

***IXM B.V.,***  
*Rotterdam, The Netherlands*

*Non-statutory Consolidated Financial Statements  
for the year ended 31 December 2019  
and Report of the Independent Auditor*

## **Report of the Independent Auditor**

To the Board of Directors of  
**IXM B.V.**, Rotterdam, The Netherlands

### **Report on the Audit of the non-statutory consolidated financial statements**

#### *Opinion*

We have audited the non-statutory consolidated financial statements of IXM B.V. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the non-statutory consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying non-statutory consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the non-statutory consolidated financial statements section of our report. We are independent of the Group in accordance with the provisions of the IESBA Code of Ethics for Professional Accountants, 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.

#### *Responsibility of the Board of Directors for the non-statutory consolidated financial statements*

The Board of Directors is responsible for the preparation of the non-statutory consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of non-statutory consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the non-statutory consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the non-statutory consolidated 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 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 non-statutory consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-statutory consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting 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 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 non-statutory consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-statutory consolidated financial statements, including the disclosures, and whether the non-statutory consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the non-statutory 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 the Board of Directors or its relevant committee 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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Use of our report*

This report is made solely to the Company's Board of directors, as a body, in accordance with our engagement letter with the Company dated 23 October 2019. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's directors, for our work, for this report, or for the opinion we have formed.

**Deloitte SA**

Will Eversden  
Partner

Jean-Baptiste Philip  
Senior Manager

Geneva, 30 March 2020

WIE/JBP/sjo

Enclosures

- Non-statutory consolidated financial statements (statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes)

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# IXM B.V.

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

(in thousands of US dollars)	Notes	2019	2018
Net sales	1,17	14,401,006	13,004,441
Cost of sales	1	(14,151,715)	(12,824,947)
<b>Gross Margin</b>		<b>249,291</b>	<b>179,494</b>
Commercial and administrative expenses		(90,295)	(74,561)
Finance costs, net	18	(64,570)	(59,232)
Share of gain in investment in joint venture		314	434
Loss on investments	20	(27)	(106)
Loss on sale of fixed assets		(47)	(447)
Other gains	21	6,403	-
<b>Income before tax</b>		<b>101,069</b>	<b>45,582</b>
Income tax expense	15	(22,809)	(11,092)
<b>Net income</b>		<b>78,260</b>	<b>34,490</b>
Attributable to:			
<b>Owners of the Company</b>		<b>78,260</b>	<b>34,490</b>
Non-Controlling Interests		-	-

**IXM B.V.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2019

	2019			2018
(in thousands of US dollars)	Pre-Tax	Tax	Net	Net
<b>Net income</b>	<b>101,069</b>	<b>(22,809)</b>	<b>78,260</b>	<b>34,490</b>
<b>Items that may be reclassified subsequently from equity to net income</b>				
Cash flow hedges - change in fair value	377	(45)	332	203
Exchange differences arising on translation of foreign operations	(1,335)	-	(1,335)	(4,928)
<b>Total</b>	<b>(958)</b>	<b>(45)</b>	<b>(1,003)</b>	<b>(4,725)</b>
<b>Items that will not be reclassified subsequently from equity to net income</b>				
Pensions	(1,364)	164	(1,200)	(303)
<b>Total</b>	<b>(1,364)</b>	<b>164</b>	<b>(1,200)</b>	<b>(303)</b>
<b>Changes in Other Comprehensive Income</b>	<b>(2,322)</b>	<b>119</b>	<b>(2,203)</b>	<b>(5,028)</b>
<b>Total Comprehensive Income</b>	<b>98,747</b>	<b>(22,690)</b>	<b>76,057</b>	<b>29,462</b>
Attributable to:				
<b>Owners of the Company</b>			<b>76,057</b>	<b>29,462</b>
Non-Controlling Interests			-	-

# IXM B.V.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(in thousands of US dollars)	Notes	2019	2018
<b>Non-Current Assets</b>			
Intangible assets	3	26,801	26,535
Property, plant and equipment	4	30,311	10,920
Investment in joint venture		264	572
Other investments, deposits and sundry	5	6,687	13,824
Deferred income tax assets	15	5,438	1,878
<b>Total Non-Current Assets</b>		<b>69,501</b>	<b>53,729</b>
<b>Current Assets</b>			
Inventories	1,6	1,836,854	1,579,890
Trade and other receivables	8	1,185,631	1,052,348
Derivative assets	7	304,730	249,649
Margin deposits	7	356,381	141,221
Current income tax assets		6,171	7,636
Other financial assets	9	544	61
Cash and cash equivalents	10	75,267	21,006
<b>Total Current Assets</b>		<b>3,765,578</b>	<b>3,051,811</b>
<b>Total Assets</b>		<b>3,835,079</b>	<b>3,105,540</b>



**IXM B.V.****CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

As at 31 December 2019

(in thousands of US dollars)	Notes	2019	2018
<b>Equity</b>			
Issued capital and share premium		94,629	32,289
Retained earnings		505,195	426,935
Other reserves		(7,698)	(5,495)
<b>Equity attributable to Owners of the Company</b>		<b>592,126</b>	<b>453,729</b>
Equity attributable to Non-Controlling Interests		(4)	(4)
<b>Total Stockholders' Equity and Non-Controlling Interests</b>	11	<b>592,122</b>	<b>453,725</b>
<b>Non-Current Liabilities</b>			
Long-term debt	12	108,741	132,199
Retirement benefit obligations	14	2,388	871
Deferred income tax	15	32,469	29,105
Other non-current liabilities	23	23,831	13,856
<b>Total Non-Current Liabilities</b>		<b>167,429</b>	<b>176,031</b>
<b>Current Liabilities</b>			
Bank loans and acceptances	1,13	2,067,219	1,947,190
Accounts payable and accrued expenses	16	623,010	368,635
Derivative liabilities	1,7	367,211	156,548
Current income tax liabilities		18,088	3,411
<b>Total Current Liabilities</b>		<b>3,075,528</b>	<b>2,475,784</b>
<b>Total Liabilities</b>		<b>3,242,957</b>	<b>2,651,815</b>
<b>Total Equity and Liabilities</b>		<b>3,835,079</b>	<b>3,105,540</b>

# IXM B.V.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(in thousands of US dollars)	2019	2018
Net income	78,260	34,490
Adjustments for items not affecting cash		
Depreciation and amortization	7,200	2,869
Current taxes	22,766	14,219
Deferred taxes	43	(3,127)
Interests, net	64,085	59,734
Other provisions, net	462	1,488
Share of gain in investment in joint venture, net of dividends	(314)	(434)
Loss on investments and on sale of fixed assets	74	556
	<b>172,576</b>	<b>109,795</b>
Changes in operating assets and liabilities		
Inventories and derivatives	(103,044)	137,688
Margin deposits net of margin deposit liabilities	(212,198)	207,769
Trade and other receivables	(115,248)	(48,720)
Trade and other payables	266,072	(2,356)
Interests paid <sup>1</sup>	(94,709)	(87,331)
Interests received	30,825	27,706
Income tax paid	(6,306)	(21,610)
<b>Net cash (used in) from operating activities</b>	<b>(62,032)</b>	<b>322,941</b>
<b>Investing activities</b>		
Purchase of intangible assets	(8,928)	(808)
Purchase of property, plant and equipment	(1,168)	(1,225)
Proceeds from sale of fixed assets	70	18
Change in short-term securities	(510)	-
Change in loans and advances made	(12,306)	(15,044)
Dividends received from joint-venture	279	-
<b>Net cash used in investing activities</b>	<b>(22,563)</b>	<b>(17,059)</b>
<b>Financing activities</b>		
Increase (decrease) in bank loans and acceptances <sup>1</sup>	118,094	(332,926)
Increase in long term debt	90,000	-
Repayment of long term debt	(131,308)	(1,320)
Capital contribution	62,340	17,269
<b>Net cash from (used in) financing activities</b>	<b>139,126</b>	<b>(316,977)</b>
Exchange difference on cash	(270)	(484)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>54,261</b>	<b>(11,579)</b>
Cash and cash equivalents, at beginning of the year	21,006	32,585
<b>Cash and cash equivalents, at end of the year</b>	<b>75,267</b>	<b>21,006</b>

1. Over 2019, \$0.9 million of lease interests and \$1.6 million of lease liability's principal have been paid.

**IXM B.V.****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

(in thousands of US dollars)	Issued Capital and Share Premium	Retained Earnings	Other Reserves	Equity attributable to Owners of the Company	Equity attributable to Non- Controlling Interests	Total Equity
<b>Balance at 1 January 2018</b>	<b>15,020</b>	<b>392,462</b>	<b>(467)</b>	<b>407,015</b>	<b>(4)</b>	<b>407,011</b>
Net income	-	34,490	-	<b>34,490</b>	-	<b>34,490</b>
Other comprehensive income, net of tax	-	-	(5,028)	<b>(5,028)</b>	-	<b>(5,028)</b>
<b>Total Comprehensive income, net of tax</b>	-	<b>34,490</b>	<b>(5,028)</b>	<b>29,462</b>	-	<b>29,462</b>
Deferred compensation plan, net of tax	-	(17)	-	<b>(17)</b>	-	<b>(17)</b>
Share premium increase	17,269	-	-	<b>17,269</b>	-	<b>17,269</b>
<b>Balance at 31 December 2018</b>	<b>32,289</b>	<b>426,935</b>	<b>(5,495)</b>	<b>453,729</b>	<b>(4)</b>	<b>453,725</b>
Net income	-	78,260	-	<b>78,260</b>	-	<b>78,260</b>
Other comprehensive income, net of tax	-	-	(2,203)	<b>(2,203)</b>	-	<b>(2,203)</b>
<b>Total Comprehensive income, net of tax</b>	-	<b>78,260</b>	<b>(2,203)</b>	<b>76,057</b>	-	<b>76,057</b>
Capital contribution	62,340	-	-	<b>62,340</b>	-	<b>62,340</b>
<b>Balance at 31 December 2019</b>	<b>94,629</b>	<b>505,195</b>	<b>(7,698)</b>	<b>592,126</b>	<b>(4)</b>	<b>592,122</b>

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## IXM B.V.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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IXM B.V. (the "Company") is a privately owned company incorporated in the Netherlands on 25 November 2005. With effect from 22 June 2018, the name of the Company was changed from Louis Dreyfus Company Metals B.V. to IXM B.V. The address of its registered office is Westblaak 92, 3012 KM Rotterdam – The Netherlands.

