Saint-Gobain Abrasives A/S

CVR-nr. 69 93 14 13
Dybendalsvænget 2
2630 Taastrup - Denmark

Annual Report for 2021

The Annual Report has been presented and adopted at the Annual General Meeting of the Company on 25 May 2022

Anja Griesche
Chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today presented and approved the Annual Report of Saint-Gobain Abrasives A/S for the financial year 1 January – 31 December 2021.

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

In our opinion the financial statements give a true and fair view of the company's financial position per 31 December 2021 and of the result of the financial year 1 January – 31 December 2021.

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

Taastrup, 25 May 2022

Executive Board

Adrian Hough,

Board of Directors

Anja Griesche, Chairman

Adrian Hough

Jörgen Norell

Independent Auditor's Report

To the Shareholders of Saint-Gobain Abrasives 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 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Saint-Gobain Abrasives A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in eguity and notes, including a summary of significant accounting policies ("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.

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.

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 judgment and maintain professional skepticism 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.

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.

Hellerup, 25 May 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr: 33 77 12 31

Bo Schou-Jacobsen State Authorised Public Accountant mne28703	Henrik Hornbæk State Authorised Public Accountant mne32802

Company Information

The Company	Saint-Gobain Abrasives A/S Dybendalsvænget 2 DK- 2630 Taastrup
	Telephone: +45 46 75 52 44
	Website: www.s-g-a.dk/ Email: sga.dk@saint-gobain.com CVR-nr: 69 93 14 13 Established on: 1. november 1982 Financiel year: 1. januar- 31. december Municipality of reg. office: Taastrup
Board of Directors	Anja Griesche (Chairman) Adrian Hough Jörgen Norell
Executive Board	Adrian Hough
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, DK-2900 Hellerup
Bank	Danske Bank, Copenhagen, Denmark
Parent Company	Saint-Gobain Abrasives S.A. Bd. J.F. Kennedy 190 L-4930, Bascharage Luxembourg

Financial Statements 1 January - 31 December

Accounting Policies

Basis of Preparation

The Annual Report of Saint-Gobain Abrasives A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies used are consistent with those of last year.
The Annual Report is presented in Danish kroner (DKK).

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.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Gains and losses 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.

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 transaction date rates are recognised in the income statement.

Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

Income statement

Gross profit

The company has chosen not to show the net sales and production costs separately, ref. section 32 of the Danish Financial Statements Act.

The gross profit comprises revenue, expenses for goods for resale, other operating income and external costs.

Revenue

Revenue from the sale of goods for resale is recognised in the income statement provided that transfer of risk has been made to the purchaser by year end. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for goods for resale

Expenses for goods for resale comprise the goods consumed to achieve the revenue for the year.

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment as well as gains and losses from current replacement of fixed assets.

Financial income and expenses
Financial income and expenses comprise interest and realised and unrealised exchange adjustments.

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 current Danish income tax is distributed at the time of the settlement among the jointly taxed companies based on the taxable income. Companies showing a loss will receive a contribution from the companies that have been able to utilize this loss to reduce their taxable profit.

The current tax consists of the contribution to the joint tax and the change in deferred tax – including changes due to change in tax rate – are recognised in the income statement.

The company is subject to the Danish joint taxation rules for companies in the Saint-Gobain group. Subsidiaries are included in the joint taxation from the time that they are consolidated in the group result and to the time that they are no longer a part of the consolidation.

Saint-Gobain Distribution Denmark A/S is the administrator of this joint taxation and is consequently responsible for all payments of income tax to the tax authorities.

Balance Sheet

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 and impairment losses is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Fixtures, fittings and equipment	3-5 years

The scrap value and depreciation period on property, plant and equipment is reassessed on a yearly basis. Gains and losses from current replacement of property, plant and equipment are recognised in “Amortisation, depreciation and impairment of Property, plant and equipment”.

Impairment of fixed assets

The carrying amounts of 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. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets should be assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Impairment of property, plant and equipment is recognised in the same item as the related amortisation and depreciation.

Inventories

Inventories are measured at cost in accordance with the average cost method. Inventories are written down to the lower of net realisable value and cost.

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

Receivables

Receivables are recognised in the balance sheet at amortised cost, which usually 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.

Equity - dividend

Proposed dividend is included as a debt on the time of the Annual General Meeting (time of declaration). Dividend, proposed to be paid for the year, is shown as a special figure in Equity.

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.

