
Dansk Natursten A/S

B-Vej 8, DK-2300 København S

Annual Report for 1 January - 31 December 2019

CVR No 19 88 34 42

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
19/5 2020

Géry De Cloedt
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Dansk Natursten A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2019.

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.

København, 19 May 2020

Executive Board

Benn Laursen
Executive Officer

Board of Directors

Géry De Cloedt
Chairman

Guy Vandernickt

Patrick Johan A. Degryse

Ole Sørensen

Stig Anthony Jensen

Independent Auditor's Report

To the Shareholders of Dansk Natursten A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Dansk Natursten A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 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.

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 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 in Management's Review.

Management's responsibilities for the Financial Statements

Independent Auditor's Report

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 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.

In preparing the Financial Statements, Management is responsible for assessing the Group's and 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 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 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 and the Group'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 Group's and 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

Independent Auditor's Report

may cause the Group and 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.
- 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.

Herning, 19 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kim Vorret
statsautoriseret revisor
mne33256

Hans Jørgen Andersen
statsautoriseret revisor
mne30211

Company Information

The Company

Dansk Natursten A/S
B-Vej 8
DK-2300 København S

CVR No: 19 88 34 42
Financial period: 1 January - 31 December
Incorporated: 12 March 1997
Municipality of reg. office: København

Board of Directors

Géry De Cloedt, Chairman
Guy Vandersnickt
Patrick Johan A. Degryse
Ole Sørensen
Stig Anthony Jensen

Executive Board

Benn Laursen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Platanvej 4
DK-7400 Herning

Bankers

Jyske Bank
Østergade 4
DK-8000 Aarhus C

Financial Highlights

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

	Group				
	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Gross profit/loss	21,930	20,457	20,084	21,936	17,637
Profit/loss before financial income and expenses	7,175	7,413	7,776	12,265	9,046
Net financials	-773	-603	-632	-1,140	-343
Net profit/loss for the year	4,919	5,221	5,221	8,507	6,496
Balance sheet					
Balance sheet total	111,777	117,755	104,613	68,807	57,084
Equity	46,716	40,426	35,838	31,477	40,696
Cash flows					
Cash flows from:					
- operating activities	22,545	-12,867	6,353	17,350	2,261
- investing activities	-258	-2	1,035	-681	-35
including investment in property, plant and equipment	-257	-74	-1,152	-173	-35
- financing activities	-23,200	14,172	-23,961	-19,482	-6,000
Change in cash and cash equivalents for the year	-913	1,303	-16,573	-2,813	-3,774
Number of employees	18	20	18	10	10
Ratios					
Return on assets	6.4%	6.3%	7.4%	17.8%	15.8%
Solvency ratio	41.8%	34.3%	34.3%	45.7%	71.3%
Return on equity	11.3%	13.7%	15.5%	23.6%	16.7%

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.

Dansk Natursten A/S's ownership of subsidiary DC Resources Baltics SIA was established at the end of 2017. The comparative figures back to 2015 have not been restated. See the description under accounting policies.

Management's Review

Key activities

The object of the Company is to carry on trade and industry as well as related activities. As in previous years, the Company's activities consisted of import and sale of crushed aggregates and granite.

Development in the year

The income statement of the Group for 2019 shows a profit of TDKK 4,919, and at 31 December 2019 the balance sheet of the Group shows equity of TDKK 46,716.

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

The result for the year has been a little less than budgeted, mainly due to less projects compared to previous years.

Special risks - operating risks and financial risks

Operating risks

It is Management's assessment that the Company is not exposed to any special risks apart from those generally existing in this line of business. Such risks are considered minimal and in line with previous years.

Foreign exchange risks

The Company's activities abroad, its profit and cash flow may be affected by rate movements in foreign currencies. The Company's foreign exchange policy is to hedge currency risks by entering into primarily forward exchange transactions.

No speculative foreign exchange transactions are entered.

Interest rate risks

The Company's interest rate risks are related to interest-bearing assets and liabilities. It is the Company's assessment, that normal changes in the interest rate level will not significantly affect earnings.

Credit risks

The Company has no significant risks regarding individual customers or business partners. The Company's policy in this area is, that all major customers, except municipalities etc., are regularly assessed and/or insured against losses.

Management's Review

Targets and expectations for the year ahead

Management expects an improved result for 2020 compared to 2019.

The Company's outlook for the future is not expected to be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak. See also subsequent events disclosures in note 1.

External environment

The Company is environmentally aware and works continuously to minimize the Company's environmental impact.