On 26 December 2017, NCCL Natural Resources Investment Fund LP ("NCCL NRIF") had entered into a definitive agreement with Louis Dreyfus Company B.V. to acquire 100% interest in Louis Dreyfus Company Metals B.V. The completion of the transaction occurred on 11 May 2018. The Company became, as of that date, a direct subsidiary of New Silk Road Commodities Ltd ("NSRC Ltd"), a company incorporated in Hong-Kong, and an indirect subsidiary of NCCL NRIF.

On 18 April 2019, NSRC Ltd contributed the shares of IXM B.V. into New Silk Road Commodities SA ("NSRC SA"), a wholly-owned subsidiary of NSRC Ltd incorporated in Switzerland.

On 24 July 2019, NSRC Ltd sold its participation into NSRC SA to CMOC Ltd, a company incorporated in Hong-Kong and a limited partner in NCCL NRIF. As of that date, the Company is a wholly-owned subsidiary of New Silk Road Commodities SA, and an indirect subsidiary of CMOC Ltd. The Company's indirect controlling shareholder is China Molybdenum Co., Ltd, a company incorporated in the People's Republic of China and listed on the Hong Kong and Shanghai stock exchanges.

IXM B.V. and its subsidiaries (the "Group") is a trading and service business unit in the field of raw material and refined base metals. It contracts out of offices in Geneva, with commercial offices in all major producing and consuming regions throughout the world. The business scope covers copper, lead and zinc concentrates, refined metals and aluminium along with other minor and associated metals and by-products. The Group is also actively involved in organizing the logistics and financing of all parts of the supply chain from the raw material through to the refined metal.

## 1. ACCOUNTING POLICIES

The consolidated financial statements of IXM B.V. are prepared in thousands of United States Dollars, unless otherwise stated, consistent with the predominant functional currency of IXM B.V.'s operations. The consolidated financial statements have been approved by the Board of Directors of IXM B.V. on 30 March 2020.

### *Statement of compliance*

The consolidated financial statement have been prepared in accordance with:

- International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union (EU) effective for the year ended 31 December 2019, and
- IFRS and interpretations as issued by the International Accounting Standards Board (IASB) effective for the year ended 31 December 2019.

The accounting policies used to prepare these financial statements are the same as those used to prepare the consolidated financial statements at and for the year ended 31 December 2018, except for the adoption of new amendments, standards and interpretations at 1 January 2019 detailed below.

### NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS IN EFFECT STARTING FROM 2019

#### ▪ IFRS 16 – Leases

The new standard provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet) in the financial statements of both lessees and lessors. It superseded IAS 17 Leases and its associated interpretative guidance. The Group applied the cumulative catch-up approach. Under this approach, the Group did not restate prior-year amounts reported and applied the practical expedient that permits an entity not to reassess whether a contract is, or contains, a lease at the date of initial application (grandfathering).

The Group has elected to apply the following other transitional reliefs available under the standard:

- The use of hindsight for determination of the lease term as of the date of initial applications;
- The exclusion of initial direct costs of obtaining a lease from the measurement of right-of-use assets at the date of initial application; and
- Low value leases and leases with a remaining lease term of less than 12 months from the date of initial application have not been recognised under IFRS 16 and will remain accounted for as operating expenditures.

Upon adoption of IFRS 16, right-of-use assets and lease liabilities of \$15.01 million were recognised as at 1 January 2019. The reconciliation between the operating lease commitments as at 31 December 2018 and the opening balance for the lease liabilities as at 1 January 2019 is as follows:

# IXM B.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of US dollars)

<b>Operating lease commitments at 31 December 2018</b>	<b>1,252</b>
Exemption of commitments for leases of low value assets	-
Exemption of commitments for short-term leases	(4)
Optional extension periods not disclosed at 31 December 2018	13,904
<b>Undiscounted future lease payments from operating lease</b>	<b>15,152</b>
Effect of discounting	(88)
<b>Lease liabilities at 1 January 2019</b>	<b>15,064</b>

The lease liabilities were discounted using asset and company specific incremental borrowing rates as at 1 January 2019. The weighted-average discount rate was 5.7%.

The Group applies IFRS 16 as follows:

- Assesses whether a contract is or contains a lease, at inception of the contract;
- Recognises right-of use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- Recognises depreciation of right-of-use assets based on the contract term, presented within Cost of goods sold or Commercial and administrative expenses in the statement of income;
- Recognises interest on lease liabilities based on implied interest rate, presented within finance costs, net in the statement of income;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Group consolidated statement of cash flows; and
- For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This lease expense is presented within Cost of goods sold and Commercial and administrative expenses in the statement of income.

### ▪ IFRIC 23 – Uncertainty over income tax treatment

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax fillings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax fillings;
  - If no, the Group should reflect the effect of uncertainty in determinings its accounting tax position using either the most likely amount or the expected value method.

The Group has re-assessed its global tax exposure and the key estimates taken in determining the positions recorded to adopt IFRIC 23. As of 1 January 2019, the global tax exposure has been determined by referencing to the uncertainty that the tax authority may not accept the Group's proposed treatment of tax positions. The adoption of the interpretation had no material impact on the financial statements of the Group's consolidated financial statements.

### ▪ IFRIC agenda decision on the Physical Settlement of Contracts to Buy or Sell a non-Financial Item

In March 2019, the International Financial Reporting Interpretations Committee (IFRIC) issued an agenda decision on the Physical Settlement of Contracts to Buy or Sell a non-Financial Item. The committee concluded that, for physical commodity contracts within the scope of IFRS 9 Financial instruments, entities should not transfer previously recognised unrealised mark-to-market movements to different income statement line items upon realisation. The adoption of the new interpretation has had no material impact on the financial statements of the Group's consolidated financial statements.

- Several other amendments to existing standards apply for the first time in 2019, but do not have a material effect on the Group's financial statements.

### New and Amended standards

Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 28	Long-term interests in associates and joint ventures
Amendments to IAS 19	Plan Amendment, curtailment or settlement
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3 business combinations, IFRS 11 joint arrangements, IAS 12 income taxes and IAS 23 borrowing costs

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# IXM B.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the following revised IFRS standards applicable to the Group were issued but not yet effective:

New and Amended standards issued but not yet effective		Effective for annual period beginning on or after
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020

Management has reviewed the impact of the new and amended standards listed above and expects that the adoption of these standards and amendments will not have a material impact on the Group's consolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF CONSOLIDATION

In accordance with IFRS 10 "Consolidated Financial Statements", the consolidated financial statements of IXM B.V. include the financial statements of all entities that the Group controls directly or indirectly, regardless of the level of the Group's equity interest in the entity. An entity is controlled when the Group has power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to affect those returns through its power over the entity. In determining whether control exists, potential voting rights must be taken into account if those rights are substantive, in other words they can be exercised on a timely basis when decisions about the relevant activities of the entity are to be taken.

Entities consolidated by the Group are referred to as "subsidiaries".

In accordance with IFRS 11 "Joint Arrangements", the Group classifies its joint arrangements (i.e. arrangements in which the Group exercises joint control with one or more other parties) either as a joint operation or a joint venture. In the case of a joint operation, the Group recognizes the assets and liabilities of the operation in proportion to its rights and obligations relating to those assets and liabilities. Joint ventures are accounted for using the equity method.

The Group exercises joint control over a joint arrangement when decisions relating to the relevant activities of the arrangement require the unanimous consent of the Group and the other parties with whom control is shared.

The Group exercises significant influence over an entity when it has the power to participate in the financial and operating policy decisions of that entity, but does not have the power to exercise control or joint control over those policies.

In accordance with IAS 28 "Investments in Associates and Joint Ventures", the equity method is used to account for joint ventures and for associates (i.e. entities over which the Group exercises significant influence).

All consolidated subsidiaries and companies carried at equity prepared their accounts at 31 December 2019 in accordance with the accounting policies and methods applied by the Group.

Intercompany transactions and balances are eliminated in consolidation.

A change to the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. In the event that the Group loses control over a subsidiary, the Group:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any Non-Controlling Interests;
- Derecognizes the foreign currency translation recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any benefit or deficit in the statement of income; and
- Reclassifies components previously recognized in other comprehensive income to the statement of income or retained earnings, as appropriate.

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## IXM B.V.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### USE OF ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### *Price risk management*

The Group engages in price risk management activities, principally for trading purposes. Activities for trading purposes are accounted for using the mark-to-market method. The market prices used to value these transactions reflect management's best estimate considering various factors including the closing exchange and over-the-counter quotations, parity differentials, time value and price volatility underlying the commitments. The values are adjusted to reflect the potential impact of liquidating the Group's positions in an orderly manner over a reasonable period of time under present market conditions.

#### *Deferred tax assets*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### *Classification of trade receivables and liabilities at amortized cost or fair value through profit and loss*

Trade receivables containing provisional pricing elements (i.e. the final selling price is subject to movements in market prices after the date of sale) need to be assessed to determine the appropriate IFRS 9 classification: measured at fair value through profit and loss or amortized cost. Those receivables that are exposed to market prices variations and for which the objective of the business model is not to collect contractual cash flows are therefore measured at fair value through profit or loss.

On the other hand, trade receivables that do not have provisional pricing features are classified as at "amortized cost".

A similar assessment is done for trade payables, and for those payables that contain provisional price elements, the Group elected to designate them as at fair value through profit and loss consistent with the accounting for provisionally priced receivables. The balance of trade payables are classified as at "amortized cost".

