with ground floor retail space. The architect's analyses based on the decision predict approximately 7,100 sqm of usable space. The decision was validated in February 2021.

Obtaining legal title to the properties

CeMat '70 has control of the land through the possession right to the site, the perpetual usufruct right and ownership rights. Part of the property of CeMat '70 is not entered in the land and mortgage register. W131 and W133 have control of the land through perpetual usufruct. The right of perpetual usufruct (RPU) is a specific Polish property right which may be established on land owned by the State Treasury or by local government units (usually municipalities). A right of perpetual usufruct is established for between 40 and 99 years and may be renewed upon the request of the perpetual usufructuary.

The specialist legal team has continued with the approved plan and is actively working on legal action to obtain the RPU for CeMat '70. The focus in 2020 was to accelerate the legal action in court and administrative cases to prepare the land for investment purposes.

Building a professional team

The process of reinforcing the professional team was an important goal for CeMat in 2020. Management believe that having a team with the right mix of professional skills has helped CeMat's smooth transformation from production to a real estate business. We were benefiting from a newly opened in-house property management team, our professional leasing team and reorganised technical team, all of whom are supported by legal and development advisors in their current activity and long-term goals.

Institute of Technology cooperation

As organisations with long-standing historical links, CeMat '70 and the Institute have common business goals in resolving some of the ownership issues. A new dialogue was initiated in Q4 and a new approach was presented with the expectation of increased activity on the part of the Institute to resolve these common goals.

Asset disposal

The positive sentiment towards the Warsaw investment market has created the opportunity for CeMat to maximise the value of its properties. Prior to signing the disposal agreement, we decided to clarify some of the conditions necessary to develop the investment product. As a result, the CeMat team was involved in additional activities, specific to a particular plot, which resulted in the issuing of an individual zoning decision for one of the plots.

Acquisition of shares from minority shareholders

The Polish holding company CeMat Real Estate is continuing to acquire shares from minority shareholders in CeMat '70. A detailed programme for buying shares from individuals was implemented in 2020 and CeMat made over 90 transactions by December. As a result, it has increased its stake to 91.65% in December 2020, up from 90.04% last year. The process of buying shares from minority shareholders is ongoing and will continue in 2021.

9. GOALS TO BE ACHIEVED IN 2021

Income growth

The goal is to improve the net income from the property. We are forecasting growth of between 10-14% in rental income in 2021, in comparison to 2020.

The forecast for the sale of utilities should be similar to 2020.

In order to increase CeMat's revenue, its business model based on the existing traditional warehouse business needs to be modified in 2021 and over the coming years.

The leasing strategy predicts a focus on micro-warehouse units and services for our tenants, with the market sentiment towards micro-warehouses driving our expectations to attain a higher income and improve rentability over the coming years. CeMat is operating in a market niche lure group of atypical tenants and unmet needs, which has led to a number of opportunities such as lower competition and higher margins for the landlord.

Moreover, CeMat will continue to revise agreements, replace weaker tenants with new tenants and propose new lease agreements.

Occupancy level

The goal for 2021 is to reach an occupancy level of 90-93%, representing a 6-9% increase from December 2020.

CeMat, as a former production facility transforming non-productive areas into cash-generating premises, has also created circa 400 sqm of new letting space. This new space will be included in the total GLA from January 2021, and we will continue the process of transforming the former production space in the coming years.

Land re-zoning

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 has started the process of getting the land re-classified from its current service use to an alternative use by means of obtaining individual zoning decisions. The new approach assumes Cemate possibly making applications for individual zoning decisions on particular land plots as an alternative to the long process of changing the spatial plan.

Obtaining legal title to the properties

CeMat will continue to work actively on its legal action to enter CeMat '70 in the land and mortgage register.

The specialist legal team will continue with the approved plan of action.

Institute of Technology cooperation

As organisations with long-standing historical 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 2021.

Strengthening of the organisation

CeMat has successfully transferred its activity from production to a real estate business. The company is continuing the process of strengthening the organisation and ensuring that our team has the appropriate skills to fulfil both the short and long-term goals. The CeMat team intends to further develop its skills in the field of property management, leasing, technical support and the pre-development process.

One of the important goals for the property management team is implementing the programme for upgrading the property according to current regulations and the structure of the old buildings. 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 leasing team focuses on new leases, lease renewal, reletting and identifying additional sources of value.

The technical team is to support the property manager in adapting the premises to the needs of tenants, adapting the buildings to the current regulations and supporting the preparation of individual plots of land for the investment process.

Asset disposal

After re-zoning one of the plots (5,608 sqm) for residential and ground floor retail use, the team will continue with its efforts needed to prepare the plot to be sold at an optimal price. CeMat expects to find an investor in 2021.

10. LONG-TERM GOALS

Current activity is mainly focused on generating maximum cash flows from the current buildings and preparing the maximisation of the value of the properties over the longer term.

The first phase of CeMat's transformation from a production business to a real estate business was completed in 2020. The process was supported by an experienced real estate team, which prepared the solid foundations to achieve its long-term goals. Management's new approach assumes the involvement of the CeMat team in maximising the value of the particular land plots. The new approach requires the involvement of the team not only in the work related to the change of the spatial plan for individual plots, but also possible involvement in further stages of the investment process. CeMat sees high investment potential in the land located in the north-western

part of Warsaw as it is 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.

The area of the land in Warsaw, the number of plots controlled by CeMat and the different legal situation of the individual properties require that an individual approach should be adopted for each property.

In the understanding of the company's managers, such an approach may maximise the potential value of the individual properties, thus increasing the company's value.

We have four milestones to achieve in order to obtain the maximum value of the particular plots:

Re-zoning land

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 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 the CeMat team is supported in this by architects and lawyers. The goal is to prepare a new master plan or obtain an individual zoning decision, which needs a dialogue to be maintained with the city architect about the most appropriate solution for CeMat. CeMat is working with one of the top Polish architecture firms to find the best possible solutions for each plot and prepare the internal master plans. As a result of the new approach, CeMat successfully applied for an individual zoning decision in 2020 and will continue with its efforts in the coming years.

Obtaining the legal title to plots

CeMat '70 has control of the land through the possession right to the site, the perpetual usufruct right and ownership rights. Part of the property is not entered in the land and mortgage register.

