Dansk Salt A/S

Hadsundvej 17, DK-9550 Mariager

Annual Report for 1 January - 31 December 2022

CVR No 17 03 07 44

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/5 2023

Nikki Kousgaard
Chairman of the General Meeting

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Dansk Salt A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Mariager, 24 May 2023

Executive Board

Søren Møller

Board of Directors

Philipp Rolf Gotthelf Polenz Chairman	Elisabeth Deelen	Eveline Isabella Gratzer

Independent Auditor's Report

To the Shareholder of Dansk Salt A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Dansk Salt A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the 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 Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the 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 Financials Statements Act.

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

Management's responsibilities 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

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 liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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 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 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 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

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.

Aalborg, 24 May 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Nielsson
statsautoriseret revisor
mne15151

Kristian Kjær Jensen
statsautoriseret revisor
mne35627

Company Information

The Company	Dansk Salt A/S Hadsundvej 17 DK-9550 Mariager Telephone: + 45 96 68 78 88 CVR No: 17 03 07 44 Financial period: 1 January - 31 December Municipality of reg. office: Mariagerfjord
Board of Directors	Philipp Rolf Gotthelf Polenz , Chairman Elisabeth Deelen Eveline Isabella Gratzer
Executive Board	Søren Møller
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A DK-9000 Aalborg

Financial Highlights

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

	2022	2021	2020	2019	2018
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	89	104	85	455	439
Gross profit/loss	31	28	33	145	138
Operating profit/loss	14	16	-4	41	39
Net financials	19	12	-7	-4	-25
Profit/loss from discontinuing activities	0	31	50	0	0
Net profit/loss for the year	25	40	42	33	6
Balance sheet					
Balance sheet total	498	297	581	533	501
Equity	184	159	177	135	201
Investment in property, plant and equipment	124	18	20	18	7
Number of employees	81	95	142	148	143
Ratios					
Gross margin	34.8%	26.9%	38.8%	31.9%	31.4%
Profit margin	15.7%	15.4%	-4.7%	9.0%	8.9%
Return on assets	2.8%	5.4%	-0.7%	7.7%	7.8%
Solvency ratio	36.9%	53.5%	30.5%	25.3%	40.1%
Return on equity	14.6%	23.8%	26.9%	19.6%	2.8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

I/S Dansk Salt was founded in 1963 in a joint venture by the Danish company Kryolitselskabet and the Dutch company KNZ NV Hengelo with an equal ownership. Dansk Salt A/S was established in 1993 when it acquired all the activities of Dansk Salt I/S.

In 2001 the company changed name to Akzo Nobel Salt A/S. In 2018 the ultimate parent company of Akzo Nobel Salt A/S, AkzoNobel Specialty Chemicals, was purchased by Carlyle Group and became an independent company called Nouryon. As a result, Akzo Nobel Salt A/S in 2019 changed name to Dansk Salt A/S.

In 2021 the chemical business of Nouryon, which Dansk Salt A/S is part of, was spun off into its own company, Nobian. Nobian is the leader in the production of essential chemicals for industries ranging from construction and cleaning to pharmaceuticals and water treatment. Nobian's headquarters is in the Netherland and has activities in the Western Europe. The company has approximately 1.600 employees.

In 2021 Nobian chose to sell the part of salt production that was not part of the core business. As a result of this half of Dansk Salt A/S was demerged into a new company, Mariager Salt Specialties A/S which is owned by Group Salins. The remainder part of Dansk Salt A/S is still owned by Nobian.

Dansk Salt A/S production is based on a sole concession to extract salt by solution mining from the Danish subsoil. The concession was granted in 1963 for a period for 50 years. In 2010 a new 15-year exclusive license was granted by the Danish Energy Agency with effect from 2013 with a possible extension for another 15 years.

The salt is extracted from a salt dome southwest of Hobro and transported via an undergrown pipeline to the production plant located in Assens at Mariager Fjord. Dansk Salt A/S produces 600.000 k.ton of salt a year. Approximately 50% of the production is sold as specialties salt which is used as food and feed salt and pharmaceutical salt. The industrial salt which comprises the remainder 50% is primarily sold to use in the chlorine industry.

The Company's salt production is made as toll manufacturing for Nobian Chemicals International B.V., who is managing the overall storing and sales for all Nobian's European salt factories.