Subsequent events

We refer to subsequent events disclosures in note 1.

Income Statement 1 January - 31 December

	Note	Group		Parent company	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		21,930	20,457	20,180	19,329
Staff expenses	2	-14,259	-12,482	-12,876	-11,589
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-441	-492	-409	-369
Other operating expenses		-55	-70	0	0
Profit/loss before financial income and expenses		7,175	7,413	6,895	7,371
Income from investments in subsidiaries		0	0	24	-209
Financial income	4	465	332	719	645
Financial expenses	5	-1,238	-935	-1,238	-956
Profit/loss before tax		6,402	6,810	6,400	6,851
Tax on profit/loss for the year	6	-1,483	-1,589	-1,481	-1,630
Net profit/loss for the year		4,919	5,221	4,919	5,221

Balance Sheet 31 December

Assets

	Note	Group		Parent company	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Goodwill		0	0	0	0
Intangible assets	7	0	0	0	0
Other fixtures and fittings, tools and equipment		1,393	1,557	514	656
Leasehold improvements		18	37	18	37
Property, plant and equipment	8	1,411	1,594	532	693
Investments in subsidiaries	9	0	0	300	276
Deposits	10	554	553	554	553
Fixed asset investments		554	553	854	829
Fixed assets		1,965	2,147	1,386	1,522
Inventories		27,619	30,584	22,346	27,399
Trade receivables		40,532	61,884	39,090	57,409
Receivables from group enterprises		37,706	16,301	45,570	25,302
Other receivables		1,291	627	799	0
Deferred tax asset	13	446	356	446	356
Corporation tax		34	39	0	0
Prepayments	11	1,246	1,290	1,239	1,286
Receivables		81,255	80,497	87,144	84,353
Cash at bank and in hand		938	4,527	598	4,064
Currents assets		109,812	115,608	110,088	115,816
Assets		111,777	117,755	111,474	117,338

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Share capital		500	500	500	500
Retained earnings		46,216	39,926	46,216	39,926
Equity		46,716	40,426	46,716	40,426
Other payables		337	0	337	0
Long-term debt	14	337	0	337	0
Credit institutions		23,854	31,046	23,837	31,034
Trade payables		16,014	21,567	16,011	21,237
Payables to group enterprises		17,373	14,603	17,259	14,603
Payables to group enterprises relating to corporation tax		1,958	2,708	1,958	2,708
Other payables	14	5,525	7,405	5,356	7,330
Short-term debt		64,724	77,329	64,421	76,912
Debt		65,061	77,329	64,758	76,912
Liabilities and equity		111,777	117,755	111,474	117,338
Subsequent events	1				
Distribution of profit	12				
Contingent assets, liabilities and other financial obligations	17				
Related parties	18				
Accounting Policies	19				

Statement of Changes in Equity

Group

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January	500	39,926	40,426
Fair value adjustment of hedging instruments, beginning of year	0	958	958
Fair value adjustment of hedging instruments, end of year	0	800	800
Tax on adjustment of hedging instruments for the year	0	-387	-387
Net profit/loss for the year	0	4,919	4,919
Equity at 31 December	500	46,216	46,716

Parent company

Equity at 1 January	500	39,926	40,426
Fair value adjustment of hedging instruments, beginning of year	0	958	958
Fair value adjustment of hedging instruments, end of year	0	800	800
Tax on adjustment of hedging instruments for the year	0	-387	-387
Net profit/loss for the year	0	4,919	4,919
Equity at 31 December	500	46,216	46,716

Cash Flow Statement 1 January - 31 December

	Note	Group		Parent company	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Net profit/loss for the year		4,919	5,221	4,919	5,221
Adjustments	15	2,697	2,683	2,385	2,518
Change in working capital	16	18,432	-19,977	17,566	-21,610
Cash flows from operating activities before financial income and expenses		26,048	-12,073	24,870	-13,871
Financial income		464	333	717	646
Financial expenses		-1,263	-955	-1,239	-959
Cash flows from ordinary activities		25,249	-12,695	24,348	-14,184
Corporation tax paid		-2,704	-172	-2,707	-172
Cash flows from operating activities		22,545	-12,867	21,641	-14,356
Purchase of property, plant and equipment		-257	-74	-247	-43
Fixed asset investments made etc		-1	-7	-1	-7
Sale of property, plant and equipment		0	58	0	0
Sale of fixed asset investments etc		0	21	0	21
Cash flows from investing activities		-258	-2	-248	-29
Repayment of loans from credit institutions		-4,522	-5,949	-4,522	-5,943
Repayment of payables to group enterprises		-18,683	0	-17,661	0
Raising of loans from credit institutions		5	0	0	0
Raising of loans from group enterprises		0	20,121	0	23,860
Cash flows from financing activities		-23,200	14,172	-22,183	17,917
Change in cash and cash equivalents		-913	1,303	-790	3,532