### FOREIGN CURRENCIES

Financial statements of foreign operations are translated from the functional currency into US Dollars using exchange rates in effect at period end for assets and liabilities, and average exchange rates during the period for results of operations and cash flows. However, for certain material transactions, a specific exchange rate is used when considered relevant. Related translation adjustments are reported as a separate component of equity. A proportionate share of translation adjustments relating to a foreign investment is recognized in income when this investment is sold fully or partially.

When the functional currency is not the local currency, the local statements are first converted using historical exchange rates for inventories, properties, and depreciation, and related translation adjustments are included in the current year's operations.

Exchange differences arising on monetary items that form an integral part of the net investment in foreign subsidiaries are recognized in Other Comprehensive Income, under "Exchange Differences arising on translation of foreign operations", for their net-of-tax amount.

Exchange differences on receivables and payables denominated in a foreign currency are recorded in the income for the year.

On a regular basis, the Group reviews the functional currencies used in measuring foreign operations to assess the impact of recent evolutions of its activities and the environment in which it operates.

### CONSOLIDATED STATEMENT OF INCOME

Income and expenses are analyzed by function in the consolidated statement of income. Cost of sales includes depreciation and employment costs relating to processing plants. It also includes the net unrealized gain or loss on open contracts of the commodity and freight trading activity. Commercial and administrative expenses include the cost of traders and administrative employees, the depreciation of office buildings and equipment, as well as the charge resulting from the fair value of shares and stock options granted to employees.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets and liabilities are presented separately between current and non-current assets, and current and non-current liabilities. This classification is based for each asset and liability on the expected recoverability or settlement, before or after twelve months from the statement of financial position date.



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## IXM B.V.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### INTANGIBLE ASSETS

#### *Other intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite life are amortized over periods ranging from one to ten years.

The useful life of all acquired trademarks has been assessed to be qualified as finite.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, incurred during the construction period, are capitalized as part of the cost of that asset. When relevant, property, plant and equipment costs include initial estimate of decommissioning and site restoration costs.

The depreciation of other property, plant and equipment is calculated based on the carrying amount, net of residual value, principally using the straight-line method over the estimated useful lives of the assets, as follows: Buildings, 15 to 40 years; Machinery and Equipment, 5 to 25 years; and Other Tangible Assets, 1 to 20 years.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

#### *Impairment*

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

### LEASES

#### *Policies applicable from 1 January 2019*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate, determined as the rate the Group would borrow over a similar term to obtain a similar asset in a similar economic environment.

Lease payments included in the measurement of the lease liability may comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.



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## **IXM B.V.**

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, for some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

### ***Policies applicable prior 1 January 2019***

Previously to the adoption of IFRS 16 leases, the Group was applying IAS 17 Leases. Lease contracts where the lessor was retaining substantially all the risks and rewards of ownership of the assets were classified as operating leases and were expensed on a straight-line basis over the lease term.

## **INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Joint ventures are a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The Group's investment in associates and joint ventures includes goodwill identified on acquisition date, net of any accumulated impairment loss.

## **OTHER INVESTMENTS, DEPOSITS AND SUNDRY**

Other investments, deposits and sundry mainly include long-term loans and advances. These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

## **INVENTORIES AND DERIVATIVES**

### ***Trading inventories***

Trading inventories are valued at fair value less costs to sell. The "mark-to-market" valuation policy, which is accepted as a commodity industry practice, presents a fair reflection of the Group's trading activities. Changes in fair value are recognized in the statement of income in "Cost of sales".

### ***Other inventories***

The other inventories are valued at the lower of cost or net realizable value, especially for certain entities for which the trading model is not applicable.

### ***Derivatives***

The Group uses futures and option contracts mostly to hedge trading inventories and open commitments in commodities and securities. Futures and option contracts are recognized at fair value, and the resulting unrealized gains and losses are recognized in the statement of income. Undelivered commodities purchase and sale commitments and swap / supply arrangements are recognized at fair value, and the resulting unrealized gain or loss is recognized in the statement of income. Foreign exchange hedge contracts are recognized at fair value, and the resulting unrealized gains and losses are recognized in the statement of income in "Finance costs, net" for the foreign exchange exposure on funding and in "Cost of sales", for the foreign exchange gains and losses related to working capital. Expected costs associated with the execution of contracts are accrued.

## **HEDGE ACCOUNTING**

The Group carries out assessments of hedging operations that qualify for hedge accounting, based on documentation of hedging relationships. This documentation includes the identification of the hedging instrument, the hedged item, the risk being hedged and the effectiveness of the hedge, at inception of the hedge and throughout financial reporting periods for which the hedge was designated.

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## **IXM B.V.**

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### ***Cash flow hedges***

The effective portion of the gain or loss on the hedging instrument is recognized directly in other reserves, while any ineffective portion is recognized immediately in the statement of income. Amounts taken to equity are transferred to the statement of income when the hedged transaction affects the statement of income, such as when the hedged financial income or financial expense is recognized or when a forecasted sale occurs.

## **FINANCIAL ASSETS AND LIABILITIES**

### ***Financial assets at amortized cost***

Trade receivables are recognized at fair value and carried out at amortised costs, adjusted for any loss allowance.

Margin deposits consist of cash with brokers and exchanges, to meet initial and variation margin requirements in respect of futures positions on commodities exchanges.

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at the time of the purchase. Treasury bills, money market funds, commercial paper, bank certificates of deposit and marketable securities having insignificant risk of change in value qualify under that definition.

Any difference between the carrying amount of the cash equivalents and its fair value is recognized in the statement of income. The statement of cash flows presents the change in cash and cash equivalents. Changes in bank overdrafts that form part of the financing activities are presented in increase (decrease) in bank loans and acceptances.

### ***Financial assets and liabilities at fair-value through profit and loss***

Trade receivables and payables containing provisional pricing elements and other financial assets corresponding to shares in listed companies are recognized at fair-value through profit and loss.

### ***Financial liabilities at amortized cost***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

### ***Impairment of financial assets***

The Group recognises a loss allowance for expected credit loss (ECL) on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Assessment is done based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

### ***Derecognition of financial assets and financial liabilities***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which IXM Group has elected on initial recognition to measure at Fair Value through Other Comprehensive Income (FVTOCI) upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

## **PROVISIONS**

Provisions for environmental restoration and decommissioning, restructuring costs and legal claims are recognized when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made.

## **EMPLOYEE BENEFITS**

### ***Short-term employee benefits***

Short-term employee benefits include wages, salaries, social security contributions, compensated absences, profit-sharing and bonuses and are expected to be settled wholly before twelve months after the end of the reporting period. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

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## **IXM B.V.**

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### ***Pensions and post-retirement benefits***

Defined contribution plans are funded by contributions paid by employees and Group companies to the organizations responsible for managing the plans. The Group's obligations are limited to the payment of such contributions.

Defined benefit plans consist of either funded or unfunded plans. Obligations under these plans are generally determined by independent actuaries using the projected unit credit method. The Group measures and recognizes post-employment benefits in accordance with IAS 19:

- contributions to defined contribution plans are recognized as an expense;
- defined benefit plans are measured using actuarial valuations.

The Group uses the projected unit credit method as the actuarial method for measuring its post-employment benefit obligations, on the basis of the national or company-wide collective agreements effective within each entity.

Factors used in calculating the obligation include length of service, life expectancy, salary inflation, staff turnover, and macro-economic assumptions specific to countries in which the Group operates (such as inflation rate and discount rate).

Actuarial gains and losses relating to defined benefit plans (pensions and other post-employment benefits), arising from the effects of changes in actuarial assumptions and experience adjustments, are recognized net of deferred taxes in other comprehensive income.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan.

If the value of plan assets exceeds the obligation under the plan, the net amount is recognized as a non-current asset. Overfunded plans are recognized as assets only if they represent future economic benefits that will be available to the Group through future refunds from the plan or reductions in future contributions to the plan.

### ***Other long-term benefits***

The Group's net obligation in respect of long-term benefits, other than post-employment plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The value of the obligation is determined using the projected unit credit method.

Actuarial gains and losses are immediately recognized in the statement of income as part of the commercial and administrative expenses.

### ***Share-based payment transactions***

Phantom equity plans are measured at fair value, corresponding to the value of the benefit granted to the employee on the grant date. The transactions are recognized in commercial and administrative expenses in the statement of income on a graduated basis over the vesting period, with a corresponding increase in other reserves in equity when the plan is deemed an equity plan. The transactions are recognized in commercial and administrative expenses in the statement of income on a graduated basis over the vesting period, with a corresponding increase in liabilities when the plan is deemed a cash-settled plan.

## **INCOME TAXES**

Income tax expense represents the sum of the current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from income before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred taxes arise from temporary differences between the carrying amounts of certain assets and liabilities and their tax basis. The Group accounts for deferred income tax in accordance with the statement of financial position liability method using the most recent established tax rates at year-end. The Group recognizes future tax benefits to the extent that the realization of such benefits is probable. The carrying amount of deferred tax assets is reviewed at each statement of financial position date. Tax assets and liabilities are offset when the taxes relate to income taxes levied by the same taxation authority.

## **REVENUE**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue arises from sale of goods, services rendered and use by others of entity assets, yielding interest, royalties and dividends.

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## **IXM B.V.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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#### ***Sale of goods***

The Group recognizes revenue when the amount of revenue can be reliably measured, control of the goods is transferred to the buyer and it is probable that future economic benefits will flow to the entity. Control of an asset is transferred when the Group no longer has the ability to direct the use of, nor obtain substantially all the remaining benefits from, the asset. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. If the control has not transferred to the buyer revenue is not recognised and any proceeds received are accounted for as a financing arrangement. Revenue on provisionally priced sales is recognised at fair-value at reporting date. The fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue and thus reflecting the commodity derivative character of such revenue. Fair value is always calculated by reference to forward market prices.

