

Imerys Industrial Minerals Denmark A/S

Kønsborgvej 9

7884 Fur

CVR No. 37322318

Annual Report 2022

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


Thierry Casteran (Jul 5, 2023 14:21 GMT+2)

Thierry Casteran
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 2022 - 31 December 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January 2022 - 31 December 2022.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's Review.

Management recommends that the Annual Report be adopted at the Annual General Meeting.

Fur, 5 July 2023

Executive Board



Julian Jaume Manteca Molina
CEO

Supervisory Board

Thierry Casteran

Thierry Casteran (Jul 5, 2023 13:32 GMT+2)

Thierry Casteran
Chairman

Guillaume Citton

Guillaume Citton (Jul 5, 2023 13:30 GMT+2)

Guillaume Francois Robert Citton
Member

Silvia Trummer-Baeck

Silvia Trummer-Baeck (Jul 5, 2023 13:14 GMT+2)

Silvia Trummer-Baeck
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 – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and accounting policies. 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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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. Management is also responsible for such internal control that 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 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 as to 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 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 the Financial Statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

Independent Auditors' Report

- * 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 the 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 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 cause the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the Financial Statements, including the note disclosures, and whether the financial statements represent 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 that we identify during our audit.

Statement on the 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 assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility 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 our knowledge obtained 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, in our view, the 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 of the Management's Review.

Aarhus, 05-07-2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-no. 33771231



Henrik Berring Rasmussen

State Authorised Public Accountant

mne34157

Company details

Company	Imerys Industrial Minerals Denmark A/S Kønsborgvej 9 7884 Fur
Telephone	0045 97 59 32 22
E-mail	sales-dk@imerys.com
Website	www.Imerys.com/denmark
CVR No.	37322318
Registered office	Skive
Financial year	01-01-2022 - 31-12-2022
Supervisory Board	Thierry Casteran Guillaume Francois Robert Citton Silvia Trummer-Baeck
Executive Board	Julian Jaume Manteca Molina, CEO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C CVR-no.: 33771231

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 the activities and the financial situation of the Company

The Company's Income Statement of the financial year 1 January 2022 - 31 December 2022 shows a result of TDKK -44,620 and the Balance Sheet at 31 December 2022 a balance sheet total of TDKK 230,009 and an equity of TDKK 50.035. The result for 2022 is below expected level. The result for the year has been affected by the global Covid-19 pandemic, and also the increase in energy prices.

The legal entity is more and more integrated in the international group structure. Existing production and daily administrative activities has in 2022 remained unchanged.

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. 2023 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 2023 is expected to increase as compared to the level realised for 2021 and 2022. The Company expects a turnover between 300-320 mDKK during 2023. Focus on efficiency measures will continue in 2023, and earnings are expected to improve compared to financial year 2022. The level of net earnings is forecasted to be between 10-15 mDKK.

Management's Review

For the year 2022 we expected a turnover between 250 and 265 mDKK and net earnings at the level of +/- 5 mDKK. Because of the fact that we still had an impact on sales from Corona in the first half of 2022, we only realized a turnover of 223 mDKK. Combined with a big rise in energy prices, the Company were not able to meet the goals.

The development in 2023 will however be strongly impacted by the global environment due to the war activities in Ukraine which is affecting energy prices strongly.

Overall, the key elements influencing the development in 2023 are:

- Competitive environment
- Energy prices
- Purchase prices development
- Political environmental decisions and related taxes

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 ressource

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.

The company has received confirmation from the parent company Imerys Minerals, International Sales, to continue the support of the company to meet liabilities as and when they fall due.

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 DKK.

	2022	2021	2020	2019	2018
Net turnover	277.879	223.616	190.854	191.820	203.648
Gross profit	12.476	22.511	40.939	43.429	53.226
Operating profit/loss	-45.387	-19.604	-233	665	19.272
Net financial expenses	-870	-101	-353	-236	-216
Profit/loss for the year	-44.620	-15.298	-122	1.327	15.537
Total assets	230.009	165.106	141.655	128.757	136.687
Total equity	50.035	24.655	39.952	40.074	98.747
Investment in property, plant and equipment	31.004	27.042	7.570	5.332	6.521
Avg. number of full-time employees	103	99	101	105	111
Return on equity (ROE) (%)	-123,65	-60,95	-0,30	1,90	9,22
Return on capital employed (%)	-22,98	-12,78	-0,17	3,09	9,20
Solvency ratio (%)	21,75	14,93	28,20	31,12	72,20