Cash Flow Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK	<u>2019</u> TDKK	<u>2018</u> TDKK
Cash and cash equivalents at 1 January		-21,834	-23,137	-22,297	-25,829
Cash and cash equivalents at 31 December		-22,747	-21,834	-23,087	-22,297
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		938	4,527	598	4,064
Overdraft facility		-23,685	-26,361	-23,685	-26,361
Cash and cash equivalents at 31 December		-22,747	-21,834	-23,087	-22,297

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

To date, the Company's orders, production and sales have not been negatively impacted. Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020.

	Group		Parent company	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
2 Staff expenses				
Wages and salaries	11,083	9,593	9,969	8,874
Pensions	2,688	2,425	2,688	2,425
Other social security expenses	415	320	146	146
Other staff expenses	73	144	73	144
	<u>14,259</u>	<u>12,482</u>	<u>12,876</u>	<u>11,589</u>
Average number of employees	<u>18</u>	<u>20</u>	<u>14</u>	<u>16</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment

	<u>441</u>	<u>492</u>	<u>409</u>	<u>369</u>
	<u>441</u>	<u>492</u>	<u>409</u>	<u>369</u>

Notes to the Financial Statements

	Group		Parent company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
4 Financial income				
Interest received from group enterprises	424	322	678	635
Other financial income	41	10	41	10
	465	332	719	645
5 Financial expenses				
Other financial expenses	1,238	935	1,238	956
	1,238	935	1,238	956
6 Tax on profit/loss for the year				
Current tax for the year	1,960	1,491	1,958	1,532
Deferred tax for the year	-90	-81	-90	-81
Adjustment of tax concerning previous years	0	1,548	0	1,548
Adjustment of deferred tax concerning previous years	0	-1,548	0	-1,548
	1,870	1,410	1,868	1,451
which breaks down as follows:				
Tax on profit/loss for the year	1,483	1,589	1,481	1,630
Tax on changes in equity	387	-179	387	-179
	1,870	1,410	1,868	1,451

Notes to the Financial Statements

7 Intangible assets

Group

	<u>Goodwill</u> TDKK
Cost at 1 January	<u>9,600</u>
Cost at 31 December	<u>9,600</u>
Impairment losses and amortisation at 1 January	<u>9,600</u>
Impairment losses and amortisation at 31 December	<u>9,600</u>
Carrying amount at 31 December	<u>0</u>
Amortised over	<u>10 years</u>

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK
Cost at 1 January	2,312	89	2,401
Additions for the year	257	0	257
Cost at 31 December	<u>2,569</u>	<u>89</u>	<u>2,658</u>
Impairment losses and depreciation at 1 January	754	52	806
Depreciation for the year	422	19	441
Impairment losses and depreciation at 31 December	<u>1,176</u>	<u>71</u>	<u>1,247</u>
Carrying amount at 31 December	<u>1,393</u>	<u>18</u>	<u>1,411</u>
Depreciated over	<u>3 years</u>	<u>4-5 years</u>	

Parent company

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK
Cost at 1 January	1,065	89	1,154
Additions for the year	247	0	247
Cost at 31 December	<u>1,312</u>	<u>89</u>	<u>1,401</u>
Impairment losses and depreciation at 1 January	408	52	460
Depreciation for the year	390	19	409
Impairment losses and depreciation at 31 December	<u>798</u>	<u>71</u>	<u>869</u>
Carrying amount at 31 December	<u>514</u>	<u>18</u>	<u>532</u>
Depreciated over	<u>3 years</u>	<u>4-5 years</u>	

Notes to the Financial Statements

	Parent company	
	2019	2018
	TDKK	TDKK
9 Investments in subsidiaries		
Cost at 1 January	724	744
Exchange adjustment	0	1
Disposals for the year	0	-21
Cost at 31 December	<u>724</u>	<u>724</u>
Value adjustments at 1 January	-448	-239
Exchange adjustment	0	1
Net profit/loss for the year	24	-231
Other adjustments	0	21
Value adjustments at 31 December	<u>-424</u>	<u>-448</u>
Carrying amount at 31 December	<u>300</u>	<u>276</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
DC Resources Baltics SIA	Riga, Latvia	EUR 100,000	100%

10 Other fixed asset investments

	Group	Parent company
	Deposits	Deposits
	TDKK	TDKK
Cost at 1 January	553	553
Additions for the year	1	1
Cost at 31 December	<u>554</u>	<u>554</u>
Carrying amount at 31 December	<u>554</u>	<u>554</u>

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.