Physical purchases and sales of products are reflected as cost of goods sold and sales, respectively, in the accompanying consolidated statement of income at the time such products are shipped and control passes to the customer. Costs for shipping of inventories are included in cost of goods sold in the accompanying consolidated statement of income. Revenue is presented net of returns, rebates and discounts and after eliminating sales within the Group.

If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognized is the net amount realized by the Group.

#### ***Services rendered***

When the outcome of services rendered can be estimated reliably, revenue associated is recognized by reference to the stage of completion of the transaction at the statement of financial position date.

#### ***Financial income***

Interest income and expenses are recognized on a time-proportion basis using the effective interest method. Dividend income is recognized when the right to receive payment is established.

# IXM B.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. INTANGIBLE ASSETS

At 31 December 2019 and 31 December 2018 intangible assets consist of the following:

(in thousands of US dollars)	2019			2018		
	Gross value	Accumulated amortization	Net value	Gross value	Accumulated amortization	Net value
Other intangible assets	39,715	(12,914)	26,801	37,414	(10,879)	26,535
	<b>39,715</b>	<b>(12,914)</b>	<b>26,801</b>	<b>37,414</b>	<b>(10,879)</b>	<b>26,535</b>

At 31 December 2019, other intangible assets are mostly made of license rights over one off-take agreement for \$21 million (\$24 million as at 31 December 2018).

Changes in net value of intangible assets, for the year ended 31 December 2019 and the year ended 31 December 2018 are as follows:

(in thousands of US dollars)	2019	2018
<b>Balance at 1 January,</b>	<b>26,535</b>	<b>27,956</b>
Acquisitions and additions	4,121	933
Disposals	-	(463)
Amortization of the year	(3,855)	(1,891)
<b>Closing Balance</b>	<b>26,801</b>	<b>26,535</b>

### 4. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2019 and 31 December 2018 property, plant and equipment, consist of the following:

(in thousands of US dollars)	2019			2018		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Buildings	12,220	(3,665)	8,555	12,166	(2,686)	9,480
Machinery and equipment	709	(306)	403	697	(208)	489
Other tangible assets	2,085	(751)	1,334	1,441	(851)	590
Tangible assets in progress	236	-	236	361	-	361
Right-of-use assets	21,638	(1,855)	19,783	-	-	-
	<b>36,888</b>	<b>(6,577)</b>	<b>30,311</b>	<b>14,665</b>	<b>(3,745)</b>	<b>10,920</b>

At 31 December 2019, right-of-use assets consist of the following:

2019			
(in thousands of US dollars)	Gross value	Accumulated depreciation	Net value
Office leases	12,830	(958)	11,872
Land leases	7,920	(617)	7,303
Warehouse leases	888	(280)	608
	<b>21,638</b>	<b>(1,855)</b>	<b>19,783</b>

## IXM B.V.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in net value of property, plant and equipment, for the year ended 31 December 2019 and the year ended 31 December 2018 are as follows:

(in thousands of US dollars)	2019	2018
<b>Balance at 1 January,</b>	<b>10,920</b>	<b>10,688</b>
Impact of adoption of IFRS 16	15,064	-
Additions to right of use assets	6,580	-
Acquisitions and additions	1,168	1,225
Disposals	(70)	(4)
Depreciation for the year	(3,213)	(978)
Impairment	(132)	-
Foreign currency translation adjustment	(6)	(11)
<b>Closing Balance</b>	<b>30,311</b>	<b>10,920</b>

## 5. OTHER INVESTMENTS, DEPOSITS AND SUNDRY

At 31 December 2019 and 31 December 2018, other investments, deposits and sundry consist of the following:

(in thousands of US dollars)	2019	2018
Long-term loan to suppliers	6,687	13,824
	<b>6,687</b>	<b>13,824</b>

## 6. INVENTORIES

At 31 December 2019 and 31 December 2018, inventories consist of the following:

(in thousands of US dollars)	2019	2018
Readily marketable inventory	1,813,294	1,519,280
Non-trading inventory	23,824	60,874
<b>Inventories (Gross value)</b>	<b>1,837,118</b>	<b>1,580,154</b>
Impairment of non-trading inventory	(264)	(264)
	<b>1,836,854</b>	<b>1,579,890</b>

Readily marketable inventory is measured at fair value less cost to sell while non-trading inventory is measured at the lower of cost or net realizable value. As at 31 December 2019, \$1,221 million of inventories were pledged as security for borrowings (\$1,580 million as at 31 December 2018).

## 7. FINANCIAL INSTRUMENTS

Financial instruments are subject to various risks, including market value fluctuations, foreign currency, counterparty credit and liquidity risks. In addition to managing market and foreign currency risk, the Group implemented a strong monitoring of counterparty credit and ensured the availability of sufficient cash in order to reduce its liquidity risk. At each financial period end, the Group has a policy to provide for its receivables and unrealized gains with counterparties that are deemed at risk.

### MARKET RISK

Market risk is the risk that the fair value or future cash flows of assets and liabilities held by the Group including financial instruments, physical commodities, industrial assets will fluctuate due to changes in market variables such as spot and forward commodity prices, relative price spreads and volatilities, interest and foreign exchange rates.

The Group classifies exposures to market risk into either trading or non-trading activities. The Group manages market risk for trading activities by diversifying exposures, controlling position natures, sizes and maturities, performing stress testing, monitoring risk limits under the supervision of its IXM Risk Committee. Limits are established for the level of acceptable risk at corporate level and are allocated at profit center levels. The compliance with the limits is reported to management daily. Limits are based on a daily measure of market risk exposure referred to as value at risk (VAR).

## IXM B.V.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The VAR that the Group measures is a model-based estimate grounded upon various assumptions such as: the returns of risk factors affecting the market environment follow a log-normal distribution, parameters are calculated by using exponentially weighted historical data in order to put more emphasis on the latest market information.

The VAR computed hence represents an estimate, with a confidence level of 95%, of the potential loss that is not expected to be exceeded should the current market risk position remain unchanged for one day. The use of 95% confidence level means that, within a one-day horizon, losses exceeding the VAR figure are not expected to occur statistically more than once every twenty (trading) days. The VAR may be under or over-estimated due to the assumptions placed on risk factors and historical correlations and volatilities in market prices, and the probability of large market moves may be underestimated per the normal distribution. Calculations are back tested against reported statement of income on a regular basis.

#### AVERAGE VAR AS A % OF STOCKHOLDER'S EQUITY

The monthly average of VAR as percentage of the ultimate stockholder's equity corresponds to the average over a month of the VAR computed daily as percentage of the ultimate stockholder's equity at the beginning of each quarter.

During the year ended 31 December 2019, the monthly average Group VAR for trading activities has been less than 1% of the ultimate stockholder's equity. The yearly average VAR for the Group reached 0.24% of year-end equity of the ultimate stockholder in 2019 versus 0.06% in 2018. VAR is only one of the risk metrics within a wider risk management system applied within the Group.

#### COMPLIANCE RISK

The Group has in place four compliance programs:

- Regulatory: complying with regulations applicable to commodity exchanges
- Trade Practice: policies and controls to maintain ethical commercial and business practices
- Trade Sanctions: ensuring compliance with trade sanctions
- Sustainability: be a "responsible citizen" in all the markets and activities in which the Company participates, and strives to retain and improve that status through all corporate actions. The Group also applies its "responsible sourcing", and Environmental, Social and Governance (ESG) policy across its business lines

The Group adopts a risk-based approach, with adequate resources dedicated to transaction monitoring and training.

#### FOREIGN CURRENCY RISK

The Group's functional currency is USD. The Group operates internationally and is therefore exposed to changes in foreign currency exchange for its assets and liabilities denominated in a currency different from the functional currency of each entity. Each entity within the Group enters into foreign exchange derivative contracts to hedge its exposures back to its own functional currency. The operating current assets and liabilities are denominated in the following currencies before hedge at 31 December 2019 and 31 December 2018.

	2019						
(in thousands of US dollars)	US Dollar	Euro	Chinese Yuan	Peruvian Soles	Mexican pesos	Other Currencies	Total
Inventories - gross	1,710,270	-	126,848	-	-	-	1,837,118
Trade and other receivables - gross	1,020,525	31,745	96,147	16,358	15,535	5,532	1,185,842
Derivative assets	148,421	-	156,309	-	-	-	304,730
Margin deposits	324,696	-	31,685	-	-	-	356,381
Current income tax assets	-	-	-	2,993	3,178	-	6,171
<b>Assets</b>	<b>3,203,912</b>	<b>31,745</b>	<b>410,989</b>	<b>19,351</b>	<b>18,713</b>	<b>5,532</b>	<b>3,690,242</b>
Accounts payable and accrued expenses	555,757	1,338	25,718	36,329	714	3,154	623,010
Derivative liabilities	223,319	-	143,892	-	-	-	367,211
Current income tax liabilities	432	-	6,786	-	60	10,810	18,088
<b>Liabilities</b>	<b>779,508</b>	<b>1,338</b>	<b>176,396</b>	<b>36,329</b>	<b>774</b>	<b>13,964</b>	<b>1,008,309</b>
<b>Net Current Assets and Liabilities</b>	<b>2,424,404</b>	<b>30,407</b>	<b>234,593</b>	<b>(16,978)</b>	<b>17,939</b>	<b>(8,432)</b>	<b>2,681,933</b>



## IXM B.V.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2018						
(in thousands of US dollars)	US Dollar	Euro	Chinese Yuan	Peruvian Soles	Mexican pesos	Other Currencies	Total
Inventories - gross	1,403,898	-	176,259	-	-	-	<b>1,580,157</b>
Trade and other receivables - gross	928,686	542	101,992	15,795	9,774	597	<b>1,057,386</b>
Derivative assets	198,403	-	51,546	-	-	-	<b>249,949</b>
Margin deposits	65,582	-	75,639	-	-	-	<b>141,221</b>
Current income tax assets	18	-	-	3,423	3,570	625	<b>7,636</b>
<b>Assets</b>	<b>2,596,587</b>	<b>542</b>	<b>405,436</b>	<b>19,218</b>	<b>13,344</b>	<b>1,222</b>	<b>3,036,349</b>
Accounts payable and accrued expenses	301,596	898	62,712	2,003	413	1,013	<b>368,635</b>
Derivative liabilities	128,768	-	27,780	-	-	-	<b>156,548</b>
Current income tax liabilities	325	-	533	397	191	1,965	<b>3,411</b>
<b>Liabilities</b>	<b>430,689</b>	<b>898</b>	<b>91,025</b>	<b>2,400</b>	<b>604</b>	<b>2,978</b>	<b>528,594</b>
<b>Net Current Assets and Liabilities</b>	<b>2,165,898</b>	<b>(356)</b>	<b>314,411</b>	<b>16,818</b>	<b>12,740</b>	<b>(1,756)</b>	<b>2,507,755</b>

#### COUNTERPARTY RISK

The Group is engaged in the business of trading a diversified portfolio of commodities. Accordingly, a substantial portion of the Group's trade receivables is with companies across several different industries within the commodity sector. Part of margin deposits consist of US treasury bills and are on deposit with commodity exchanges and brokers which hold such deposits in a custodial capacity.