W131 and W133 have control of the land through perpetual usufruct, which is a necessary condition for treating a plot of land as an investment product.

CeMat '70 cannot obtain perpetual usufruct to a plot of land 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 the company's expectations. CeMat 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.

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

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 investors

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. 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 is one of the priorities for our daily business activity and the positive sentiment to the Warsaw investment market helps to create an opportunity for CeMat to maximise the value of its properties over the long term. Prior to signing the disposal agreement, we decided to clarify some of the conditions necessary to maximise the value of the properties. The scope of the additional work of the CeMat team for each plot and project will be analysed on an individual basis, taking into account the potential risks, time frames, human resources and possibilities of obtaining additional benefits over the current land value. It is the opinion of 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 3-4 years.

We do not exclude the possibility of a partial sale in the meantime.

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.

11. OUTLOOK FOR 2021

Consolidated EBITDA for the Cemat Group is expected to be around DKK 2.5–3.5 million in 2021.

A positive net result of DKK 0.5–1.5 million, before taking into account the valuation of the investment property, is expected for 2021.

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.

The potential impact of the coronavirus pandemic on the operations and financial results in the year 2021 will depend on the duration of the restrictions and the dynamic of the pandemic.

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.

12. FINANCIAL REVIEW

The activities of CeMat A/S comprise a listed holding company in Denmark with a property business in Poland operated through the 91.65%-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 natural gas, and facility services etc. to its tenants. CeMat '70 (and its subsidiaries W131 and W133) have 182 tenants and at the moment an occupancy rate of approximately 84.5%.

INCOME STATEMENT

Revenue for 2020 amounted to DKK 19.6 million (2019: DKK 34.9 million), comprising rental income of DKK 13.7 million and sales of utilities, including power, water and technical gases, and facility services etc. to tenants of DKK 5.9 million. The decrease in sales revenues was the result of the departure of the largest tenant and utilities consumer - Topsil PL – and the resignation from the sale of unprofitable utilities or utilities requiring large expenditures to ensure safety, as well as the outbreak of the Covid-19 pandemic and the need to grant selected tenants rent concessions and also the lower consumption of utilities by tenants due to lockdown. For more information on the effects of the Covid-19 pandemic on the financial statements, see Note 24.

Costs of goods and services sold totalled DKK 4.8 million in 2020, down from DKK 13.4 million in 2019, consisting of costs for the purchase of utilities for resale to tenants.

Other external expenses amounted to DKK 7.9 million in 2020, compared with DKK 9.4 million in 2019.

Personnel costs remained at the same level as in 2019, i.e. DKK 5.7 million.

EBITDA for 2020 was a profit of DKK 1.1 million, against a profit of DKK 6.4 million for 2019.

In December 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 69.0 million (DKK 112.7 million), which is PLN 4.0 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 0.1 million). Taking into account the valuation of the investment property and the capital expenditures, a profit on the revaluation of DKK 4.8 million was achieved. Please note that the value of the investment property expressed in DKK fell by 1.5 million compared to the previous year, which was the result of a significant depreciation of PLN against DKK. This effect has been recognised in the Statement of Comprehensive Income as a component of foreign exchange adjustment.

Net financials amounted to an expense of DKK 0.8 million in 2020, which is the same level as in 2019. This negative result is the effect of the implementation of IFRS 16 and the recognition of interest on financial leasing related to the right of perpetual usufruct.

Tax on profit/loss for the year was DKK 2.0 million, which was mainly a result of the positive results of CeMat '70 and the increase in the deferred tax provision resulting from the revaluation of the investment property.

CeMat achieved a profit after tax of DKK 3.1 million in 2020, compared to a profit of DKK 5.6 million in 2019.

CASH FLOW STATEMENT

Cash flows from operating activities were an inflow of DKK 4.1 million in 2020.

Cash flows from investing activities were an outflow of DKK 1.8 million. Cash was spent on upgrading the company's facilities, including fire security and preparing the company's properties for development or 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 147.4 million as at 31 December 2020, primarily comprising the investment property with an estimated market value of DKK 126.7 million (of which DKK 112.8 million is the value of the investment property based on its valuation and DKK 13.9 million is the value of the right of use resulting from the implementation of IFRS 16), receivables of DKK 3.0 million, and cash and cash equivalents of DKK 17.8 million.

For reporting purposes, the property in Poland is classified as an investment property. In December 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 31.12.2020, an "as is" fair value of PLN 69.0 million (or approx. DKK 112.7 million). Additionally, the agricultural plot in Blichowo was valued by Management at PLN 0.1 million (DKK 0.1 million). The other possibilities – related to the plot in the vicinity of Warsaw airport (more details can be found in section 10) – as at the date of writing the report represent a book value of 0 due to the lack of legal title and the uncertain resolution of the dispute.

Consolidated equity as of 31 December 2020 stood at DKK 107.1 million, of which DKK 95.8 million was attributable to the shareholders of CeMat A/S, and DKK 11.3 million to non-controlling interests in CeMat '70 S.A. The equity ratio was 72.6% as of 31 December 2020.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

13. RISKS AND RISK MANAGEMENT

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

Risks relating to accounting estimates and judgments

The Group's investment property is measured at its estimated fair value in accordance with IAS 40 and IFRS 13, and any value adjustments are recognised in the income statement. Management has reviewed the updated valuation report received in December 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;
- obtaining the legal title to part of the land;
- resolving the remaining claims regarding title to the land;
- solution/agreement with the Institute of Technology (for the common building and roads);
- summons for a settlement attempt regarding release of the real estate;
- financial risks;
- 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. In 2020, CeMat applied for an individual zoning decision for a residential building with services.

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.

Obtaining the legal title to part of the land

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

Claims for title

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

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 action against CeMat '70 regarding release of the real estate – plots with an unregulated legal status in the land and mortgage register. The President of the City of Warsaw sent a summons in an attempt to reach a settlement regarding plots in 2019. However, CeMat '70 refused to reach a settlement.

