

Carpenter Holdings ApS

Michael Drewsens Vej 9-11
8270 Høbjerg
Denmark

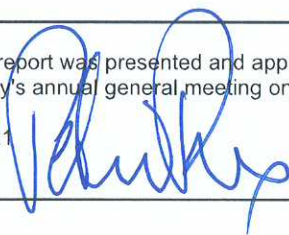
CVR no. 10 02 26 57

Annual report 2020

The annual report was presented and approved at
the Company's annual general meeting on

21 June 2021

Petrine Rex
Chairman



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Financial highlights for the Group	7
Operating review	8
Consolidated financial statements and parent company financial statements 1 January – 31 December	12
Income statement	12
Balance sheet	13
Statement of changes in equity	15
Cash flow statement	16
Notes	17

Carpenter Holdings ApS
Annual report 2020
CVR no. 10 02 26 57

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Carpenter Holdings ApS for the financial year 1 January – 31 December 2020.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 21 June 2021
Executive Board:

Frank Werner Sander

Board of Directors:



Bradford Beauchamp
Chairman



Peter Paul Muniz

Frank Werner Sander

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Carpenter Holdings ApS for the financial year 1 January – 31 December 2020.

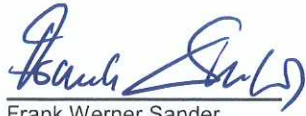
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Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 21 June 2021
Executive Board:

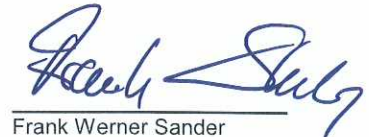


Frank Werner Sander

Board of Directors:

Bradford Beauchamp
Chairman

Peter Paul Muniz



Frank Werner Sander



Independent auditor's report

To the shareholders of Carpenter Holdings ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Carpenter Holdings ApS for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these consolidated financial statements and parent company financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company 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 and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.



Independent auditor's report

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 21 June 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Nikolaj Møller Hansen

State Authorised

Public Accountant

mne33220

Carpenter Holdings ApS
Annual report 2020
CVR no. 10 02 26 57

Management's review

Company details

Carpenter Holdings ApS
Michael Drewsens Vej 9-11
8270 Højbjerg
Denmark

Telephone: +45 86 29 23 11
CVR no.: 10 02 26 57
Established: 1 March 2000
Registered office: Aarhus
Financial year: 1 January – 31 December

Board of Directors

Bradford Beauchamp, Chairman
Peter Paul Muniz
Frank Werner Sander

Executive Board

Frank Werner Sander

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V
Denmark
CVR no. 25 57 81 98

Annual general meeting

The annual general meeting will be held on 21 June 2021.

Management's review

Financial highlights for the Group

DKK'000	2020	2019	2018	2017	2016
Key figures					
Revenue	409,696	424,004	436,227	419,063	367,892
Gross profit	159,054	157,914	137,799	132,376	134,522
Operating profit	61,195	61,137	41,814	33,599	40,840
Profit/loss from financial income and expenses	-5,283	694	8,489	-15,332	656
Profit/loss for the year	43,702	48,299	39,211	14,179	32,289
Balance sheet					
Total assets	253,057	243,875	284,519	375,380	355,964
Equity	191,207	188,541	229,395	312,193	299,971
Investment in property, plant and equipment	6,793	4,910	9,111	5,482	3,536
Ratios					
Gross margin	38.8%	37.2%	31.6%	31.6%	36.6%
Operating margin	14.9%	14.4%	9.6%	8.0%	11.1%
Current ratio	390.0%	417.1%	548.7%	631.8%	688.1%
Solvency ratio	75.6%	77.3%	80.6%	83.2%	84.3%
Employees					
Average number of full- time employees	222	218	226	214	212

The financial ratios have been calculated as follows:

Gross margin
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Current ratio
$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$$

Management's review

Operating review

The Group's principal activities

As Parent Company, Carpenter Holdings ApS fully owns the two operating companies Carpenter ApS and Carpenter Sweden AB. The Group's principal activities comprise production and sale of flexible polyurethane foam.

Development in activities and financial position

In 2020, the Group's revenue came in at DKK 409,696 thousand as against DKK 424,004 thousand in 2019. The income statement for 2020 shows a profit of DKK 43,702 thousand as against a profit of DKK 48,299 thousand last year, and in the balance sheet at 31 December 2020 equity stood at DKK 191,207 thousand.

From an overall perspective, 2020 results were positive and in line with forecast.

Events after the balance sheet date

No events have occurred after the balance sheet date significantly affecting the assessment of the annual report.

Outlook

The business environment was dominated by three major impacts in 2020 that have continued into 2021:

- COVID-19 pandemic
- Chemical raw material shortage
- Chemical raw material costs increase at an unprecedented pace and level.

Since the lock-down, we have seen an increase in demand that affects our raw material suppliers and lead to chemical supply shortage. This situation has not yet been resolved and continues to be used by suppliers to increase prices at an unprecedented pace and level.