The Group has implemented risk management procedures to monitor its exposures and to minimize counterparty risk. These procedures include initial credit and limit approvals, credit insurance, margin requirements, master netting arrangements, letters of credit and other guarantees.

The Group's trade receivables include debtors with a carrying amount of \$35.2 million which are past due at 31 December 2019. The credit quality of financial assets is assessed by reference to credit ratings, historical information about counterparty default rates, risk mitigation tools in place, existing market conditions, market-based ("systematic") risk factors and loan-specific ("idiosyncratic") risk factors.

	2019			2018		
(in thousands of US dollars)	Gross value	Provision	Net value	Gross value	Provision	Net value
Not due	1,506,858	(40)	<b>1,506,818</b>	1,157,985	-	<b>1,157,985</b>
Due since < 3 months	32,396	-	<b>32,396</b>	35,961	(377)	<b>35,584</b>
Due since 3 - 6 months	149	-	<b>149</b>	226	(226)	-
Due since 6 months -1 year	2,212	(171)	<b>2,041</b>	411	(411)	-
Due since > 1 year	608	-	<b>608</b>	4,024	(4,024)	-
<b>Closing balance</b>	<b>1,542,223</b>	<b>(211)</b>	<b>1,542,012</b>	<b>1,198,607</b>	<b>(5,038)</b>	<b>1,193,569</b>
<i>Including:</i>						
Trade receivables	438,077	(40)	438,037	366,614	(1,300)	365,314
Staff and tax receivables	43,033	-	43,033	35,911	-	35,911
Accrued receivables	537,463	-	537,463	462,396	(3,738)	458,658
Prepayments and prepaid expenses	128,219	(171)	128,048	165,837	-	165,837
Other receivables	19,563	-	19,563	19,131	-	19,131
Dividend receivables	320	-	320	-	-	-
Loans receivables	19,167	-	19,167	7,497	-	7,497
Margin deposits	356,381	-	356,381	141,221	-	141,221



## IXM B.V.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### POLITICAL AND COUNTRY RISK

In its cross-border operations, the Group is exposed to country risk associated with a country's overall political, economic, financial, regulatory and commercial situations. The Group does not seek to retain country risk and it is the trade finance, insurance and credit risk departments' duty to seek to mitigate political and country risk by transferring or covering them with major financial institutions or insurance.

### LIQUIDITY RISK

Liquidity risk arises in the general funding of the Group's commodity trading activities and in the management of positions. It includes both the risk of being unable to fund the Group's portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

Management of the liquidity profile is designed to ensure that the Group has access to the funds necessary to cover maturing liabilities. Sources of funds include interest-bearing and non-interest-bearing deposits, bank notes, trading account liabilities, repurchase agreements, long term debt, and borrowing arrangements.

The Group holds derivative contracts for the sale of physical commodities and derivative assets that are expected to generate cash inflows that will be available to meet cash outflows on purchases and liabilities. In the trading business, settling commodity contracts and liquidating trading inventories, by exchanging the commodity for cash before the contractual maturity term is a usual practice. The liquidity risk is consequently measured by allocating liabilities to the earliest estimated period on which the counterparty can require repayment, and assets to the earliest estimated period on which the Group can realize in cash these assets without any significant discount from market value. This measurement takes into consideration the market depth and price sensitivity to significant transaction volumes. The inclusion of information on non-financial items is necessary to understand the Group's liquidity risk management, as the liquidity is managed on a net asset and liability basis.

The table below summarizes the maturity profile of the Group's financial assets and liabilities at 31 December 2019 and 31 December 2018.

	2019				2018			
(in thousands of US dollars)	Under 3 months	3 to 6 months	Over 6 months	Total	Under 3 months	3 to 6 months	Over 6 months	Total
Derivative assets	278,345	3,322	23,063	<b>304,730</b>	236,254	2,467	10,928	<b>249,649</b>
Trade and other receivables	968,903	25,127	1,024	<b>995,054</b>	843,103	-	-	<b>843,103</b>
Loans to suppliers	2,499	2,499	20,856	<b>25,854</b>	-	2,499	18,822	<b>21,321</b>
Bank loans and acceptances	(2,043,136)	(22,160)	(1,923)	<b>(2,067,219)</b>	(1,947,190)	-	-	<b>(1,947,190)</b>
Derivative liabilities	(361,342)	(957)	(4,912)	<b>(367,211)</b>	(156,548)	-	-	<b>(156,548)</b>
Trade and other payables	(483,603)	(3,573)	(3,032)	<b>(490,208)</b>	(272,975)	(17,181)	(5,030)	<b>(295,186)</b>
Long-term debt	-	-	(108,741)	<b>(108,741)</b>	-	-	(132,199)	<b>(132,199)</b>
<b>Total Assets net of Liabilities</b>	<b>(1,638,334)</b>	<b>4,258</b>	<b>(73,665)</b>	<b>(1,707,741)</b>	<b>(1,297,356)</b>	<b>(12,215)</b>	<b>(107,479)</b>	<b>(1,417,050)</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The schedule below analyzes the Group's financial interests which will be settled on future periods based on the financial debt at 31 December 2019 and 31 December 2018. These interests are grouped by maturity based on the contractual maturity date of the interests.

(in thousands of US dollars)	2019	2018
Maturity < 1 year	1,322	1,687
Maturity between 1-2 years	22	73
Maturity between 2-3 years	-	19
Maturity between 3-4 years	-	-
Maturity between 4-5 years	-	-
Maturity > 5 years	-	-
<b>Interests future cash outflows related to financial debt existing at closing date</b>	<b>1,344</b>	<b>1,779</b>
<i>Of which:</i>		
Fixed rate	91	223
Floating rate	1,253	1,556

#### INTEREST RATE RISK

At 31 December 2019 and 31 December 2018, the allocation of Group financing between fixed and floating interest rates, is as follows:

(in thousands of US dollars)	2019	2018
Fixed rate	30,839	133,507
Floating rate	2,145,121	1,945,882
<b>Total short and long term financing</b>	<b>2,175,960</b>	<b>2,079,389</b>

(For further details, refer to notes 12, 13)

The Group considers as floating rate any short-term debts which initial contractual maturity is below six months. The Group primarily borrows short-term working capital at floating rates, with any changes passed along to its customers.

#### CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

At 31 December 2019, the different categories of financial instruments are as follows:

(in thousands of US dollars)	Fair value through profit and loss	Fair value through Other Comprehensive Income	Amortized cost	Total
Other investments, deposits and sundry	-	-	6,687	6,687
<b>Total Non-Current Assets</b>	-	-	6,687	6,687
Trade and other receivables	537,455	-	457,599	995,054
Short term loans to suppliers	-	-	19,167	19,167
Margin deposits	-	-	356,381	356,381
Derivative assets	304,730	-	-	304,730
Other financial assets	34	-	510	544
Cash and cash equivalents	-	-	75,267	75,267
<b>Total Current Assets</b>	<b>842,219</b>	-	<b>908,924</b>	<b>1,751,143</b>
<b>Total Financial Assets</b>	<b>842,219</b>	-	<b>915,611</b>	<b>1,757,830</b>

Assets at fair value through profit and loss, derivative assets and listed other financial assets are measured at fair value. All other financial assets (for which the net booked value is deemed to correspond to the fair value) are measured at amortized cost.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of US dollars)	Fair value through profit and loss	Fair value through Other Comprehensive Income	Amortized cost	Total
Long term debt	-	-	108,741	<b>108,741</b>
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>108,741</b>	<b>108,741</b>
Bank loans and acceptances	-	-	2,067,219	<b>2,067,219</b>
Accounts payable and accrued expenses	272,753	-	217,455	<b>490,208</b>
Derivative liabilities	367,211	-	-	<b>367,211</b>
<b>Total Current Liabilities</b>	<b>639,964</b>	<b>-</b>	<b>2,284,674</b>	<b>2,924,638</b>
<b>Total Financial Liabilities</b>	<b>639,964</b>	<b>-</b>	<b>2,393,415</b>	<b>3,033,379</b>

Derivative liabilities are measured at fair value. Other financial liabilities are measured at amortized cost.