Resolving co-ownership issues

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

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 2021 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

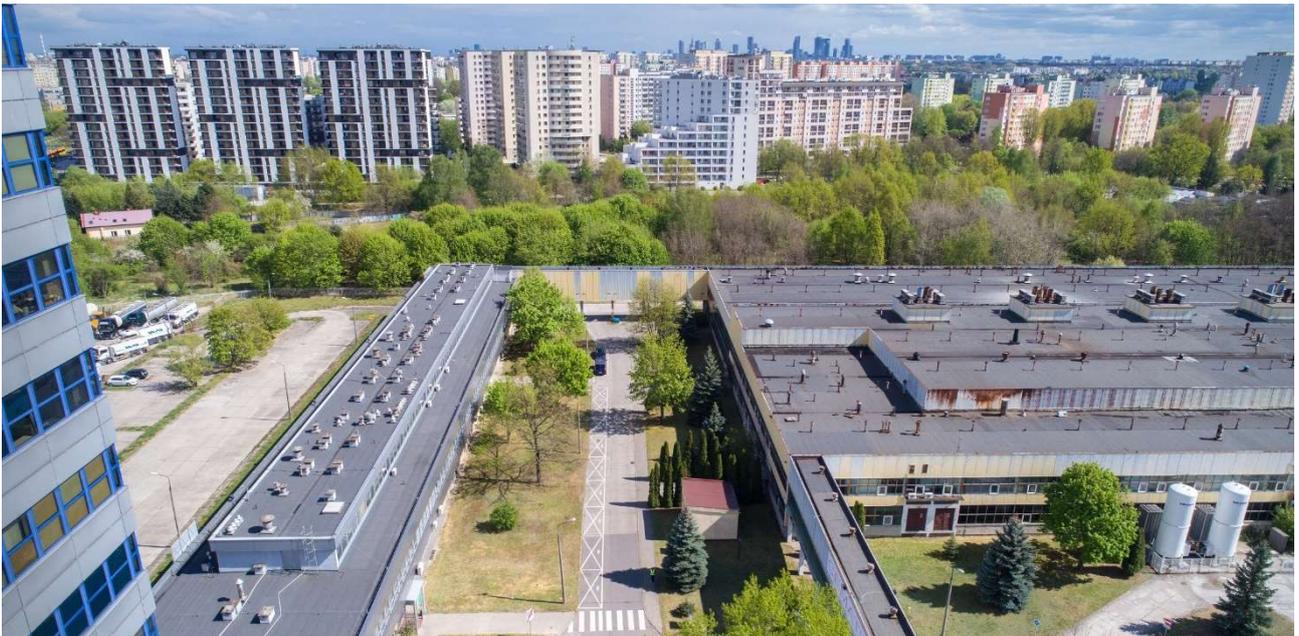
The property was used for 40 years for industrial purposes and, therefore, pollution cannot be excluded. However, a number of investigative drillings have been carried out across the property and, to date, no significant pollution has been identified.

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.



14. 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 2020.

The report consists of three elements:

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

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

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

Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of the "Rules for issuers of Shares – Nasdaq Copenhagen", CeMat must report on how the Group addresses the recommendations published by the Committee on Corporate Governance in Denmark on 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 2020, 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 2020, the total number of employees was 25 (including the Board of Directors), five 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.

	2020	2019
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 2021. Instead, CeMat will focus on continuing the good efforts already completed.

Policy on safety

Safety must be a priority for all CeMat employees. There were no accidents in 2020.

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

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

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

Anti-fraud and anti-corruption

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

15. SHAREHOLDER INFORMATION

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

CEMAT'S SHARES

In 2020, shares in the OMXC25 CAP index gained 34%, while shares in the OMXC SmallCap index gained 38%. The price of CeMat's shares was DKK 0.376 per share at the end of 2020, equivalent to a 7% increase (from DKK 0.352).

The Group's market capitalisation at 31 December 2020 was DKK 93.9 million.

The total turnover in stock in 2020 was 57 million shares, which was 90% higher than in 2019, when 30 million shares were traded.

MASTER DATA

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

SHARE CAPITAL

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

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

SHAREHOLDER STRUCTURE

One largest shareholder holds 32.5% of the registered share capital. A list of shareholders who have notified the Group that they hold 5% or more of the share capital or votes as at 31.12.2020 under section 29 of the Danish Securities Act is shown below.

Composition of shareholders	Number of shares	Capital DKK	Capital %
EDJ-Gruppen 6701 Kongensgade 34 Esbjerg, Denmark	81,250,000	1,625,000.00	32.52
Thomas Plenborg and Gist Holding ApS C.F Richs Vej 31 (owned by Thomas Plenborg)	15,960,089	319,201.78	6.39

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 2020, members of the Board of Directors and their related parties held 90,104,923 shares (nominal value DKK 1,802,098), corresponding to 36.1% of the share capital and a market value of DKK 33.9 million. Members of the Management Board and their related parties held 1,149,610 shares (nominal value DKK 22,992), corresponding to 0.5% of the share capital and a market value of DKK 0.4 million.

The shareholdings of the individual members of the Board of Directors and the Management Board and changes thereto during 2020 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 2020.

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 24 March 2021 at 2.00 pm at the offices of DLA Piper Denmark, Oslo Plads 2, 2100 Copenhagen OE, Denmark, as a virtual event.

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 2020 financial year. The Board of Directors recommends to the Annual General Meeting that the consolidated profit for the year of DKK 3.1 million be transferred to retained earnings.

INVESTOR QUERIES

Any questions or comments from shareholders, analysts and other stakeholders should be addressed to Frede Clausen via the Investor Secretariat at e-mail: investor@CeMat.dk or tel.: +45 4736 5600.

ANNOUNCEMENTS IN 2020

2020 **Announcement**

20.02	Publication of Annual Report 2019
20.02	Notice to convene Annual General Meeting 2020
20.02	Managers' transactions
24.02	Managers' transactions
25.02	Managers' transactions
25.02	Managers' transactions
03.03	Managers' transactions
10.03	Managers' transactions
16.03	Managers' transactions
16.03	Managers' transactions
17.03	Managers' transactions
18.03	Postponement of annual meeting
18.03	Managers' transactions
18.03	Managers' transactions
19.03	Managers' transactions
23.03	Major shareholders' announcement
24.04	Potential impact of the coronavirus outbreak on the operations and financial results of CeMat A/S
29.05	Notice to convene Annual General Meeting 2020
23.06	Course of the Annual General Meeting 2020
19.08	Interim Report H1 2020
20.08	Managers' transactions
24.08	Closely related persons transactions
02.09	Managers' transactions
10.09	Managers' transactions
10.09	Managers' transactions