Income Statement

	Note	2022 TDKK	2021 TDKK
Revenue		277.879	223.616
Cost of production	1	-266.041	-201.688
Other operating income		638	583
Gross result		12.476	22.511
Distribution expenses	1	-3.635	-4.421
Administrative expenses	1	-53.572	-37.379
Other operating expenses		-656	-315
Profit from ordinary operating activities		-45.387	-19.604
Financial income	2	79	15
Financial expenses	3	-949	-116
Profit from ordinary activities before tax		-46.257	-19.705
Tax expense on ordinary activities	4	1.637	4.407
Profit for the year		-44.620	-15.298

Balance Sheet as of 31 December

	Note	2022 TDKK	2021 TDKK
Assets			
Acquired licenses, trademarks and rights	5	21.213	6.437
Mining rights	6	37.460	33.457
Intangible assets		58.673	39.894
Land and buildings	7	19.174	17.096
Other fixtures, fittings, tools and equipment	8	27.956	32.674
Property, plant and equipment		47.130	49.770
Fixed assets		105.803	89.664
Inventories	9	41.389	24.573
Trade receivables		38.500	26.368
Receivables from group enterprises		0	3.399
Current deferred tax	10	4.407	2.770
Corporation tax receivables from group enterprises		1.939	2.454
Other receivables		8.408	4.950
Prepayments	11	464	647
Receivables		53.718	40.588
Cash and cash equivalents	12	29.099	10.197
Current assets		124.207	75.358
Assets		230.009	165.022

Balance Sheet as of 31 December

	Note	2022 TDKK	2021 TDKK
Liabilities and equity			
Share capital	13	2.170	2.170
Share premium		70.000	0
Retained earnings		-22.135	22.485
Equity	14	50.035	24.655
Other provisions	15	350	350
Provisions		350	350
Payables to group enterprises	16	30.010	30.012
Other payables		0	4.385
Long-term liabilities other than provisions		30.010	34.397
Trade payables		30.593	35.714
Payables to group enterprises		99.353	52.922
Other payables		19.668	16.984
Short-term liabilities other than provisions		149.614	105.620
Liabilities other than provisions within the business		179.624	140.017
Liabilities and equity		230.009	165.022
Significant events occurring after end of reporting period	17		
Contingent liabilities	18		
Related parties	19		
Other disclosures	20		

Statement of changes in Equity

	Share capital TDKK	Retained earnings TDKK	Share premium	Total TDKK
Equity 1 January 2022	2.170	22.485	0	24.655
Increase of capital	0	0	70.000	70.000
Profit (loss)	0	-44.620	0	-44.620
Equity 31 December 2022	2.170	-22.135	70.000	50.035

Notes

	2022 TDKK	2021 TDKK
1. Employee benefits expense		
Wages and salaries	46.038	46.659
Pensions	6.162	3.684
Social security contributions	123	1.473
	52.323	51.816
Average number of employees	103	99
Remuneration to the Company's management is not disclosed with reference to the Danish Financial Statements Act section 98b(3) no. 2.		
2. Financial income		
Other finance income	62	15
Interest income related to group enterprises	17	0
	79	15
3. Financial expenses		
Interest expenses related to group enterprises	939	33
Other finance expenses	10	83
	949	116
4. Tax expense		
Adjustments for deferred tax	-1.637	-4.407
	-1.637	-4.407
5. Acquired licenses, trademarks and rights		
Cost at the beginning of the year	9.927	3.552
Addition during the year, incl. improvements	15.968	6.375
Transfers during the year	60	0
Cost at the end of the year	25.955	9.927
Depreciation and amortisation at the beginning of the year	-3.490	-2.574
Amortisation for the year	-1.252	-916
Impairment losses and amortisation at the end of the year	-4.742	-3.490
Carrying amount at the end of the year	21.213	6.437
Amortised over 3-9 years		

Notes

6. Mining rights

	2022	2021
	TDKK	TDKK
Cost at the beginning of the year	38.135	38.135
Addition during the year, incl. improvements	6.332	0
Cost at the end of the year	44.467	38.135
Depreciation and amortisation at the beginning of the year	-4.678	-4.575
Amortisation for the year	-2.329	-103
Impairment losses and amortisation at the end of the year	-7.007	-4.678
Carrying amount at the end of the year	37.460	33.457

Amortised over consumption/8-9 years

7. Land and buildings

Cost at the beginning of the year	101.623	99.970
Addition during the year, incl. improvements	499	1.653
Disposal during the year	-5.362	0
Transfers during the year from other items	7.218	0
Cost at the end of the year	103.978	101.623
Depreciation and amortisation at the beginning of the year	-84.527	-81.535
Amortisation for the year	-2.468	-2.992
Reversal of impairment losses and amortisation of disposed assets	2.191	0
Impairment losses and amortisation at the end of the year	-84.804	-84.527
Carrying amount at the end of the year	19.174	17.096