At 31 December 2018, the different categories of financial instruments are as follows:

(in thousands of US dollars)	Fair value through profit and loss	Fair value through Other Comprehensive Income	Amortized cost	Total
Other investments, deposits and sundry	-	-	13,824	<b>13,824</b>
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>13,824</b>	<b>13,824</b>
Trade and other receivables	458,658	-	384,445	<b>843,103</b>
Margin deposits	-	-	141,221	<b>141,221</b>
Short term loans to suppliers	-	-	7,497	<b>7,497</b>
Derivative assets	249,649	-	-	<b>249,649</b>
Other financial assets	61	-	-	<b>61</b>
Cash and cash equivalents	-	-	21,006	<b>21,006</b>
<b>Total Current Assets</b>	<b>708,368</b>	<b>-</b>	<b>554,169</b>	<b>1,262,537</b>
<b>Total Financial Assets</b>	<b>708,368</b>	<b>-</b>	<b>567,993</b>	<b>1,276,361</b>

(in thousands of US dollars)	Fair value through profit and loss	Fair value through Other Comprehensive Income	Amortized cost	Total
Long term debt	-	-	132,199	<b>132,199</b>
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>132,199</b>	<b>132,199</b>
Bank loans and acceptances	-	-	1,947,190	<b>1,947,190</b>
Accounts payable and accrued expenses	109,976	-	185,210	<b>295,186</b>
Derivative liabilities	156,548	-	-	<b>156,548</b>
<b>Total Current Liabilities</b>	<b>266,524</b>	<b>-</b>	<b>2,132,400</b>	<b>2,398,924</b>
<b>Total Financial Liabilities</b>	<b>266,524</b>	<b>-</b>	<b>2,264,599</b>	<b>2,531,123</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CLASSIFICATION OF DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2019 and 31 December 2018, derivatives financial instruments are as follows:

(in thousands of US dollars)	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Forward purchase and sale agreements	92,060	148,656	62,100	47,990
Swaps	-	-	620	600
Futures and options	203,475	211,241	171,484	95,381
Forward foreign exchange contracts	9,195	7,314	15,445	12,577
<b>Derivatives at fair value through profit and loss</b>	<b>304,730</b>	<b>367,211</b>	<b>249,649</b>	<b>156,548</b>
<b>Total Derivatives</b>	<b>304,730</b>	<b>367,211</b>	<b>249,649</b>	<b>156,548</b>

In the normal course of operations, the Group enters into various derivative financial instruments involving future settlement. These transactions include futures, forward purchase and sale agreements, and option contracts which are executed either on regulated exchanges or in the over-the-counter market ("OTC").

Futures contracts are exchange-traded contractual commitments either to receive or deliver a standard amount or value of a commodity or financial instrument at a specified future date and price. Futures exchanges typically require the parties to provide as security "initial margins" and additional cash deposits for "variation margins", based upon market value fluctuations. OTC contracts, which may or may not require the payment of initial margins or variation margins, involve parties who have agreed either to exchange cash payments or deliver/receive the underlying commodity or financial instrument. Option contracts are contractual agreements that give the purchaser the right, but not the obligation, to purchase or sell a financial instrument or commodity, at a predetermined price.

At 31 December 2019, the Group accounted for long-term forward purchase agreement, valued on the basis of observable inputs on the forward prices to the extent that the underlying asset is traded on transparent and active commodity markets.

### OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements at 31 December 2019:

(in thousands of US dollars)	Amounts set off in the statement of financial position			Amounts not set off in the statement of financial position		Total presented in the statement of financial position
	Gross amount of financial assets	Gross amount of financial liabilities	Net amount recognized in the statement of financial position	Under master netting agreements and margin deposit	Not under master netting agreements	
Derivative assets	226,908	(23,433)	203,475	-	101,255	304,730
Derivative liabilities	(41,450)	252,691	211,241	-	155,970	367,211
Margin deposit assets	-	-	-	356,381	-	356,381
	268,358	(276,124)	(7,766)	356,381	(54,715)	293,900

## IXM B.V.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments and trading inventories recorded at fair value by level of the fair value hierarchy at 31 December 2019 and 31 December 2018:

	2019				2018			
(in thousands of US dollars)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading inventories	-	1,813,294	-	<b>1,813,294</b>	-	1,519,280	-	<b>1,519,280</b>
Derivative assets	203,475	101,255	-	<b>304,730</b>	171,484	78,165	-	<b>249,649</b>
Commercial accrued receivables	-	537,455	-	<b>537,455</b>	-	458,658	-	<b>458,658</b>
Other financial assets	34	-	-	<b>34</b>	61	-	-	<b>61</b>
Cash and cash equivalents	75,267	-	-	<b>75,267</b>	21,006	-	-	<b>21,006</b>
<b>Total Assets</b>	<b>278,776</b>	<b>2,452,004</b>	<b>-</b>	<b>2,730,780</b>	<b>192,551</b>	<b>2,056,103</b>	<b>-</b>	<b>2,248,654</b>
Derivative liabilities	211,241	155,970	-	<b>367,211</b>	95,381	61,167	-	<b>156,548</b>
Commercial accrued payables	-	272,753	-	<b>272,753</b>	-	109,976	-	<b>109,976</b>
<b>Total Liabilities</b>	<b>211,241</b>	<b>428,723</b>	<b>-</b>	<b>639,964</b>	<b>95,381</b>	<b>171,143</b>	<b>-</b>	<b>266,524</b>

Trading inventories are valued at fair value based on observable prices (if and when available) and adjusted to take into account the cost to sell the products (mainly distribution, transformation and shipping costs).

#### 8. TRADE AND OTHER RECEIVABLES

At 31 December 2019 and 31 December 2018, trade and other receivables consist of the following:

	2019			2018		
(in thousands of US dollars)	Gross value	Provision	Net value	Gross value	Provision	Net value
Trade receivables	438,077	(40)	<b>438,037</b>	366,614	(1,300)	<b>365,314</b>
Staff and tax receivables	43,033	-	<b>43,033</b>	35,911	-	<b>35,911</b>
Prepayments and advances to suppliers	89,066	(171)	<b>88,895</b>	122,240	-	<b>122,240</b>
Prepaid expenses	39,153	-	<b>39,153</b>	43,597	-	<b>43,597</b>
Accrued receivables	537,463	-	<b>537,463</b>	462,396	(3,738)	<b>458,658</b>
Dividend receivables	320	-	<b>320</b>	-	-	<b>-</b>
Loans receivables	19,167	-	<b>19,167</b>	7,497	-	<b>7,497</b>
Other receivables	19,563	-	<b>19,563</b>	19,131	-	<b>19,131</b>
	<b>1,185,842</b>	<b>(211)</b>	<b>1,185,631</b>	<b>1,057,386</b>	<b>(5,038)</b>	<b>1,052,348</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2019 the amount of the provision is \$0.2 million (at 31 December 2018 the amount of the provision for trade and other receivables was \$5.04 million). The changes in the provisions on trade and other receivables are as follows:

(in thousands of US dollars)	2019	2018
<b>Balance at 1 January</b>	<b>(5,038)</b>	<b>(4,157)</b>
Increase in provision	(211)	(881)
Write-off of provision	5,038	-
<b>Closing balance</b>	<b>(211)</b>	<b>(5,038)</b>

The Group sold without recourse trade receivables to banks for cash proceeds. The balance of the factored receivables as at 31 December 2019 is \$143.2 million (\$126.5 million at 31 December 2018) which has been derecognised from the consolidated statement of financial position, because the Group no longer retains the risks and rewards associated with these receivables.

## 9. OTHER FINANCIAL ASSETS

At 31 December 2019 and 31 December 2018, other financial assets consist of the following:

	2019		2018	
(in thousands of US dollars)	Ownership	Balance	Ownership	Balance
Camrova Resources Inc., publicly traded in Canada	5.3%	34	5.3%	61
Remunerated certificate of deposit		510		-
<b>Listed and other financial assets</b>		<b>544</b>		<b>61</b>

## 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows at 31 December 2019 and 31 December 2018:

(in thousands of US dollars)	2019	2018
Short term cash deposit	16,200	-
Cash	59,067	21,006
	<b>75,267</b>	<b>21,006</b>

At 31 December 2019 and 31 December 2018, there is no significant difference between the historical value of cash and cash equivalents and their fair value.

## 11. EQUITY

(in thousands of US dollars)	2019	2018
Issued capital	5,021	5,021
Share premium	89,608	27,268
Retained earnings	505,195	426,935
Other reserves	(7,698)	(5,495)
<b>Equity attributable to Owners of the Company</b>	<b>592,126</b>	<b>453,729</b>
Non-Controlling Interests	(4)	(4)
<b>Total Equity</b>	<b>592,122</b>	<b>453,725</b>

The stockholder's equity and Non-Controlling Interests disclosed in the financial statements correspond to the equity used by the management when assessing performance.

# IXM B.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CAPITAL

When managing capital, objectives of the Group are to safeguard its ability to continue as a going concern so that it can provide returns to shareholders, bring benefits to its other partners and optimize the structure of the capital in order to reduce its cost.

At 31 December 2019 and at 31 December 2018, the capital of the Company is composed of 41,349 shares, with a 100-Euro nominal value each (\$121 at historical value), that are issued and fully paid.

On 17 December 2019, the Company's indirect shareholder CMOC Ltd, Hong Kong, made a voluntary capital contribution of CHF 61 million into IXM SA (converted to \$ 62.3 million at transaction exchange rate). The capital contribution has not resulted in the issuance of shares or other equity instruments.