FINANCIAL CALENDAR 2021/2022

2021 **Announcement**

23.02	Annual Report 2020
24.03	Annual General Meeting
31.08	Interim report – H1 2021

2022 **Announcement**

23.02	Annual Report 2021
24.03	Annual General Meeting

Silent period

25.01.2021 - 23.02.2021

02.08.2021 - 31.08.2021

Silent period

25.01.2022 - 23.02.2022

16. 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 2021

No. of shares held in CeMat (own and related parties):

8,632,463 (2019: 3,032,463)

Remuneration paid in 2020: DKK 400,000

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)

Søndergaard Holding Aalborg ApS (chairman)

Ib Andersen VVS 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 2021

No. of shares held in CeMat (own and related parties):

81,250,000 (2019: 80,750,000)

Remuneration paid in 2020: DKK 280,000

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 2021

Remuneration paid in 2020: DKK 160,000

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: 222,460 (2019: 0)

Special qualifications:

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

Management Board



Jarosław Lipiński (born 1977)

CEO

Master of Law degree

Further studies at the AMBA 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 20 years, Jarosław Lipiński 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 (Agat Ejendomme), in charge of letting and development.

Special qualifications:

Residential and retail development, property management, business development.

No. of shares held in CeMat: 1,149,610 (2019: 0)

17. MANAGEMENT STATEMENT

We have today presented the annual report of Cemat A/S for the financial year 1 January – 31 December 2020.

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 2020 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended 31 December 2020.

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, 23 February 2021

MANAGEMENT BOARD

Jarosław Lipiński
CEO

BOARD OF DIRECTORS

Frede Clausen
Chairman

Eivind Dam Jensen
Deputy Chairman

Joanna L. Iwanowska-Nielsen
Board member

18. 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 2020, 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 2020, and of the results of the Group and Parent Company operations and cash flows for the financial year 1 January - 31 December 2020 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 2020.

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 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of investment properties

The carrying amount of the Group's investment properties is DKK ('000) 126,641 at 31 December 2020, 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) 4,840, cf. note 9 of the Financial Statements, which is recognised in the income statement.

We have assessed that the fair market valuation is a key audit matter as estimates and preconditions may have material impact on the Financial Statements and because investment properties constitute 86% of the Group's total assets.

In January 2021 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.

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

Our audit response

We have obtained an understanding of the Management's processes for and control of the measurement of the land plots and the rental property in Poland.

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

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

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

Statement on Management'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, 23 February 2021

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Brian Olsen Halling
State Authorised Public Accountant
MNE no. 32094



FINANCIAL STATEMENTS



19. INCOME STATEMENT

1 January – 31 December

PARENT COMPANY				GROUP	
2019	2020	DKK'000	Note	2020	2019
0	0	Revenue	3	19,571	34,934
0	0	Cost of goods and services sold		(4,891)	(13,447)
(2,368)	(1,603)	Other external expenses		(7,880)	(9,378)
(778)	(882)	Staff costs	4	(5,685)	(5,701)
(3,146)	(2,485)	Operating profit/(loss) (EBITDA)		1,115	6,408
0	0	Depreciation		(44)	(35)
(3,146)	(2,485)	Operating profit/(loss) (EBIT)		1,071	6,373
0	0	Revaluation investment property	9	4,826	2,687
59	1,717	Financial income	5	178	251
(1,219)	(1,044)	Financial expenses	6	(977)	(1,074)
(4,306)	(1,812)	Profit/(loss) before tax		5,098	8,237
0	0	Tax on profit/(loss) for the year	7	(1,968)	(2,660)
(4,306)	(1,812)	Profit/(loss) for the year		3,130	5,577
Distribution of profit/(loss) for the year:					
		Parent company shareholders		2,488	4,464
		Non-controlling interests		642	1,113
				3,130	5,577
(0.02)	(0.01)	Earnings per share (DKK)	8	0.01	0.02
(0.02)	(0.01)	Diluted earnings per share (DKK)	8	0.01	0.02

20. STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

PARENT COMPANY				GROUP	
2019	2020	DKK'000	Note	2020	2019
(4,306)	(1,812)	Profit/(loss) for the year		3,130	5,577
		Items that may be reclassified to profit or loss:			
0	0	Foreign exchange adjustment, foreign entities		(7,956)	1,241
(4,306)	(1,812)	Comprehensive income for the year		(4,826)	6,818
		Distribution of comprehensive income for the year:			
(4,306)	(1,812)	Parent company shareholders		(4,497)	5,537
0	0	Non-controlling interests		(329)	1,279
(4,306)	(1,812)			(4,826)	6,818

21. CASH FLOW STATEMENT

For 2020

PARENT COMPANY			GROUP		
2019	2020	DKK'000	Note	2020	2019
(3,145)	(2,485)	Operating profit/(loss) (EBIT)		1,071	6,373
0	0	Depreciation	9	44	35
139	(399)	Change in net working capital	20	4,768	(159)
0	0	Other (deposits, etc.)		578	362
0	0	Tax paid/received		(1,516)	(781)
0	0	Financial income received		53	107
(41)	(18)	Financial expenses paid		(886)	(946)
(3,047)	(2,902)	Cash flows from operating activities		4,112	4,991
0	0	Acquisition of property, plant and equipment		(1,585)	(1,729)
0	0	Capital expenditures, development of the investment property		(206)	(90)
0	0	Cash flows from investing activities		(1,791)	(1,819)
0	0	Lease repayments	17	(47)	(47)
2,589	2,700	Loans and credits raised	17	0	0
0	0	Acquisition of shares in subsidiary		(860)	(859)
2,589	2,700	Cash flows from financing activities		(907)	(906)
(458)	(202)	Cash flows for the year		1,414	2,266
1,480	1,022	Cash and cash equivalents at beginning of year		17,598	15,170
0	0	Market value adjustment of cash and cash equivalents		(1,262)	162
1,022	820	Cash and cash equivalents at end of year	13	17,750	17,598

