

# **Imerys Industrial Minerals Denmark A/S**

Kønsborgvej 9

7884 Fur

CVR No. 37322318

## **Annual Report 2020**

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 12 July 2021

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Olivier Abellan  
Chairman

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## **Management's Statement**

Today, Management has considered and adopted the Annual Report of Imerys Industrial Minerals Denmark A/S for the financial year 1 January 2020 - 31 December 2020.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January 2020 - 31 December 2020.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Fur, 12 July 2021

### **Executive Board**

Olivier Abellan

### **Supervisory Board**

Thierry Casteran  
Chairman

Urban Drotz  
Member

Peter Overgaard Nielsen  
Member

## **Independent Auditors' Report**

**To the shareholders of Imerys Industrial Minerals Denmark A/S**

### **Opinion**

We have audited the financial statements of Imerys Industrial Minerals Denmark A/S for the financial year 1 January 2020 - 31 December 2020, which comprise an income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2020 and of the results of its operations for the financial year 1 January 2020 - 31 December 2020 in accordance with the Danish Financial Statements Act.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under "Auditors' responsibility for the audit of the financial statements". As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, 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.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

### **The auditor's responsibility for the audit of the financial statements**

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

- \* Identify and assess the risk of material misstatements in the 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 Company's internal control.

## **Independent Auditors' Report**

- \* Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- \* Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could cast significant doubt on the 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 auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- \* Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.

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 which we identify during our audit.

### **Statement on Management's Review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of opinion providing assurance regarding the Management's review.

Our responsibility in connection with our audit of the financial statements is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

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

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

Aalborg, 12-07-2021

### **EY Godkendt Revisionspartnerselskab**

CVR-no. 30700228

Hans B. Vistisen  
State Authorised Public Accountant  
mne23254

Martin Bøgsted  
State Authorised Public Accountant  
mne40035

## Imerys Industrial Minerals Denmark A/S

### Company details

<b>Company</b>	Imerys Industrial Minerals Denmark A/S Kønsborgvej 9 7884 Fur
Telephone	0045 97 59 32 22
email	sales-dk@imerys.com
Website	www.damolin.com www.imerys-additivesformetallurgy.com
CVR No.	37322318
Registered office	Skive
<b>Supervisory Board</b>	Thierry Casteran, Chairman Urban Drotz Peter Overgaard Nielsen
<b>Executive Board</b>	Olivier Abellan
<b>Auditors</b>	EY Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A 9000 Aalborg CVR-no.: 30700228

## Key Figures and Financial Ratios

Over a five-year period, the development of the Company is described by the following financial highlights:

*Numbers appear in thousands*

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Gross profit	40.939	42.102	53.226	43.196	50.158
Operating profit/loss	-233	665	19.272	19.492	24.281
Financial expenses	-353	-236	-216	108.426	7.683
Profit/loss for the year	-122	1.327	15.537	123.082	30.786
Total assets	141.655	128.757	136.687	268.798	171.803
Total equity	39.952	40.074	98.747	238.210	94.917
Investment in property, plant and equipment	7.570	5.332	6.521	14.085	10.472
Avg. number of full-time employees	101	105	111	111	110
Return on equity (ROE) (%)	-0,30	1,90	9,22	73,89	33,42
Return on capital employed (%)	-0,17	1,03	9,20	73,90	33,40
Solvency ratio (%)	28,20	31,12	72,20	88,60	55,20

For definitions of key ratios, see Accounting and Valuation Principles

## **Management's Review**

### **The Company's principal activities**

Imerys Industrial Minerals Denmark A/S extracts and processes the material moler, which is sold as both powder and granulate products. Moreover, the Company processes and markets a number of complementary - primarily mineral-based - products from Europe, the USA and Asia.

The products are primarily used as absorbents and are sold as cat litter, oil/chemical absorbents, pesticide carrier vehicle as well as a multi-functional component of feed production. Moreover, our mineral products are integrated in a vast number of manufactured products within industry, agriculture and the retail trade. The primary markets of Imerys Industrial Minerals Denmark A/S are in Europe. Sales are effected from Imerys Industrial Minerals Denmark A/S and through distributors in France.

### **Development in activities and financial matters**

The Company's Income Statement of the financial year 1 January 2020 - 31 December 2020 shows a result of DKK -122 against TDKK 1,327 in 2019. The result for 2020 is below expected level. The result of the year has been affected by the global Covid-19 pandemic, and also the preparation work for a new ERP system. In 2020 it has not been possible to sell the surplus of Co2 quotas, which has reduced the financial result for the Company.