Maricogen A/S which owns a natural-gas-fired cogeneration plant is a 100% owned subsidiary that is incorporated in the company profit.

Development in the year

The income statement of the Company for 2022 shows a profit of TDKK 25,072, and at 31 December 2022 the balance sheet of the Company shows equity of TDKK 184,101.

Management's Review

The past year and follow-up on development expectations from last year

Turnover amounted to DKK 89 m, which is lower than the year before. The lower turnover is a result of the spin off the specialties salt business. Dansk Salt A/S serves purely as a toll manufacturer and has no external sales. When only being a toll manufacturer with a stable output the fluctuation in revenue is limited.

The profit from operations was DKK 14,1 m compared to DKK 15,6 m. last year. The result exceeds the expectations of DKK 5-10 m for 2022. The primary driver of the result is the high inflation which have increased the cost base in Dansk Salt which results in increased revenue from the toll manufacturing agreement. The Board of Management considers the result for the year to be satisfactory.
Further the historical increase in energy prices have increased the result in consolidated companies which acts as a cost-plus provider of energy.

Capital resources

The management estimate that enough capital resources are present. Cashflow and capital resources are monitored and coordinated with Nobian.

Operating risks

With the fluctuation in energy prices and potential energy shortage in 2022 the most significant risk was the potential shutdown of production because of potential reduced availability of natural gas. The risk was mitigated by installing an electrical boiler as an additional energy source in the plant which in principle removed the dependency on natural gas.

Foreign exchange risks

Dansk Salt has only a limited exchange rate risk. As the company operated as a toll manufacturer the single customer is European based and trades in euro. With Denmark's fixed exchange rate policy towards the euro not significant fluctuations will affect Dansk Salt.

The Company does not undertake its own hedging of commercial exchange rate risks. Net positions are hedged at Business Unit level.

Investments

New investments in 2022 amounted to DKK 123,4 m which is higher than the level in 2021.

Management’s Review

Targets and expectations for the year ahead

Dansk Salt A/S acts as a toll manufacturer with a cost-plus agreement with its mother company. This means that an increased cost base will ultimately lead to an increased result in Dansk Salt A/S.

In 2023 Dansk Salt A/S expects to invest in a capacity expansion. With the limited revenue and profit from the toll manufacturing agreement additional financing will be needed. The financing of investments rests with Nobian who will provide a loan and equity to Dansk Salt A/S.

Profit from operations is expected in level with 2022 in the range DKK 10-15 m.

With a decline in energy prices results in consolidated companies is expected to decrease to the level in 2021. Interests for 2023 is expected to be higher resulting in a profit before tax in the range of DKK 25-30 m.

Research and development

Research and development activities are primarily managed by the parent company. In 2021 Dansk Salt A/S have not recorded cost for research and development activities.

External environment

The company constantly strive for excellence in quality of our products, health & safety of our employees and environmental protection. Our vision is Zero injures, waste and harm.

The company holds accredited certification of our management systems according to following international standards:

ISO 9001:2015 Quality Management
ISO 14001:2015 Environmental Management incl. Energy
ISO 45001:2018 Occupational Health & Safety Management Incl. stat. order 1409/2020
ISO 22000:2015 FSSC Food Safety System Certification
GMP+ B1 Feed safety – production, trade and services
GMP Quality management for Active Pharmaceutical Ingredients (API)

Intellectual capital resources

For Dansk Salt A/S it is vital that the employees possess the right competences. In connection with Dansk Salt A/S' business strategy (the Gameplan), core qualifications and critical competences for the different business areas are defined.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Manufacturing fee		**89,230**	**103,656**
Cost of sales	1	-58,053	-75,639
Gross profit/loss		**31,177**	**28,017**
Distribution expenses	1	-7,818	-4,723
Administrative expenses	1	-9,408	-7,636
Operating profit/loss		**13,951**	**15,658**
Other operating income		132	0
Profit/loss before financial income and expenses		**14,083**	**15,658**
Income from investments in subsidiaries		21,046	19,074
Financial expenses	3	-2,012	-6,665
Profit/loss before tax		**33,117**	**28,067**
Tax on profit/loss for the year	24	-8,045	-18,770
Profit/loss from continuing activities		**25,072**	**9,297**
Profit/loss from discontinuing activities	5	0	30,663
Net profit/loss for the year		**25,072**	**39,960**