22. BALANCE SHEET

Balance sheet as at 31 December 2020

PARENT COMPANY		ASSETS		GROUP	
2019	2020	DKK'000	Note	2020	2019
0	0	Investment property	9	126,641	129,196
0	0	Plant and machinery right of use	9	55	105
0	0	Property, plant and equipment		126,696	129,301
93,339	93,339	Investments in subsidiaries	10	0	0
0	0	Other non-current receivables	11	546	587
93,339	93,339	Financial assets		546	587
0	0	Deferred tax asset	7	0	0
93,339	93,339	Non-current assets		127,242	129,888
0	0	Trade receivables	12	1,665	5,588
1,304	1,268	Receivables from subsidiaries		0	0
0	0	Income tax receivable		563	0
0	0	Other receivables		234	496
1,339	1,268	Receivables		2,462	6,084
1,022	820	Cash and cash equivalents	13	17,750	17,598
2,361	2,088	Current assets		20,212	23,682
95,700	95,427	Assets		147,454	153,570

Balance sheet as at 31 December 2020

PARENT COMPANY		EQUITY AND LIABILITIES		GROUP	
2019	2020	DKK'000	Note	2020	2019
4,997	4,997	Share capital	14	4,997	4,997
0	0	Translation reserve	15	(22,804)	(15,819)
65,491	63,679	Retained earnings		113,588	109,870
70,488	68,676	Equity attributable to parent company shareholders		95,781	99,048
0	0	Equity attributable to non-controlling interests		11,291	13,702
70,488	68,676	Equity		107,072	112,750
0	0	Lease liabilities	16	13,025	14,057
0	0	Other non-current liabilities		2,907	1,542
0	0	Deferred tax liabilities	7	19,475	18,907
0	0	Non-current liabilities		35,407	34,506
0	0	Lease liabilities	16	842	905
701	246	Trade payables	18	1,205	1,427
23,770	25,767	Debt to subsidiaries		0	0
0	0	Income tax payable		0	947
741	738	Other payables	19	2,928	3,035
25,212	26,751	Current liabilities		4,975	6,314
25,212	26,751	Total liabilities		40,382	40,820
95,700	95,427	Equity and liabilities		147,454	153,570
		Charges, guarantees and contingent liabilities, contractual liabilities	21-22		
		Other notes without reference	23-31		

23. STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for 2020 (Group)

DKK'000	Share capital	Translation reserve	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to non-controlling interests	Total equity
Equity at 01.01.2019	4,997	(16,894)	104,609	92,712	14,118	106,830
Profit/(loss) for the year	0	0	4,464	4,464	1,113	5,577
Other comprehensive income	0	1,075	0	1,075	166	1,241
Comprehensive income	0	1,075	4,464	5,539	1,279	6,818
Acquisition of non-controlling interests	0	0	824	824	(1,692)	(868)
Expenditure from the company's social benefits fund	0	0	(27)	(27)	(3)	(30)
Equity at 31.12.2019	4,997	(15,819)	109,870	99,048	13,702	112,750
Equity at 01.01.2020	4,997	(15,819)	109,870	99,048	13,702	112,750
Profit/(loss) for the year	0	0	2,488	2,488	642	3,130
Other comprehensive income	0	(6,985)	0	(6,985)	(971)	(7,956)
Comprehensive income	0	(6,985)	2,488	(4,497)	(329)	(4,826)
Acquisition of non-controlling interests	0	0	1,245	1,245	(2,081)	(836)
Expenditure from the company's social benefits fund	0	0	(15)	(15)	(1)	(16)
Equity at 31.12.2020	4,997	(22,804)	113,588	95,781	11,291	107,072

Statement of changes in equity for 2020 (Parent Company)

DKK'000	Share capital	Retained earnings	Total equity
Equity at 01.01.2019	4,997	69,797	74,794
Comprehensive income for the year	0	(4,306)	(4,306)
Equity at 31.12.2019	4,997	65,491	70,488
Equity at 01.01.2020	4,997	65,491	70,488
Comprehensive income for the year	0	(1,812)	(1,812)
Equity at 31.12.2020	4,997	63,679	68,676

24. NOTES TO THE FINANCIAL STATEMENTS

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1. ACCOUNTING POLICIES

The consolidated and the parent company financial statements of CeMat A/S for 2020 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 2020 have been implemented in the annual report for 2020.

Standards and interpretations affecting the profit/loss for the year or the financial position

The implementation of new and revised standards and interpretations in the annual report for 2020 has not resulted in changes to presentation or disclosure.

Standards and interpretations affecting presentation and disclosure

The implementation of new and revised standards and interpretations in the annual report for 2020 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.

Cost of goods and services sold

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

Other external expenses

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

Staff costs

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

Financial items

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

BALANCE SHEET

Investment property

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

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

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

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

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

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

The required rates of return having been set are an important input in estimating the fair values. The required rate of return used ranges from 12.1% to 14.3%.

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 2020 or 1 January 2020 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

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

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 2020

The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2020:

- Definition of a Business (Amendments to IFRS 3)
- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)

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

New standards, interpretations and amendments not yet effective

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

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for periods beginning on or after 1 January 2021
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for periods beginning on or after 1 January 2022
- Annual Improvements to IFRS Standards 2018–2020, effective for periods beginning on or after 1 January 2022
- Property, Plant and Equipment — Proceeds before Intended
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), effective for periods beginning on or after 1 January 2023

2. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

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

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

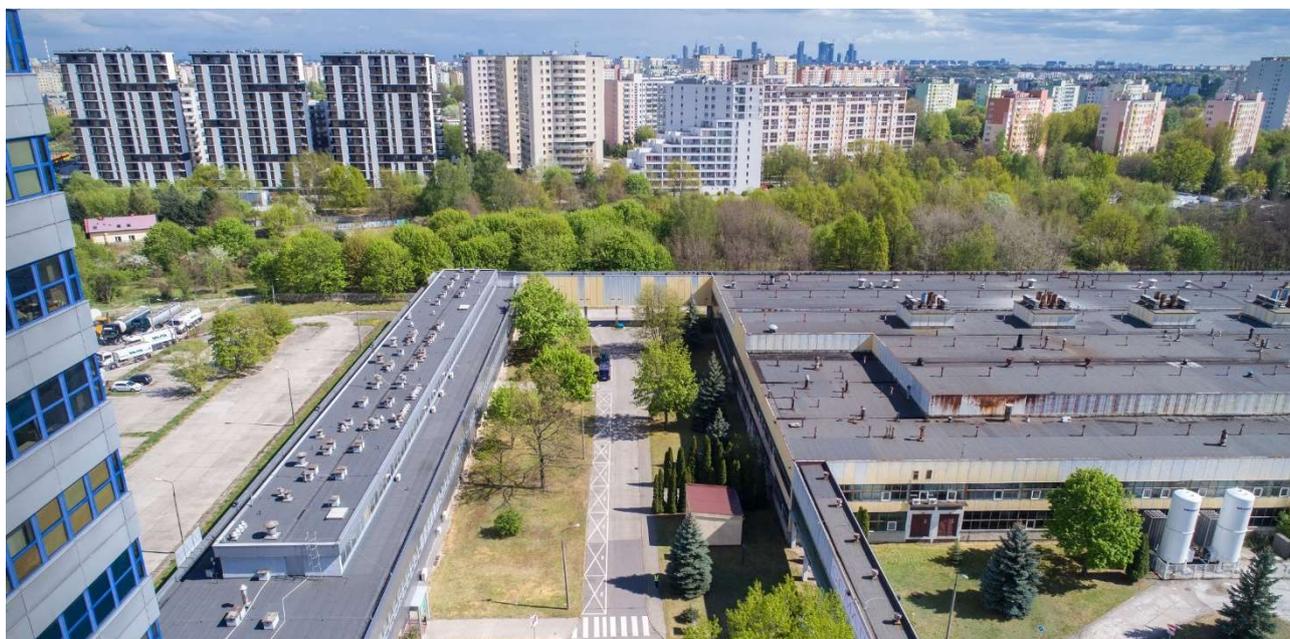
All forward-looking statements in this annual report reflect Management's current expectations for certain future events and financial results. Forward-looking statements are inherently subject to uncertainty, and actual results may therefore differ materially from expectations.

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, natural gas, facility services, etc.

Other segment information:

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

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
0	0	Letting	13,723	14,141
0	0	Utilities	5,848	20,793
0	0	Total	19,571	34,934

Revenue is generated by the Polish subsidiaries CeMat '70 S.A., W131 and W133, and the Group derives all of its revenue from Poland.

4. STAFF COSTS

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
735	840	Directors' fees	840	735
43	42	Wages and salaries	3,829	3,983
0	0	Bonuses for Management Board	289	277
0	0	Pension contributions, defined contribution plans	606	603
0	0	Other social security costs	121	103
778	882	Total	5,685	5,701
1	1	Average number of full-time employees	22	24

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:

DKK'000	Board of Directors		Management Board	
	2020	2019	2020	2019
Directors' fees	840	735	0	0
Salaries	0	0	1,186	1,183
Bonuses	0	0	289	277
Pension contributions	0	0	112	125
Total	840	735	1,587	1,585

The fee to the Chairman of the Board of Directors for the current term amounts to DKK 400 thousand (2019: DKK 350 thousand), to the Deputy Chairman DKK 280 thousand (2019: DKK 245 thousand) and to an ordinary member DKK 160 thousand (2019: 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	
2019	2020	DKK'000	2020	2019
59	56	Interest from group entities	0	0
0	0	Interest on bank deposits etc.	178	251
59	56	Interest income	178	251
0	1,661	Foreign exchange adjustments	0	0
59	1,717	Total	178	251

6. FINANCIAL EXPENSES

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
931	1,024	Interest to group entities	0	0
0	0	Interest relating to lease liabilities	859	890
37	20	Other interest	118	184
968	1,044	Interest expenses	977	1,074
251	0	Foreign exchange adjustments	0	1
1,219	1,044	Total	977	1,075

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	2020	2019
Current tax	(123)	(1,705)
Change in deferred tax including change in value	(1,937)	(934)
Adjustment of current tax relating to prior years	92	(21)
Total	(1,968)	(2,660)

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

Profit/(loss) before tax	5,098		8,239	
Tax at a rate of 22.0%	(1,122)	(22.0%)	(1,812)	(22.0%)
Effect of different tax rate in foreign entities	257	5.0%	369	4.5%
Tax base of non-deductible expenses and non-taxable income	13	0.3%	89	1.1%
Adjustment of current tax relating to prior years	92	1.8%	(21)	(0.3%)
Value adjustment of deferred tax	(1,208)	(23.7%)	(1,285)	(15.6%)
Effective tax/tax rate for the year	(1,968)	(38.6%)	(2,660)	(32.3%)

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:	2020	2019
Temporary differences in tax assets and liabilities		
Deferred tax liabilities, see balance sheet	(19,475)	(18,907)
Deferred tax, net	(19,475)	(18,907)

2020	Deferred tax	Recognised in income statement	Foreign exchange adjustment	Deferred tax
DKK'000	01.01.2020	2020	2020	31.12.2020
Property, plant and equipment	(18,299)	(1,767)	1,369	(18,697)
Trade receivables	(843)	(112)	0	(955)
Other payables etc.	235	(58)	0	177
Temporary differences	(18,907)	(1,937)	1,369	(19,475)
Tax loss carry-forwards	29,633	1,208	(1,137)	29,704
Unutilised tax losses	29,633	1,208	(1,137)	29,704
Value adjustment	(29,633)	(1,208)	1,137	(29,704)
Total	(18,907)	(1,937)	1,369	(19,475)

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.

2019	Deferred tax	Recognised in income statement	Foreign exchange adjustment	Deferred tax
DKK'000	01.01.2019	2019	2019	31.12.2019
Property, plant and equipment	(17,286)	(784)	(229)	(18,299)
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.

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	2020	2019
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	(1,811)		(4,306)	
Tax at a rate of 22.0%	398	(22.0%)	947	(22.0%)
Adjustment of current tax relating to prior years	0	0.0%	(15)	0.3%
Adjustment of deferred tax relating to prior years	(7)	0.4%	0	0.0%
Value adjustment of deferred tax	(391)	21.6%	(932)	21.6%
Effective tax/tax rate for the year	0	0.0%	0	0.0%

2020		Recognised in income statement 2020	Deferred tax 31.12.2020
DKK'000	Deferred tax 01.01.2020		
Intangible assets	0	0	0
Property, plant and equipment	0	0	0
Inventories	0	0	0
Other payables etc.	0	0	0
Temporary differences	0	0	0
Tax loss carry-forwards	22,530	391	22,921
Unutilised tax losses	22,530	391	22,921
Value adjustment	(22,530)	(391)	(22,921)
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.