The legal entity is more and more integrated in the international group structure. All existing production and daily administrative activities has in 2020 remained unchanged. More general and specialist functions will be managed from central group level.

### **Operating risks and Environment**

Moler is a natural product with a history of some 54 million years. One of the factors that may affect the raw material is pollution from industrialised society. We are very aware of pollution as well as possible sources of pollution in our day-to-day production as it is Imerys Industrial Minerals Denmark A/S's intention always to supply our customers with a pure and eco-friendly natural product. Furthermore, it is essential to Imerys Industrial Minerals Denmark A/S to continue to have sufficient access to extracting moler, which is ensured through close cooperation with relevant authorities in Denmark.

As regards other raw materials, Imerys Industrial Minerals Denmark A/S relies on agreements and close cooperation with foreign key suppliers of mineral deposits.

Although Imerys Industrial Minerals Denmark A/S is continuously striving to substitute fossil fuels by other more carbon-neutral fuels, a significant part of the energy consumption is subject to the market forces for fossil fuels.

### **Market risks**

The individual product groups are subject to different market conditions. Imerys Industrial Minerals Denmark A/S has a broad customer platform without substantial reliance on individual customers; however, an unexpected loss of individual product groups or customer groups might result in increased production costs.

### **Strategy**

It is the strategy that Imerys Industrial Minerals Denmark A/S should develop in a controlled manner by organic growth and potentially, when considered appropriate, by acquisition. Growth will be pursued in the existing business areas focusing on the areas in which Imerys Industrial Minerals Denmark A/S has its core competences.

### **Targets and expectations for the year ahead**

Both industrial and consumer products are sold in keen international competition. 2021 is expected to see a stable market development, and Imerys Industrial Minerals Denmark A/S will therefore focus on increasing its market shares in existing and new market in Europe.

Revenue for 2021 is expected to increase as compared to the level realised for 2020. Focus on efficiency measures will continue in 2021, and earnings are expected to increase as compared to financial year 2020.



## **Management's Review**

The key elements of importance to developments in 2021 are:

- Competitive environment
- Development in purchase prices
- Energy prices
- Political environmental decisions/taxes

The development in 2021 will however depend, among other things, on the prevalence of coronavirus and its impact on customers and suppliers resulting in possible lower market activity.

### **Research and development**

The Company undertakes research and development in connection with optimisation of production and new own products as well as customized solutions.

### **Knowledge resource**

It is essential for the company's continued growth to attract and maintain highly skilled labor within all organizational functions. Ongoing development is important in order to maintain the company's competitiveness, which necessitates ongoing investment in the training of company employees. Internally in the Group, a wide range of continuing education programs and knowledge sharing initiatives are offered.

### **Subsequent events**

No events have occurred after the balance sheet date significantly affecting the company's financial position.

Imerys Industrial Minerals Denmark A/S

**Income Statement**

	Note	2020 TDKK	2019 TDKK
<b>Gross profit</b>		<b>40.939</b>	<b>42.102</b>
Distribution expenses	1	-4.968	-6.524
Administrative expenses	1	-36.204	-34.913
Other operating income		0	1.327
<b>Profit from ordinary operating activities</b>		<b>-233</b>	<b>1.992</b>
Financial expenses	2	-353	-236
<b>Profit from ordinary activities before tax</b>		<b>-586</b>	<b>1.756</b>
Tax expense on ordinary activities		464	-429
<b>Profit for the year</b>		<b>-122</b>	<b>1.327</b>
<b>Proposed distribution of results</b>			
Retained earnings		-122	1.327
<b>Distribution of profit</b>		<b>-122</b>	<b>1.327</b>