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 debt

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

Income Statement 1. January – 31. December

	Note	2021	2020
		DKK	DKK
Gross Profit	1	**15.030.981**	**12.767.525**
Staff expenses	2	-5.299.724	-5.268.547
Profit before financial items		**9.731.258**	**7.498.978**
Financial income	3	191.510	241.736
Financial expenses	4	-343.701	-372.703
Profit before tax		**9.579.067**	**7.368.011**
Tax on profit for the year	5	-2.084.965	-1.625.826
Net profit for the year		**7.494.102**	**5.742.185**

Proposed distribution of profit

Proposed dividends for the year	6.745.000	5.700.000
Retained earnings	749.102	42.815
	7.494.102	**5.742.185**

Balance Sheet at 31. December

Assets

	Note	2021	2020
		DKK	DKK
Inventory, goods for resale		230.663	368.817
Inventory		**230.663**	**368.817**
Trade receivables		7.920.671	7.592.059
Receivables from group enterprises		15.575.612	11.204.838
Other receivables		35.910	35.910
Prepayments		98.764	121.892
Receivables		**23.630.957**	**18.954.699**
Current assets		**23.861.620**	**19.323.516**
Assets		**23.861.620**	**19.323.516**

Balance Sheet at 31. December

Liabilities and Equity

	Note	2021	2020
		DKK	DKK
Share capital		600.000	600.000
Retained earnings		6.509.458	5.760.356
Proposed dividends for the year		6.745.000	5.700.000
Equity		**13.854.458**	**12.060.356**
Trade payables		508.608	332.263
Payables to group enterprises		1.676.699	1.522.250
Other payables		7.821.856	5.408.647
Short-term debts		**10.007.163**	**7.263.160**
Debts		**10.007.163**	**7.263.160**
Liabilities and equity		**23.861.620**	**19.323.516**
Main activity	1		
Contractual obligations and contingencies etc.	6		
Related parties and group relation	7		
Subsequent events	8		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividends for the year	Total
	DKK	DKK	DKK	DKK
Equity for the year	600.000	5.760.356	5.700.000	12.060.356
Ordinary dividends paid	0	0	-5.700.000	-5.700.000
Net profit for the year	0	7.494.102	0	7.494.102
Proposed dividends for the year	0	-6.745.000	6.745.000	0
Equity	**600.000**	**6.509.458**	**6.745.000**	**13.854.458**

The share capital consists of 60 shares of a nominal value of DKK 10.000.
No shares carry any special rights.

Notes

Disclosures

1 Main activity

The Company's main activity consists of sale of industrial abrasives. The produces primarily comprise intragroup products, including Flexovit products and Norton brand.

The Company's products are sold primarily on the Danish market.

		2021 DKK	2020 DKK
2	**Staff**		
	Wages and salaries	4.809.201	4.849.514
	Pensions	389.388	382.125
	Other social security expenses	101.135	36.908
		5.299.724	**5.268.547**
	Average number of employees	**8**	**8**
3	**Financial income**		
	Exchange adjustments	191.508	241.438
	Intra-Group financial income	2	297
		191.510	**241.735**
4	**Financial expenses**		
	Exchange adjustments	170.497	280.289
	Intra-Group financial expenses	74.137	6.185
	Other financial expenses	99.067	86.229
		343.701	**372.703**

Notes

Disclosures (continued)

		2021	2020
		DKK	DKK
5	**Tax on profit for the year**		
	Current tax for the year	2.107.985	1.625.826
	Tax adjust previous year	-23.020	0
	Total tax for the year	**2.084.965**	**1.625.826**

6 Contractual obligations and contingencies etc.

The Company has entered into operational leasing agreements. The total commitments is TDKK 442 over 10 to 48 months from the balance sheet day (2020: TDKK 764).

The company is jointly taxed with other Danish companies in the Saint-Gobain group. As a wholly owned subsidiary of Saint-Gobain Group, the Company is unlimited and solidarity liable with the other companies in the joint taxation regarding Danish withholding taxes on dividends, interest and royalties in the joint taxation.

7 Related parties and ownership

Controlling Influence:	Basic of Influence
Saint-Gobain Abrasives S.A Luxemburg	Parent Company
Companie de Saint-Gobain, France	Ultimate parent company

Related party transactions are not disclosed, as all transactions are enered into in the ordinary course of business at arms´length.

The company is included in the consolidated financial statements of the parent Compagnie de Saint-Gobain, France.

The consolidated financial statements of Compagnie de Saint-Gobain may be obtained at the following address:

Compagnie de Saint-Gobain S.A
Les Miroirs, 18 Avenue d’Alsace, 92096 La Defense, France

8 Subsequent events

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