2019		Deferred tax	Recognised in income statement	Deferred tax
DKK'000		01.01.2019	2019	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.

8. EARNINGS PER SHARE

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

PARENT COMPANY			GROUP	
2019	2020	DKK	2020	2019
(0.02)	(0.01)	Earnings per share (DKK)	0,01	0.02
(0.02)	(0.01)	Diluted earnings per share (DKK)	0,01	0.02
(4,306)	(1,812)	Earnings used in the calculation of earnings per share (DKK'000):	2,488	4,464
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

2020 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 2020	114,340	14,856	129,196	105	14,961	129,301
Foreign exchange adjustments	(8,089)	(1,034)	(9,123)	(6)	(1,040)	(9,129)
Right of use, depreciation	0	0	0	(44)	(44)	(44)
Enhancement costs	1,742	0	1,742	0	0	1,742
Revaluation to market value	4,840	(14)	4,826	0	(14)	4,826
Carrying amount at 31 December 2020	112,833	13,808	126,641	55	13,863	126,696

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)
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

The Polish properties have an assessed value of DKK 126,696 thousand, of which DKK 112,689 thousand is the real estate in Warsaw, DKK 144 thousand is a land plot in Blichowo and DKK 13,863 thousand is right of use resulting from the application of IFRS 16. The value of the real estate in Warsaw is supported by an external valuation report received in December 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 12.1% to 14.3% before tax.

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

Valuation sensitivity to the main factors used:

+/- DKK 4,100 thousand for a change in the price of land by 10%;

+/- DKK 6,100 thousand for a change in market rent rate by 10%;

+/- DKK 8,000 thousand for a change in rate of return by 10%;

+/- DKK 1,200 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
2020				
Investment property	-	-	126,696	126,696
2019				
Investment property	-	-	129,301	129,301

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Rental income from investment property

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
0	0	Rental income from investment property	13,723	14,141
0	0	Rental income from investment property	13,723	14,141

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Direct operating expenses arising from investment property

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
0	0	Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	4,880	4,262
0	0	Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period	923	952
0	0	Direct operating expenses arising from investment property	5,803	5,214

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
		Operating lease payments may be specified as follows:		
0	0	Within 1 year	5,118	4,801
0	0	Between 1 and 5 years	1,028	1,943
0	0	Total	6,146	6,744

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		
2019	2020	DKK'000
93,339	93,339	Cost at 1 January
93,339	93,339	Value at 31 December

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Domicile	Interest (%) 2020	Interest (%) 2019	Share of voting rights (%) 2020	Share of voting rights (%) 2019	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	91.67	90.04	91.67	90.04	Letting of commercial properties
W133 Sp. z o.o.	Poland	91.67	90.04	91.67	90.04	Holding of rights
W131 Sp. z o.o.	Poland	91.67	90.04	91.67	90.04	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	
2019	2020	DKK'000	2020	2019
0	0	Prepayment, settlement of claim of title to land	546	587
0	0	Total	546	587

12. TRADE RECEIVABLES

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
0	0	Trade receivables	1,966	5,804
0	0	Loss provisions included in the above receivables and recognised in "Other external expenses"	(301)	(216)
0	0	Total	1,665	5,588

Overdue receivables for which provisions have not been made

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
0	0	Overdue by up to 1 month	769	781
0	0	Overdue by 1 to 3 months	159	133
0	0	Overdue by more than 3 months	146	42
0	0	Total	1,074	956

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

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
0	0	Europe	1,074	956
0	0	Total	1,074	956

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	
2019	2020	DKK'000	2020	2019
0	0	Provision account at 1 January	216	148
0	0	Reversed provisions	(16)	0
0	0	Provisions for the year to cover losses	116	68
0	0	Translation differences	(15)	0
0	0	Provision account at 31 December	301	216

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	2020	2019
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 910 thousand in 2020. The expense relating to short-term operating leases for which no lease liability was recognised at the end of the reporting period was DKK 20 thousand. The fixed incremental borrowing rate applied for first time recognition of lease liability was 6%. The total lease obligation was discounted using the incremental borrowing rate over the total lease period which is 69 years.

	Minimum lease payments, DKK'000		Present value of minimum lease payments, DKK'000	
	2020	2019	2020	2019
Finance lease liabilities fall due as follows:				
Within 1 year from the balance sheet date	893	960	840	905
Between 1 and 5 years from the balance sheet date	3,387	3,665	2,768	3,022
More than 5 years from the balance sheet date	53,991	58,936	10,254	11,037
At 31 December	58,271	63,561	13,862	14,964

2020	Fixed or floating Expiry interest rate		Present value of minimum lease payments, DKK'000	Fair value DKK'000
Lease liability, right of use investment property	2089	Fixed	13,808	13,808
Lease liability, right of use plant and machinery	2022	Floating	54	54
Total			13,862	13,862

2019	Fixed or floating Expiry 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

17. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

GROUP

2020						
DKK'000	Beginning of year	Cash flow Proceeds from loans	Cash flow Repayment of loans	Non-cash Other	Non-cash Exchange rate adjust.	End of year
Lease liabilities	106	0	(47)	6	(10)	55
Total financial liabilities	106	0	(47)	6	(10)	55

2019

DKK'000	Beginning of year	Cash flow Proceeds from loans	Cash flow Repayment of loans	Non-cash Other	Non-cash Exchange rate adjust.	End of year
Lease liabilities	0	0	(47)	145	8	106
Total financial liabilities	0	0	(47)	145	8	106

PARENT COMPANY

2020						
DKK'000	Beginning of year	Cash flow Proceeds from loans	Cash flow Repayment of loans	Non-cash Other	Non-cash Exchange rate adjust.	End of year
Loans from subsidiaries	23,741	2,700	0	1,041	(1,767)	25,715
Loans from subsidiaries	23,741	2,700	0	1,041	(1,767)	25,715

2019

DKK'000	Beginning of year	Cash flow Proceeds from loans	Cash flow Repayment of loans	Non-cash Other	Non-cash Exchange rate adjust.	End of year
Loans from subsidiaries	19,960	2,589	0	917	275	23,741
Loans from subsidiaries	19,960	2,589	0	917	275	23,741

18. TRADE PAYABLES

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
701	246	Amounts owed to suppliers for goods and services delivered	1,205	1,427
701	246	Total	1,205	1,427

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

19. OTHER PAYABLES

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
741	738	Wages and salaries, BoD fee, social security contributions, etc. payable	1,437	1,410
0	0	Holiday pay obligation etc.	78	246
0	0	VAT and other indirect taxes payable	7	753
0	0	Cost provisions and other payables	1,404	626
741	738	Total	2,928	3,035

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.