Imerys Industrial Minerals Denmark A/S

Balance Sheet as of 31 December

	Note	2020 TDKK	2019 TDKK
<b>Assets</b>			
Acquired intangible assets	3	978	1.890
Mining rights	4	33.560	9.319
<b>Intangible assets</b>		<b>34.538</b>	<b>11.209</b>
Land and buildings	5	18.435	19.953
Other fixtures, fittings, tools and equipment	6	24.314	25.697
<b>Property, plant and equipment</b>		<b>42.749</b>	<b>45.650</b>
<b>Fixed assets</b>		<b>77.287</b>	<b>56.859</b>
<b>Inventories</b>	7	<b>21.388</b>	<b>21.856</b>
Trade receivables		20.289	21.188
Receivables from group enterprises		2.587	17.076
Corporation tax receivables from group enterprises		3.641	853
Other receivables		1.293	3.846
Prepayments	8	820	687
<b>Receivables</b>		<b>28.630</b>	<b>43.650</b>
<b>Cash and cash equivalents</b>		<b>14.350</b>	<b>6.392</b>
<b>Current assets</b>		<b>64.368</b>	<b>71.898</b>
<b>Assets</b>		<b>141.655</b>	<b>128.757</b>

Imerys Industrial Minerals Denmark A/S

Balance Sheet as of 31 December

	Note	2020 TDKK	2019 TDKK
<b>Liabilities and equity</b>			
Share capital	9	2.170	2.170
Retained earnings		37.782	37.904
Proposed dividend for the year	10	0	0
<b>Equity</b>		<b>39.952</b>	<b>40.074</b>
Provisions for deferred tax	11	1.637	1.637
Other provisions	12	350	350
<b>Provisions</b>		<b>1.987</b>	<b>1.987</b>
Payables to group enterprises	13	40.000	45.000
Other payables		4.829	1.507
<b>Long-term liabilities other than provisions</b>		<b>44.829</b>	<b>46.507</b>
Trade payables		20.678	17.578
Payables to group enterprises		21.437	14.735
Other payables		12.772	7.876
<b>Short-term liabilities other than provisions</b>		<b>54.887</b>	<b>40.189</b>
<b>Liabilities other than provisions within the business</b>		<b>99.716</b>	<b>86.696</b>
<b>Liabilities and equity</b>		<b>141.655</b>	<b>128.757</b>
Significant events occurring after end of reporting period	14		
Contingent liabilities	15		
Related parties	16		
Other disclosures	17		

## Imerys Industrial Minerals Denmark A/S

### Statement of changes in Equity

	Share capital TDKK	Retained earnings TDKK	Proposed dividend for the year TDKK	Total TDKK
Equity 1 January 2020	2.170	37.904	0	40.074
Profit (loss)	0	-122	0	-122
<b>Equity 31 December 2020</b>	<b>2.170</b>	<b>37.782</b>	<b>0</b>	<b>39.952</b>

Notes

**1. Employee benefits expense**

	<b>2020</b>	<b>2019</b>
	<b>TDKK</b>	<b>TDKK</b>
Wages and salaries	44.198	45.513
Pensions	3.347	3.251
Social security contributions	1.504	1.579
	<b>49.049</b>	<b>50.343</b>
Average number of employees	101	105

Remuneration to the Company's management is not disclosed with reference to the Danish Financial Statements Act section 98b(3) no. 2.

**2. Financial expenses**

Other finance expenses	353	236
	<b>353</b>	<b>236</b>

**3. Acquired intangible assets**

Cost at the beginning of the year	3.552	3.738
Addition during the year, incl. improvements	0	47
Disposal during the year	0	-233
<b>Cost at the end of the year</b>	<b>3.552</b>	<b>3.552</b>

Depreciation and amortisation at the beginning of the year	-1.662	-753
Amortisation for the year	-912	-909
<b>Impairment losses and amortisation at the end of the year</b>	<b>-2.574</b>	<b>-1.662</b>

<b>Carrying amount at the end of the year</b>	<b>978</b>	<b>1.890</b>
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Amortised over 3-9 years

**4. Mining rights**

Cost at the beginning of the year	13.861	13.861
Addition during the year, incl. improvements	24.274	0
<b>Cost at the end of the year</b>	<b>38.135</b>	<b>13.861</b>

Depreciation and amortisation at the beginning of the year	-4.542	-4.354
Amortisation for the year	-33	-188
<b>Impairment losses and amortisation at the end of the year</b>	<b>-4.575</b>	<b>-4.542</b>

<b>Carrying amount at the end of the year</b>	<b>33.560</b>	<b>9.319</b>
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Amortised over consumption/8-9 years