### OTHER RESERVES

Other Reserves at 31 December 2019 and 31 December 2018 relate to:

	2019				2018			
(in thousands of US dollars)	Pre-tax	Tax	Non-Controlling share	Owners of the Company share	Pre-tax	Tax	Non-Controlling share	Owners of the Company share
<b>Other comprehensive income</b>	(7,809)	111	-	(7,698)	(5,487)	(8)	-	(5,495)
<b>Other reserves</b>	<b>(7,809)</b>	<b>111</b>	<b>-</b>	<b>(7,698)</b>	<b>(5,487)</b>	<b>(8)</b>	<b>-</b>	<b>(5,495)</b>

### OTHER COMPREHENSIVE INCOME

Changes in other income for the year ended 31 December 2019 and 31 December 2018 are as follows:

(in thousands of US dollars)	Cash-flow hedges	Pensions	Foreign Currency translation adjustment	Total
<b>Balance at 1 January 2019 - Owners of the Company share</b>	-	(30)	(5,465)	(5,495)
<i>of which :</i>				
Pre-tax	-	(22)	(5,465)	(5,487)
Tax	-	(8)	-	(8)
Non-Controlling share	-	-	-	-
Current period gains (losses)	332	(1,200)	(1,335)	(2,203)
Reclassification to profit or loss	-	-	-	-
<b>Other comprehensive income for the period – Owners of the Company share</b>	<b>332</b>	<b>(1,200)</b>	<b>(1,335)</b>	<b>(2,203)</b>
<i>of which :</i>				
Pre-tax	377	(1,364)	(1,335)	(2,322)
Tax	(45)	164	-	119
Non-Controlling share	-	-	-	-
<b>Balance at 31 December 2019 - Owners of the Company share</b>	<b>332</b>	<b>(1,230)</b>	<b>(6,800)</b>	<b>(7,698)</b>
<i>of which :</i>				
Pre-tax	377	(1,386)	(6,800)	(7,809)
Tax	(45)	156	-	111
Non-Controlling share	-	-	-	-



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of US dollars)	Cash-flow hedges	Pensions	Foreign Currency translation adjustment	Total
<b>Balance at 1 January 2018 - Owners of the Company share</b>	<b>(203)</b>	<b>273</b>	<b>(537)</b>	<b>(467)</b>
<i>of which :</i>				
Pre-tax	(227)	322	(537)	(442)
Tax	24	(49)	-	(25)
Non-Controlling share	-	-	-	-
Current period gains (losses)	203	(303)	(4,928)	(5,028)
Reclassification to profit or loss	-	-	-	-
<b>Other comprehensive income for the period – Owners of the Company share</b>	<b>203</b>	<b>(303)</b>	<b>(4,928)</b>	<b>(5,028)</b>
<i>of which :</i>				
Pre-tax	227	(344)	(4,928)	(5,045)
Tax	(24)	41	-	17
Non-Controlling share	-	-	-	-
<b>Balance at 31 December 2018 - Owners of the Company share</b>	<b>-</b>	<b>(30)</b>	<b>(5,465)</b>	<b>(5,495)</b>
<i>of which :</i>				
Pre-tax	-	(22)	(5,465)	(5,487)
Tax	-	(8)	-	(8)
Non-Controlling share	-	-	-	-

## 12. LONG TERM FINANCING

The Group's long term financing of \$108.7 million is made up of a \$50 million loan with a related party (floating rate and maturity 19 December 2024), \$40 million with a related party (floating rate and maturity 19 December 2024), \$0.8 million with third party (fixed rate 4.66% and maturity 2021) and \$17.9 million of lease liabilities under IFRS 16. At 31 December 2018 the long term financing balance was \$132.2 million.

## 13. BANK LOANS AND ACCEPTANCES

The Group finances most of its short-term requirements with bank loans and acceptances. The underlying agreements require certain companies to maintain minimum levels of net worth and to meet various liquidity tests.

At 31 December 2019 and 31 December 2018, bank loans and acceptances consist of the following:

(in thousands of US dollars)	2019	2018
Bank loans	1,730,516	1,534,663
Bank overdrafts	333,157	411,219
<b>Total Short term financing</b>	<b>2,063,673</b>	<b>1,945,882</b>
Current portion of long term financing	1,366	1,308
<b>Total Bank loans and acceptances</b>	<b>2,065,039</b>	<b>1,947,190</b>
Current portion of lease liabilities under IFRS 16	2,180	-
<b>Total Short term debt</b>	<b>2,067,219</b>	<b>1,947,190</b>
<i>Of which:</i>		
Fixed rate	3,546	1,308
Floating rate	2,063,673	1,945,882

At 31 December 2019 there is no significant difference between the historical value of bank loans and acceptances and their fair value at year end.



## IXM B.V.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The debt outstanding is comprised of loans in the following currencies at 31 December 2019 and 31 December 2018:

(in thousands of US dollars)	2019	2018
US Dollar	1,905,100	1,796,616
Chinese Yuan	147,210	130,552
Peruvian Nuevo Sol	6,440	14,754
Euro	6,289	5,268
Other currencies	-	-
<b>Total Bank loans and acceptances</b>	<b>2,065,039</b>	<b>1,947,190</b>
US Dollar	876	-
Chinese Yuan	434	-
Peruvian Nuevo Sol	223	-
Other currencies	647	-
<b>Total Current portion of lease liabilities under IFRS 16</b>	<b>2,180</b>	<b>-</b>
<b>Total Short term debt</b>	<b>2,067,219</b>	<b>1,947,190</b>

#### 14. RETIREMENT BENEFIT OBLIGATIONS

At 31 December 2019 and 31 December 2018, retirement benefit obligations consist of the following:

(in thousands of US dollars)	2019	2018
Long-term pension benefit	2,388	871
<b>Retirement benefit obligations</b>	<b>2,388</b>	<b>871</b>

The long-term pension scheme maintained and funded by the Group is in Switzerland and is classified as a defined benefit plan.

Pension liability recognized in the consolidated statement of financial position is as follows at 31 December 2019 and 31 December 2018:

(in thousands of US dollars)	2019	2018
Present value of defined benefit obligation	15,968	12,263
Fair value of plan assets	(13,580)	(11,392)
<b>Net liability in the statement of financial position</b>	<b>2,388</b>	<b>871</b>

Amounts recognized in the consolidated statement of income:

(in thousands of US dollars)	2019	2018
Service cost expense	979	677
Interest expense, net	7	4
Administrative expenses	19	16
	<b>1,005</b>	<b>697</b>

Amounts recognized in the consolidated statement of other comprehensive income:

(in thousands of US dollars)	2019	2018
Remeasurement (gains)/losses on net defined benefit obligation		
Change in financial assumptions	1,230	68
Experience adjustments on benefit obligations	136	310
Actual return on plan assets excluding net interest expense	(2)	(34)
	<b>1,364</b>	<b>344</b>

## IXM B.V.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movements in the net defined benefit obligation during the year:

(in thousands of US dollars)	2019	2018
<b>Balance at 1 January,</b>	<b>871</b>	<b>528</b>
Expense recognized in the statement of income	1,005	697
Remeasurements recognized in other comprehensive income	1,364	344
Contributions paid by the Group	(848)	(709)
Exchange differences	(4)	11
<b>Closing balance</b>	<b>2,388</b>	<b>871</b>

Change in the defined benefit obligation is as follows:

(in thousands of US dollars)	2019	2018
<b>Balance at 1 January,</b>	<b>12,263</b>	<b>11,840</b>
Service cost	979	677
Interest cost	103	75
Administrative expenses	19	16
Ordinary contributions paid by employees	521	378
Contributions paid by plan participants	1,734	2,797
Plan settlement	-	(3,400)
Benefits paid from plan of assets	(964)	(327)
Remeasurement losses on defined benefit obligation	1,366	378
Exchange rate (gains)/losses	(53)	171
<b>Closing balance</b>	<b>15,968</b>	<b>12,263</b>

Change in fair value of plan assets is as follows:

(in thousands of US dollars)	2019	2018
<b>Balance at 1 January,</b>	<b>11,392</b>	<b>11,312</b>
Interest income on plan assets	96	71
Return on plan assets excluding amounts included in net interest expense	2	40
Ordinary contributions paid by employer	852	709
Ordinary contributions paid by employees	521	378
Contributions paid by plan participants	1,734	2,861
Benefits paid from plan of assets	(964)	(327)
Plan settlement	-	(3,324)
Exchange differences	(53)	(328)
<b>Closing balance</b>	<b>13,580</b>	<b>11,392</b>

The categories of plan assets at the balance sheet date are as follows:

(in thousands of US dollars)	2019	2018
Insurance contracts	13,580	11,392
	<b>13,580</b>	<b>11,392</b>

# IXM B.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The principal weighted average actuarial assumptions used in determining the cost of benefits are as follows:

(in thousands of US dollars)	2019	2018
Discount rate	0.20%	0.85%
Interest rate on savings	0.50%	0.85%
Inflation	1.00%	1.00%
Salary increase	2.00%	2.00%
Increase in pension	0.00%	0.00%
Retirement age	M65/W64	M65/W64
Demographic assumptions	BVG 2015 GT	BVG 2015 GT

A decrease in the discount rate of 0.25% per annum would, all other things being equal, increase the obligation by 4.6%. A 0.25% increase in assumed salary increases would increase the obligation by 0.4% and a one-year increase in members' life expectancy would increase the obligation by 1%.

### 15. INCOME TAXES

Income taxes consist of the following at 31 December 2019 and 31 December 2018:

(in thousands of US dollars)	2019	2018
Current income tax expense	(22,766)	(14,219)
Deferred income tax (expense) income	(43)	3,127
<b>Total tax expense reported in the statement of income</b>	<b>(22,809)</b>	<b>(11,092)</b>

(in thousands of US dollars)	2019	2018
Deferred income tax income recognized directly in other comprehensive income	119	17
<b>Total tax credit recognized directly in other comprehensive income</b>	<b>119</b>	<b>17</b>

The effective Group tax rate is different from the statutory Dutch income tax rate applicable to the Company for the following reasons:

(in thousands of US dollars)	2019	2018
Income before income taxes and attribution	101,069	45,582
Less: Share of income from joint venture	(314)	(434)
<b>Parent Company's and subsidiaries' income before income tax and attribution</b>	<b>100,755</b>	<b>45,148</b>
Income tax expense calculated at the Dutch income tax rate of 25% (2018:25%)	(25,189)	(11,287)
Tax effects of:		
Different tax rates from the standard Dutch income tax rate	10,191	1,614
Permanent adjustments coming from non-taxable income	127	4
Permanent adjustments coming from non-deductible expenses	(1,141)	(689)
Foreign exchange fluctuations	(622)	64
Changes in recognition of tax losses and temporary differences	(1,236)	(20)
Changes in tax rates	(3,889)	-
Prior year tax adjustment	397	(746)
Other tax adjustment	(1,447)	(32)
<b>Total income tax expense</b>	<b>(22,809)</b>	<b>(11,092)</b>

The non-tax deductible expenses of \$1.1 million (2018: \$0.7 million) primarily relate to non-deductible employee benefits and financing costs.