20. CHANGE IN NET WORKING CAPITAL

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
(35)	35	Change in receivables	4,185	250
174	(434)	Change in trade payables and other payables	583	(409)
139	(399)	Total	4,768	568

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	
2019	2020	DKK'000	2020	2019
0	0	Trade receivables	1,665	5,588
1,304	1,268	Intra-group receivables	0	0
35	0	Other receivables, current	797	496
0	0	Other receivables, non-current	546	587
1,022	820	Cash and cash equivalents	17,750	17,598
2,361	2,088	Loans, advances and receivables	20,758	24,269
23,770	25,767	Debt to subsidiaries	0	0
0	0	Finance lease liabilities, current	842	905
0	0	Finance lease liabilities, non-current	13,025	14,057
0	0	Other non-current liabilities	2,907	1,542
701	246	Trade payables	1,205	1,427
741	738	Other payables	2,928	3,982
25,212	26,751	Financial liabilities	20,907	21,913

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

2020 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	16,930	2,462	(19,923)	(531)	0	(531)
DKK	820	0	(984)	(164)	0	(164)
Total	17,750	2,462	(20,907)	(695)	0	(695)

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)
Total	17,598	6,084	(21,913)	1,769	0	1,769

23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

PARENT COMPANY

2020 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	1,268	(25,767)	(24,499)	0	(24,499)
DKK	820	0	(984)	(164)	0	(164)
Total	820	1,268	(26,751)	(24,663)	0	(24,663)

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)
Total	1,022	1,339	(25,212)	(22,851)	0	(22,851)

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 2020 was 72.6% (2019: 73.4%). The ratio dropped in comparison to 2019 due to depreciation of PLN in relation to DKK and negative translation differences recognised in the process of consolidating financial statements of subsidiaries. The realised return on equity for the Group for 2020 was 2.8% (2019: (5.1%)).

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

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
(1,022)	(820)	Cash and cash equivalents	(17,750)	(17,598)
(1,022)	(820)	Net interest-bearing debt	(17,750)	(17,598)
70,488	68,676	Equity	107,072	112,750
(0.01)	(0.01)	Financial gearing	(0.17)	(0.16)

Liquidity and capital resources

At Group level, free cash and cash equivalents amounted to DKK 17.8 million at 31 December 2020, of which DKK 14.9 million are attributable to CeMat '70 S.A.

Based on expectations for 2021, 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. IMPLICATIONS OF THE COVID-19 PANDEMIC ON THE FINANCIAL STATEMENTS

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

This resulted in the need to grant selected tenants rent concessions in order to avoid losing them, an increase in writing off bad debts and the termination of leasing contracts. Another negative effect of the pandemic was the lower consumption of utilities by the tenants affected by the lockdown and the associated lower margin on their resale.

The company took advantage of Polish government aid programmes. Exemptions from social insurance contributions in the amount of DKK 0.2 million and the co-financing of salaries in the amount of another DKK 0.2 million were recognised in the income statement under other external expenses.

The company also received a financial subsidy from the government in the form of a loan of DKK 1.3 million, part of which can be redeemed in 2021, provided that certain obligations are met. This subsidy was included in the balance sheet in the line "Other payables" (short-term part DKK 0.4 million) and "Other non-current liabilities" (long-term part DKK 0.9 million).

25. FEE FOR AUDITORS APPOINTED BY THE GENERAL MEETING

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2019	2018
128	130	Audit of annual report	236	236
142	70	Non-audit services	78	148
270	200	Total	314	384

26. RELATED PARTIES

The Group has no related parties exercising control.

The Group has the following related parties:

- Ambit Jarosław Lipiński, owned by member of the Management Board

The parent company has the following related parties:

- CeMat Real Estate S.A., subsidiary in Poland
- CeMat '70 S.A., subsidiary in Poland

The parent company had transactions with the following related parties in 2019 and 2020:

- CeMat Real Estate S.A., subsidiary in Poland
- CeMat '70 S.A., subsidiary in Poland

27. RELATED PARTY TRANSACTIONS

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
58	57	Subsidiaries, interest income	0	0
918	1,041	Subsidiaries, interest expenses	0	0
976	1,098	Total transactions	0	0

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

PARENT COMPANY			GROUP	
2019	2020	DKK'000	2020	2019
1,304	1,268	Subsidiaries, loans	0	0
(29)	(53)	Subsidiaries, creditor payable	0	0
(23,741)	(25,714)	Subsidiaries, loans	0	0
(22,466)	(24,499)	Total outstanding amount	0	0

28. SHAREHOLDER INFORMATION

The parent company has registered the following shareholders holding more than 5% of the voting rights or nominal value of the share capital as at 31.12.2020

Composition of shareholders	Number of shares	Capital DKK	Capital %
EDJ-Gruppen Kongensgade 34 6701 Esbjerg, Danmark	81,250,000	1,625,000.00	32.52
Thomas Plenborg and Gist Holding ApS C.F Richs Vej 31 (owned by Thomas Plenborg)	15,960,089	319,201.78	6.39

29. BOARD OF DIRECTORS AND MANAGEMENT BOARD

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

Shares (own and related parties*)	Shareholding, nominal value, DKK'000	
	2020	2019
Frede Clausen, Chairman	173	61
Eivind Dam Jensen (EDJ-Gruppen), Deputy Chairman	1,625	1,615
Joanna Iwanowska-Nielsen, Member of the Board of Directors	4	0
Jarosław Lipiński, CEO	23	0
Total	1,825	1,676

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

30. EVENTS AFTER THE BALANCE SHEET DATE

CeMat applied for an individual zoning decision for residential and ground floor retail space for one of the plots, with an area of 5,608 sqm, in 2020. The bidding decision was issued in February 2021.

31. APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

The Board of Directors approved this annual report for publication at a board meeting held on 23 February 2021. The annual report will be presented to the shareholders of the parent company for approval at the annual general meeting to be held on 24 March 2021.



CEMAT A/S

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