## Notes

### 5. Land and buildings

	<b>2020</b>	<b>2019</b>
	<b>TDKK</b>	<b>TDKK</b>
Cost at the beginning of the year	98.470	101.031
Addition during the year, incl. improvements	1.500	0
Disposal during the year	0	-2.561
<b>Cost at the end of the year</b>	<b>99.970</b>	<b>98.470</b>
Depreciation and amortisation at the beginning of the year	-78.517	-77.418
Amortisation for the year	-3.018	-3.026
Reversal of impairment losses and amortisation of disposed assets	0	1.927
<b>Impairment losses and amortisation at the end of the year</b>	<b>-81.535</b>	<b>-78.517</b>
<b>Carrying amount at the end of the year</b>	<b>18.435</b>	<b>19.953</b>

Amortised over 5-25 years

### 6. Other fixtures, fittings, tools and equipment

Cost at the beginning of the year	201.237	204.673
Addition during the year, incl. improvements	6.070	5.332
Disposal during the year	0	-8.768
<b>Cost at the end of the year</b>	<b>207.307</b>	<b>201.237</b>
Depreciation and amortisation at the beginning of the year	-175.540	-177.117
Amortisation for the year	-7.453	-7.131
Reversal of impairment losses and amortisation of disposed assets	0	8.708
<b>Impairment losses and amortisation at the end of the year</b>	<b>-182.993</b>	<b>-175.540</b>
<b>Carrying amount at the end of the year</b>	<b>24.314</b>	<b>25.697</b>

Amortised over 3-8 years

### 7. Inventories

*Inventories are stated as follows:*

Raw materials and consumables	8.798	10.485
Manufactured goods and goods for resale	12.590	11.371
<b>Inventories in total</b>	<b>21.388</b>	<b>21.856</b>

### 8. Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums and freight.

## Notes

### 9. Share capital

A nominal amount of DKK 2,170,000 is owned by:

Calderys Danmark A/S  
CVR-no. 23 10 27 14  
Hammerholmen 48 E  
2650 Hvidovre

Share capital is not divided into classes and no shares have special rights.

### 10. Proposed distribution of profit

	2020	2019
	TDKK	TDKK
Proposed dividend for the year	0	0
Retained earnings	-122	1.327
	<u>-122</u>	<u>1.327</u>

### 11. Provisions for deferred tax

Provision for deferred tax at 1 January	1.637	3.476
Amounts recognised in the income statement for the year	0	-1.839
<b>Balance at the end of the year</b>	<u><b>1.637</b></u>	<u><b>1.637</b></u>

Deferred tax has been provided at 22% corresponding to the current tax rate.

### 12. Other provisions

Re-establishment moler pits	350	350
<b>Balance at the end of the year</b>	<u><b>350</b></u>	<u><b>350</b></u>

### 13. Payables to group enterprises

Long-term payables to group enterprises, that are due after 5 years, amounts to TDKK 5,000 at 31 December 2020.

### 14. Significant events occurring after end of reporting period

No events have occurred after the balance sheet date significantly affecting the company's financial position.

The Company have been affected by the Corona virus, but not in a way that would make it a significant event in 2020.

The development in 2021 will to some degree depend, among other things, on the prevalence of the Corona virus and its impact on customers and suppliers resulting in possible lower market activity.

### 15. Contingent assets, liabilities and other financial obligations

A bank guarantee of TDKK 1,185 has been provided to the Municipalities of Morsø and Skive relating to the restoration of moler pits.

A bank guarantee of TDKK 825 has been provided to the Region Midt relating to the restoration of moler pits.

A bank guarantee have been issued by SEB bank of TDKK 3,125, for the mining rights of Hulhoejen.



## Imerys Industrial Minerals Denmark A/S

### Notes

A first pledge letter of indemnity, floating company charge of TDKK 15,000 has been provided to Sydbank.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Calderys Danmark A/S, which is the management company of the joint taxation. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income.

Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Imerys Industrial Minerals Denmark A/S is liable for leasing obligations for a total of TDKK 520.

### 16. Related parties

Controlling interest lays with:

Imerys S.A., Paris, France - Ultimate parent company  
Calderys Danmark A/S, Hvidovre, Denmark - Parent company

Imerys Industrial Minerals Denmark A/S has had the following transactions with related parties:

	<b>2020</b>	<b>2019</b>
	<b>TDKK</b>	<b>TDKK</b>
Sales to group enterprises	17.882	16.113
Purchase from group enterprises	12.821	20.066
Receivables from group enterprises	2.587	17.076
Payables to group enterprises	61.437	59.735

### 17. Consolidated Financial Statements

The Company is included in the Group Annual Report of the Ultimate parent companye, Imerys S.A.:

Imerys S.A., RCS Paris 562 008 151 - 43 quai de Grenelle, 75015 Paris, France.