Balance Sheet 31 December

Assets

	Note	2022	2021
		TDKK	TDKK
Acquired trademarks		200	240
Intangible assets	6	**200**	**240**
Land and buildings		45,369	60,902
Plant and machinery		32,809	40,750
Other fixtures and fittings, tools and equipment		130	228
Property, plant and equipment in progress		160,538	30,499
Property, plant and equipment	7	**238,846**	**132,379**
Investments in subsidiaries	8	87,857	66,811
Fixed asset investments		**87,857**	**66,811**
Fixed assets		**326,903**	**199,430**
Inventories	9	**16,327**	**16,503**
Trade receivables		34,551	33
Receivables from group enterprises		28,612	62,766
Other receivables		14,215	16,447
Deferred tax asset	12	3,179	1,517
Corporation tax		1,989	0
Corporation tax receivable from group enterprises		35	0
Prepayments	10	295	105
Receivables		**82,876**	**80,868**
Cash at bank and in hand		**72,076**	**4**
Currents assets		**171,279**	**97,375**
Assets		**498,182**	**296,805**

Balance Sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		50,000	50,000
Reserve for net revaluation under the equity method		72,356	51,310
Retained earnings		61,745	57,719
Equity		**184,101**	**159,029**
Lease obligations		58	214
Payables to group enterprises		163,875	30,000
Long-term debt	13	**163,933**	**30,214**
Lease obligations	13	134	162
Trade payables		35,568	24,397
Payables to group enterprises	13	93,874	44,793
Corporation tax		0	24,781
Other payables		20,572	13,429
Short-term debt		**150,148**	**107,562**
Debt		**314,081**	**137,776**
Liabilities and equity		**498,182**	**296,805**
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50,000	51,310	57,719	159,029
Net profit/loss for the year	0	21,046	4,026	25,072
Equity at 31 December	**50,000**	**72,356**	**61,745**	**184,101**

Notes to the Financial Statements

		2022	2021
		TDKK	TDKK
1	**Staff**		
	Salaries and wages	49,221	50,913
	Pension premiums	8,300	9,443
	Social security costs	872	1,089
		58,393	**61,445**
	Average number of employees	**81**	**95**

The Company has in accordance with section 98(b)(3) of the Danish Financial Statement Act. chosen to disclose management remuneration together.

Notes to the Financial Statements

		2022	2021
		TDKK	TDKK
2	**Special items**		
	Tax in respect of the Demerger of Dansk Salt	0	23,417
		0	**23,417**

		2022	2021
3	**Financial expenses**		
	Interest paid to group enterprises	1,595	7,277
	Other financial expenses	417	-612
		2,012	**6,665**

		2022	2021
4	**Tax on profit/loss for the year**		
	Current tax for the year	2,848	25,378
	Deferred tax for the year	-1,661	-6,667
	Adjustment of tax concerning previous years	6,858	59
		8,045	**18,770**

Notes to the Financial Statements

5 Discontinuing activities

	2022 TDKK	2021 TDKK
Revenue	0	165,961
Cost of sales	0	-82,239
Gross profit/loss	**0**	**83,722**
Distribution expenses	0	-35,458
Administrative expenses	0	-7,433
Profit/loss before financial income and expenses	**0**	**40,831**
Financial income	0	2,268
Financial expenses	0	-3,787
Profit/loss before tax	**0**	**39,312**
Tax on profit/loss for the year	0	-8,649
	0	**30,663**

Notes to the Financial Statements

6 Intangible assets

	Acquired trade-marks
	TDKK
Cost at 1 January	3,315
Cost at 31 December	3,315
Impairment losses and amortisation at 1 January	3,075
Amortisation for the year	40
Impairment losses and amortisation at 31 December	3,115
Carrying amount at 31 December	**200**
Amortised over	3-15 years