Notes to the Financial Statements

	Parent company	
	2019	2018
	TDKK	TDKK
12 Distribution of profit		
Retained earnings	4,919	5,221
	4,919	5,221

	Group		Parent company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
13 Deferred tax asset				
Deferred tax asset at 1 January	356	-1,273	356	-1,273
Amounts recognised in the income statement for the year	90	81	90	81
Amounts recognised in equity for the year	0	1,548	0	1,548
Deferred tax asset at 31 December	446	356	446	356

The deferred tax asset is expected to be utilized within the coming years.

14 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:

	Group		Parent company	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Other payables				
After 5 years	337	0	337	0
Long-term part	337	0	337	0
Other short-term payables	5,527	7,404	5,356	7,330
	5,864	7,404	5,693	7,330

Notes to the Financial Statements

	Group		Parent company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
15 Cash flow statement - adjustments				
Financial income	-465	-332	-719	-645
Financial expenses	1,238	935	1,238	956
Depreciation, amortisation and impairment losses, including losses and gains on sales	441	491	409	368
Income from investments in subsidiaries	0	0	-24	209
Tax on profit/loss for the year	1,483	1,589	1,481	1,630
	2,697	2,683	2,385	2,518
16 Cash flow statement - change in working capital				
Change in inventories	2,965	-1,484	5,053	-4,381
Change in receivables	20,780	-18,743	17,617	-17,243
Change in trade payables, etc	-7,071	1,063	-6,862	827
Fair value adjustments of hedging instruments	1,758	-813	1,758	-813
	18,432	-19,977	17,566	-21,610

Notes to the Financial Statements

17	Contingent assets, liabilities and other financial obligations	Group		Parent company	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK

Charges and security

The following assets have been placed as security with bankers:

Inventories, company mortgage	22,346	27,399	22,346	27,399
Receivable from sales and services, company mortgage	39,090	57,409	39,090	57,409

Company mortgage has been provided as security at a total amount of kDKK 30,000.

Surety in respect of Danish Group Companies' outstanding bank debts at 31 December amounting to kDKK 21,015.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments	992	72	992	72
Rental obligations, period of non- terminability, 1-43 (2018: 1-55) months	4,750	5,799	4,750	5,799

Guarantee obligations

Payment guarantees regarding rent obligations at 31 December amounting to kDKK 1,919.

Other contingent liabilities

The Danish 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 Thyborøn Nordsø Ral A/S, which is the management company of the joint taxation purposes. 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 un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

18 Related parties

	<u>Basis</u>
Controlling interest	
Gery Jacques John Edmond Leopold De Cloedt, Chemin du Patier 36, 1936 Verbier, Schweiz	Board of Directors, Beneficial owner
DC Industrial NV-SA, Brussel, Belgien	Legal owner

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.

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration, all of which are concluded on arm's length terms, why they are not disclosed in accordance with section 98 c of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is consolidated into the Group Annual Report of the Parent Company.

<u>Name</u>	<u>Place of registered office</u>
Group De Cloedt s.a.	Ixelles, Belgium

The Group Annual Report of Group De Cloedt s.a. may be obtained at the following address:

Rue Gachard 88 Bfk 12
1050 Ixelles
Belgium

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Dansk Natursten A/S for 2019 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 Consolidated and Parent Company Financial Statements for 2019 are presented in TDKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

19 Accounting Policies (continued)

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Dansk Natursten A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

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

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Notes to the Financial Statements

19 Accounting Policies (continued)

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

19 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.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Notes to the Financial Statements

19 Accounting Policies (continued)

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment for the year.

Other operating income and expenses

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

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.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

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:

Other fixtures and fittings, tools and equipment	3	years
Leasehold improvements	4-5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

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.

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

19 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of deposits. Deposits are measured in the balance sheet at the lower of amortised cost and net realisable value.

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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

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

Cash Flow Statement

The cash flow statement shows the Group's and the Parent Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's and the Parent Company's cash and cash equivalents at the beginning and end of the year.

No cash flow statement has been prepared for the Parent Company as the Parent Company cash flows are included in the Consolidated Cash Flow Statement.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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