## IXM B.V.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The impact of change in tax rates of \$3.9 million arose primarily from corporate tax changes in Switzerland which led to a remeasurement of the deferred tax liabilities.

The net changes in consolidated deferred income tax assets (liabilities) recorded at 31 December 2019 and 31 December 2018 arise from:

(in thousands of US dollars)	Total
<b>Net deferred income tax liability at 1 January 2018</b>	<b>(30,805)</b>
Items recognized in the statement of income:	3,127
Items credited to other comprehensive income	17
Exchange differences and other	434
<b>Net deferred income tax liability at 31 December 2018</b>	<b>(27,227)</b>
Items recognized in the statement of income:	(43)
Items credited to other comprehensive income	119
Exchange differences and other	120
<b>Net deferred income tax liability at 31 December 2019</b>	<b>(27,031)</b>

As at 31 December 2019, major components of deferred income tax (liabilities) assets are:

(in thousands of US dollars)	2019	2018
Statutory provision on inventories	(27,420)	(23,520)
Mark-to-market on derivatives and inventories	(4,752)	(7,557)
Employee benefit, pensions	4,511	2,621
Tax losses carried forward	144	1,193
Other	486	36
<b>Net deferred income tax liability</b>	<b>(27,031)</b>	<b>(27,227)</b>

## 16. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at 31 December 2019 and 31 December 2018 consist of the following:

(in thousands of US dollars)	2019	2018
Trade payables	198,734	159,019
Accrued payables	274,970	109,976
Staff and tax payables	34,845	16,628
Prepayments and advances received	64,503	37,190
Other payables	18,721	26,191
Deferred income	31,237	19,631
	<b>623,010</b>	<b>368,635</b>

## 17. NET SALES

Net sales consist of the following:

(in thousands of US dollars)	2019	2018
Sales of goods	14,398,335	13,001,229
Income from services rendered	775	2,109
Other income	1,896	1,103
	<b>14,401,006</b>	<b>13,004,441</b>

# IXM B.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. FINANCE COSTS, NET

Interest net of interest income included in the statement of income can be analyzed as follows:

(in thousands of US dollars)	2019	2018
Interest expense <sup>1</sup>	(94,918)	(88,310)
Interest income <sup>2</sup>	30,833	28,576
Foreign exchange	(485)	196
Other financial income and expense	-	306
	<b>(64,570)</b>	<b>(59,232)</b>

1. Including \$0.9 million of interests on lease liabilities under IFRS 16 as at 31 December 2019 (31 December 2018: nil).

2. Interest income is mostly derived from commercial activities.

### 19. FOREIGN EXCHANGE

Foreign exchange result, excluding result from derivatives used for hedging foreign exposure, is allocated in the following lines of the statement of income:

(in thousands of US dollars)	2019	2018
Net sales, net of cost of sales	(104)	(8,209)
Commercial and administrative expenses	(262)	(664)
Finance costs, net	(485)	196
	<b>(851)</b>	<b>(8,677)</b>

### 20. LOSS ON INVESTMENTS

Net loss on investments at 31 December 2019 and 31 December 2018 consist of the following:

(in thousands of US dollars)	2019	2018
Loss on other financial assets	27	106
	<b>27</b>	<b>106</b>

### 21. OTHER GAINS

Other gains are mainly related to trade deposit recognized as default gain to cover counterparty's non-performance.

### 22. COMMITMENTS AND CONTINGENCIES

The Group is contingently liable on open letters of credit as follows:

(in thousands of US dollars)	2019	2018
<b>Letters of credit:</b>		
Commodity trading	75,504	13,627
	<b>75,504</b>	<b>13,627</b>

At 31 December 2019, the Group has committed to future purchase of 5,255 thousand tons of metal commodities in the years ahead.

In October 2019, the Group entered into an agreement with a Chinese counterparty and its lender whereby the Group provided a 5% guarantee agreement to this lender of the Chinese counterparty Group's performance obligation under a prepayment facility of up to \$50 million.

# IXM B.V.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. SHARE-BASED PAYMENT

#### *Phantom Equity Retention Plan (PERP)*

In 2018 a cash-settled share-based payment called Phantom Equity Retention Plan (PERP) was put in place. Awards granted to employees during 2019 related to the PERP are of \$ 0.3 million, awards forfeited are \$1 million. Awards granted to employees during 2018 related to the PERP were \$32.6 million.

At 31 December 2019, outstanding value of the PERP awards is \$44.5 million of which \$12.6 million corresponded to capital gain (respectively \$37 million and \$4.4 million at 31 December 2018).

At 31 December 2019, PERP awards fully vested is nil and awards vesting ratably over periods ranging from 5 months to 53 months are of \$44.5 million.

Compensation costs related to PERP recognized in commercial and administrative expenses are of \$16.1 million for the year ended 2019 of which \$5.6 million corresponded to capital gain (respectively \$7.9 million and \$0.9 million for the year ended 2018).

#### *Phantom Equity Participation Plan (PEPP)*

In 2019 a new cash-settled share-based payment called Phantom Equity Participation Plan (PEPP) was put in place. Awards granted to employees during 2019 related to the PEPP are of \$5.6 million. At 31 December 2019, outstanding value of the PEPP awards is \$6.9 million of which \$1.3 million corresponded to capital gain.

At 31 December 2019, PEPP awards fully vested is nil and awards vesting ratably over periods ranging from 5 months to 41 months are of \$6.9 million.

Compensation costs related to PEPP recognized in commercial and administrative expenses are of \$2.4 million for the year ended 2019 of which \$0.4 million corresponded to capital gain.

### 24. NUMBER OF EMPLOYEES AND PERSONNEL EXPENSES

For the year ended 31 December 2019, the personnel expenses reached \$71.3 million for an average number of employees of 310. For the year ended 31 December 2018, they were \$53.45 million for an average number of employees of 249.

The average number of employees is as follows:

	2019	2018
Members of the Executive Committee	9	9
Managers	74	74
Employees	227	166
	<b>310</b>	<b>249</b>

### 25. RELATED PARTIES TRANSACTIONS

Under IAS 24, a related party transaction is a transaction between a reporting entity and a related party. A transaction with a party that is unrelated at the time of the transaction is not a related party transaction. Thus, the comparative information discloses transactions with parties that were related when the transaction took place.

As a result, IXM B.V.'s transactions with related parties, considering the change of ownership that took place on 11 May 2018, are reflected as follows:

	2019	2018	
Statement of income (in thousands of US dollars)	Total	From 01.01.2018 to 10.05.2018	From 11.05.2018 to 31.12.2018
Sales	<b>120,791</b>	1,271	-
Cost of goods sold	<b>(668,265)</b>	(23,320)	(107,582)
Other income net of expenses	<b>312</b>	(4,162)	-
Finance costs, net	<b>603</b>	(2,428)	(4,772)
			<b>(7,200)</b>

## IXM B.V.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position (in thousands of US dollars)	2019	2018
Trade and other receivables	58,954	-
<b>Total Assets</b>	<b>58,924</b>	<b>-</b>
Long term debt	90,000	130,000
Trade and other payables	167,571	-
<b>Total Liabilities</b>	<b>257,571</b>	<b>130,000</b>

#### Remuneration of key management personnel

The remuneration of IXM's key management personnel recognised in the consolidated statement of income for the year ended 31 December 2019, including salaries, other current employee benefits, share-based payments and other long-term benefits, amounted to \$11.59 million. Remuneration of IXM's key management personnel for the year ended 31 December 2018 amounted to \$21.46 million.

## 26. LIST OF MAIN SUBSIDIARIES

The main subsidiaries of IXM B.V. that are consolidated at 31 December 2019 and 31 December 2018, are the following:

Company	2019		2018	
	% of control	% of ownership	% of control	% of ownership
IXM Beijing Metals Trading Company Ltd. (China)	100.00	100.00	100.00	100.00
IXM Pte Ltd. (Singapore)	100.00	100.00	100.00	100.00
IXM Chile Limitada	100.00	100.00	100.00	100.00
Louis Dreyfus Commodities Metals MEA DMCC	100.00	100.00	100.00	100.00
IXM S.A. (Switzerland)	100.00	100.00	100.00	100.00
IXM (Shanghai) Corporate Management Company Limited	100.00	100.00	100.00	100.00
Maritime Port Properties (Proprietary) Limited (Namibia)	76.00	76.00	76.00	76.00
IXM Trading LLC	100.00	100.00	100.00	100.00
IXM Trading Holding LLC	100.00	100.00	100.00	100.00
Compromin S.A. de C.V.	100.00	100.00	100.00	100.00
IXM Peru S.A.	100.00	100.00	100.00	100.00
IXMetais Brasil Ltda	100.00	100.00	100.00	100.00
IXM Servicios Administrativos Mexicanos S.A. de C.V.	100.00	100.00	100.00	100.00
IXM Africa (Pty) Ltd	100.00	100.00	100.00	100.00
IXM Trading Peru S.A.C	100.00	100.00	100.00	100.00

## 27. SUBSEQUENT EVENTS

The existence of a new coronavirus (Covid-19) was confirmed in early 2020 and since this time Covid-19 has spread across the world. The Covid-19 outbreak has caused macro-economic uncertainty with regards to prices and demand for base and precious metals. The impact of Covid-19 has caused significant volatility in these markets and the scale and duration of the impact of these developments remains uncertain. The Group considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019.

As of March 30, 2020, the Covid-19 outbreak has had no significant impact on the Group's main performance indicators nor on its operations in light with the Group's risk management policies and market risk hedging strategy. As the situation is rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group's future performance.

The Group continues to monitor closely the development of the Covid-19 outbreak and its impact on market conditions and the company's performance.