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	200,453	462,071	16,219	37,078	715,821
Additions for the year	0	0	59	123,460	123,519
Disposals for the year	0	-224	0	0	-224
Cost at 31 December	200,453	461,847	16,278	160,538	839,116
Impairment losses and depreciation at 1 January	148,857	418,509	16,076	0	583,442
Depreciation for the year	6,227	10,652	72	0	16,951
Reversal of impairment and depreciation of sold assets	0	-123	0	0	-123
Impairment losses and depreciation at 31 December	155,084	429,038	16,148	0	600,270
Carrying amount at 31 December	**45,369**	**32,809**	**130**	**160,538**	**238,846**
Depreciated over	5-25 years	5-25 years	5 years		
Including assets under finance leases amounting to	0	134	51	0	185

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

8 Investments in subsidiaries

	2022	2021
Cost at 1 January	15,501	15,501
Cost at 31 December	15,501	15,501
Value adjustments at 1 January	51,310	32,236
Net profit/loss for the year	21,046	19,074
Value adjustments at 31 December	72,356	51,310
Carrying amount at 31 December	**87,857**	**66,811**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Maricogen A/S	Hadsund	TDKK 500	100%

	2022	2021
	TDKK	TDKK

9 Inventories

	2022	2021
Raw materials and consumables	16,327	16,503
	16,327	**16,503**

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a postitive fair value.

Notes to the Financial Statements

11 Distribution of profit

	2022	2021
	TDKK	TDKK
Reserve for net revaluation under the equity method	21,046	19,074
Retained earnings	4,026	20,886
	25,072	**39,960**

12 Deferred tax asset

	2022	2021
Deferred tax asset at 1 January	1,517	-5,150
Amounts recognised in the income statement for the year	1,662	6,667
Deferred tax asset at 31 December	**3,179**	**1,517**

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022	2021
	TDKK	TDKK
Lease obligations		
Between 1 and 5 years	58	214
Long-term part	58	214
Within 1 year	134	162
	192	**376**
Payables to group enterprises		
Between 1 and 5 years	163,875	30,000
Long-term part	163,875	30,000
Other short-term debt to group enterprises	93,874	44,793
	257,749	**74,793**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

14 Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

15 Related parties

	Basis
Controlling interest	
Nobian Coöperatief U.A.	The Netherlands

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Dansk Salt A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TDKK.

Some reclassifications have been made in the comparative figures. The reclassifications do not affect the result or equity. In addition, the accounting practices used are unchanged compared to last year.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Nobian Coöperatief U.A., the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. 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 flow 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 will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

16 Accounting Policies (continued)

Business combinations

The time of acquisition is the time when the Group obtains control of the entity acquired.

Business combinations

Demergers are accounted for using the uniting of interests method under which the identifiable assets and liabilities included in the demerger are measured at booked value at the time of the demerger.

The demerger has been prepared as an taxable event. The tax effect of any gains and losses due to differences between fair value and booked value has been booked directly to profit/loss as Tax on profit/loss for the year.

Leases

Leases are recognised in the balance sheet at the calculated amount of the lease liability. The lease liability is calculated at the present value of the lease payments calculated by applying the interest rate implicit in the lease or the Company's incremental borrowing rate as discount rate if the interest rate implicit in the lease is not available. Lease assets are depreciated and written down for impairment under the same policy as for the Company's other fixed assets.

The Company has chosen to apply the exemptions concerning short-term and low-value leases. Therefore, such lease assets are not recognised as assets and liabilities in the balance sheet. The costs are recognised in the income statement on a straight-line basis over the lease term.

The lease liability is recognised in the balance sheet under debt and is adjusted for prepaid lease payments on a current basis. At the same time, interest is added on the liability. Interest expenses are charged to the income statement on a current basis.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates 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.

Income Statement

Manufacturing fee

The revenue in Dansk Salt is generated as a result of toll manufacturing services provided to the parent company. The revenue is recognized on a monthly basis based on the actual cost occurred in Dansk Salt plus a mark-up. No risk adjustment on revenue is taken into consideration as the revenue is generated as an intercompany transaction.

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

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 to sales 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3-15 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recgonised in income statement.

Notes to the Financial Statements

16 Accounting Policies (continued)

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:

Production buildings	5-25 years
Other buildings	5-25 years
Plant and machinery	5-25 years
Other fixtures and fittings, tools and equipment	5 years

Assets costing less than DKK 30,700 are expensed in the year of acquisition.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

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

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

16 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

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 in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Notes to the Financial Statements

16 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation 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 recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$