## **Accounting Policies**

### **Reporting Class**

The Annual Report of Imerys Industrial Minerals Denmark A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

With effect from the financial year 2020, the Company has implemented Amendment Act no. 1716 of 27 December 2018 to the Annual Accounts Act. The implementation of the amending law has not affected the company's accounting policies for the recognition and measurement of assets and liabilities, but has only meant requirements for additional information.

The accounting policies applied remain unchanged from last year.

### **Cash flow statement**

With reference to ÅRL § 86, para. 4, the cash flow statement is not prepared. The company's cash flows are included in the consolidated cash flow statement for the higher parent company Imerys SA.

### **Reporting currency**

The Annual Report is presented in DKK.

### **Translation policies**

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Monetary assets and liabilities in foreign currencies that have not been settled at the balance sheet date are translated into DKK based on the exchange rates prevailing at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

The financial statement have been prepared under the historical cost princip.

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

## **Accounting Policies**

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

### **Income Statement**

#### **Revenue**

The company has used IAS 11/IAS 18 as an interpretation for revenue recognition.

Revenue from the sale of goods is recognised in the income statement if the goods have been delivered and the risk has passed to the buyer before year-end, the revenue can be measured reliably and it is probable that the economic benefits related to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of sales discounts.

#### **Gross margin**

The items revenue and cost of sales have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

#### **Cost of sales**

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation etc., as well as operation, administration and management of factories.

#### **Distribution expenses**

Distribution expenses comprise costs in the form of salaries and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

#### **Administrative expenses**

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

#### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

#### **Financial income and expenses**

Financial income and expenses are recognised in the Income Statement based on the amounts that concern the financial year.

#### **Tax on net profit for the year**

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

### **Balance Sheet**

#### **Intangible assets**

Intangible assets comprise of acquired intangible rights, patents and licences, which comprise raw material rights and certifications. Raw material rights comprise the right to extract molar and are amortised as the deposits are extracted and consumed. Certifications comprise expenses to obtain sales certifications and are amortised over the certification period.

## **Accounting Policies**

Acquired intangible rights are measured at cost less accumulated amortisation and less any impairment losses. Amortisation is on a straightline basis over the expected period of usage, which is 3-9 years.

Co2 quotas allocated to the Company are recognised as an asset to the extent that surplus quotas can be ascertained. The portfolio of such free quota allocations which are not used and therefore held for sale is recognised as income in the income statement at expected selling price.

Purchased Co2 quotas are measured at cost less accumulated amortisation. They are amortised over the period in which the emission corresponding to the quota is expected to take place.

Where it is ascertained at the balance sheet date that the portfolio of Co2 quotas is not sufficient to cover Co2 emissions during the year, a provision corresponding to the quota shortage is recognised.

Amortisation periods and residual value are reassessed annually.

### **Property, plant and equipment**

Property, plant and equipment are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Land and buildings	5-25 years
Other fixtures and fittings, tools and equipment:	3-8 years

Depreciation period and residual value are reassessed annually.

### **Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### **Inventories**

Inventories are measured at cost on the basis of the FIFO principle. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to make the sale. The value is determined taking into account the negotiability of inventories, obsolescence and expected development in sales price.

The cost of goods for resale, raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### **Receivables**

Receivables are measured at the lower of amortised cost and net realisable value, which corresponds to the nominal value less provisions for bad debts.

## Accounting Policies

The company has used IAS 39 as an interpretation for impairment of financial receivables.

### Accrued income, assets

Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

### Equity

#### Dividends

Proposed dividends for the year are recognised as a separate item under equity.

### Provisions

Other provisions include warranty obligations in respect of repair work within the warranty period of moler pits. Provisions are measured and recognised based on experience with guarantee work.

### Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal tax entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items in equity.

### Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for prior years as well as for tax prepaid. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Liabilities

Other liabilities, comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

## Explanation of financial ratios

Return on equity (%)	=	$\frac{\text{Profit/loss for the year}}{\text{Avg. equity}}$
Return on capital employed (%)	=	$\frac{(\text{Operating profit} + \text{Financial income}) \times 100}{\text{Avg. assets}}$
Equity interest (equity ratio) (%)	=	$\frac{\text{Total equity} \times 100}{\text{Total liabilities}}$