Amortised over 5-25 years

8. Other fixtures, fittings, tools and equipment

Cost at the beginning of the year	218.894	207.307
Addition during the year, incl. improvements	8.205	19.014
Disposal during the year	-674	-7.427
Transfers during the year to other items	-7.278	0
Cost at the end of the year	219.147	218.894
Depreciation and amortisation at the beginning of the year	-186.220	-182.993
Amortisation for the year	-5.595	-6.143
Reversal of impairment losses and amortisation of disposed assets	624	2.916
Impairment losses and amortisation at the end of the year	-191.191	-186.220
Carrying amount at the end of the year	27.956	32.674

Amortised over 3-8 years

Notes

9. Inventories

	2022	2021
	TDKK	TDKK
<i>Inventories are stated as follows:</i>		
Raw materials and consumables	12.147	6.944
Work in progress	9.005	2.054
Manufactured goods and goods for resale	20.237	15.575
Inventories in total	41.389	24.573

10. Deferred tax asset

Provision for deferred tax at the beginning of the year	2.770	-1.637
Amounts recognised in the income statement for the year	1.637	4.407
Balance at the end of the year	4.407	2.770

Deferred tax has been provided at 22% corresponding to the current tax rate. Deferred tax includes temporary differences relating to intangible assets, property, plant and equipments, other provisions and carry-forward tax losses.

Management has assessed that the company will be able to utilize the tax carry-forward losses within the next 3-5 years, and has therefore recognized the full value of deferred tax assets as of 31 December 2022.

11. Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums and freight.

12. Cash and cash equivalents

Cash and cash equivalents includes a total of TDKK 6,182 (2021: TDKK 4,289) as collateral for bank guarantees.

13. Share capital

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

Imerys Minerals International Sales
Place de Paris 2
2314
Luxembourg

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

14. Distribution of profit

Retained earnings	-44.619	-15.298
	-44.619	-15.298

Notes

15. Other provisions

	2022 TDKK	2021 TDKK
Re-establishment moler pits	350	350
Balance at the end of the year	350	350

16. Payables to group enterprises

Long-term payables to group enterprises, that are due after 5 years, amounts to TDKK 0 at 31 December 2022.

17. Significant events occurring after end of reporting period

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

18. Contingent assets, liabilities and other financial obligations

A bank guarantee of TDKK 7,191 (2021: TDKK 5,248) has been provided to the Municipal of Morsø as well as to the Region Midt and Region Nord relating to the restoration of moler pits.

A first pledge letter of indemnity, floating company charge of TDKK 15,000 (2021: TDKK 15,000) has been provided to Sydbank.

A bank guarantee of TDKK 825 (2021: 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 (2021: TDKK 3,125) for the mining rights of Hulhoejen.

Imerys Industrial Minerals Denmark A/S is liable for leasing obligations for a total of TDKK 865 (2021: TDKK 630).

Imerys Industrial Minerals Denmark A/S has been requested by the Danish Tax Authorities for supplementary information for the transfer pricing documentation for 2017-2020. It is not yet known what the outcome will be and when the case is expected to be concluded.

19. Related parties

Controlling interest lays with:

Imerys S.A., Paris, France - Ultimate parent company

Imerys Minerals International Sales, Luxembourg - Parent company

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

	2022 TDKK	2021 TDKK
Sales to group enterprises	13.941	13.106
Purchase from group enterprises	58.083	32.299
Receivables from group enterprises	0	3.399
Payables to group enterprises	129.363	82.934

Notes

20. 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 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

With regards to the true and fair view of the Financial Statements, certain reclassifications have been made in the balance sheet and notes. Comparative figures have been adjusted accordingly.

The accounting policies applied remain unchanged from last year.

Cash flow statement

With reference to the Danish Financial Statements Act section 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 Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the income statement under other ordinary income and other ordinary expenses.

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.

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.

Accounting Policies

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.

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.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual component differ.

Land and buildings: 5-25 years

Other fixtures and fittings, tools and equipment: 3-8 years

Depreciation period and residual value are reassessed annually.

Accounting Policies

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 using weighted average prices. Where the net realizable value is lower than cost, the inventories are written down to this lower value.

The net realizable 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.

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 amortized cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

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

Equity comprises the working capital and a number of equity items that may be statutory or stipulated in the articles of association.

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 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 entity and jurisdiction.

Accounting Policies

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 crystallize as current tax.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

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) (%)	=	$\frac{\text{Total equity} \times 100}{\text{Total liabilities}}$