The impact of the above-mentioned factors and a ransomware attack at the Carpenter Company during the first quarter of 2021 will, to some extent, impact performance, revenue and earnings in 2021.

Financial instruments

The Company's goals and policies for management of financial risks

The Group applies raw materials, which, due to considerable price fluctuations characterising the market for these raw materials, pose a particular risk as price increases might not be fully reflected in the price of the finished goods. Apart from that, Management's assessment is that the Group is not exposed to any particular risks apart from those generally occurring in this line of business.

Apart from the currency risk related to cash at bank, the Company's currency risk is limited. Although a currency risk exists with regard to Carpenter Sweden AB's purchase of raw materials in EURO, the Company's currency risk is deemed insignificant.

As interest-bearing debt did not make up a significant amount during the financial year, a change in interest level will not have any significant direct effect on earnings.

Management's review

Operating review

Intellectual capital

The Group's production of polyurethane products requires a high degree of knowledge by its employees. The Group performs development activities on an ongoing basis in regards to both new development activities and further development of existing products.

Corporate social responsibility

We strive to be the leading manufacturer of high-quality soft polyurethane foam products in the Nordic countries. Our principal activities comprise the production, processing and sale of foam-related products, and our facilities are placed in Sweden and Denmark. Our wide range of products are sold to countries worldwide.

In Carpenter Holdings ApS, we focus on improving our performance by integrating social and environmental considerations into all our activities.

Carpenter is aware of its responsibilities and obligations under environmental and occupational health & safety legislation and adopts policies to comply with the legal requirements for its business and the industry in which it operates.

We monitor and develop policies to respect relevant legislation in terms of health & safety and environment to ensure that our activities are compliant with legal requirements.

We confirm our focus on the following areas (not limited to):

- Human rights
- Code of Conduct / anti-corruption
- Social and staff matters
- Environment / Climate.

Throughout 2020 our primary concern was for the health and safety of our employees. When the pandemic broke out, every precautionary measure was taken to eliminate the risk of infection as far as possible.

After protecting our employees, the next priority was to protect our business, and actions were taken to minimise the impact on our business.

In 2020, we have set the target to obtain Oeko-tex STeP certification as part of our CSR strategy and support of our goals.

Further, we will work with the UN Global Goals to support and focus on our targets within all areas of our business during the next years.

Human rights:

Carpenter Holdings ApS supports and respects Human Rights, and we promote standards internally as well as throughout the Carpenter Group. We are in compliance with and on various points go beyond all legal acts and requirements.

We promote and offer equal opportunities for all employees irrespectively of gender or ethnicity as part of our company philosophy and general humanity attitude.

We hire, remunerate and promote employees on the basis of skills, competences and performance - not according to gender, religion or race.

Management's review

Operating review

We did not identify any breaches of our internal goals and targets during 2020, and nor did we identify any risks within this area of business. We expect no breaches in the future.

Code of Conduct / anticorruption and social and staff matters:

Our Code of Conduct is implemented in the organisation of Carpenter Holdings ApS and throughout the Carpenter Group. Our Code of Conduct addresses the main areas that we consider fundamental to our success — among others, human rights, labour rights, anti-corruption and social norms. We promote targets internally and monitor the progress we make within the targets set.

Environment and climate:

Carpenter Holdings ApS as well as the Carpenter Group are committed to support a sustainable environment as part of our founding philosophy: "We must do the best we can to serve ourselves, but we should not forget that in the final analysis, we serve society whose approval of our actions forms the basis for the existence of our company".

We engage and target efforts to continuously protect our environment through statements from our environmental Policy

- Reduce waste in all forms
- Minimise impact on the environment and reduce pollution in all forms
- We develop and promote products that can be approved by e.g. the Nordic Ecolabel the Swan
- We monitor and comply with relevant laws.

During 2020, we took the first initiatives to bring more sustainable solutions to comfort foam and prepare polyurethane products for the circular economy. We did not identify any breaches of our internal goals and targets during 2020, and nor did we identify any risks within this area of business. We expect no breaches in the future.

Goals and policies for the underrepresented gender

Board of Directors

The Company is a subsidiary of E.R. Carpenter Holding B.V., and ultimately Carpenter Co. Carpenter Holdings ApS's Board of Directors are appointed by the Parent Company. It is the Parent Company's objective that the Board of Directors should represent competences to effectively fulfil its tasks from a strategic, managerial and controlling perspective. The Company will seek to identify candidates with the Industry's best profiles and skills to the benefit of the Company as a whole. In this context, gender is considered in the nomination of candidates for the Board of Directors with due regard to the Company's other recruitment criteria, including requirements for professional qualifications, industry experience, educational background, etc.

The Company had set a target by the end of 2021 to elect one female for the Board of Directors. This target has so far not been fulfilled. Carpenter Holdings ApS operates in a male-dominated industry, where female candidates for Board positions are limited in number.

We remain focused on encouraging gender diversity at all levels of our Company and promoting and creating equal opportunities for both genders.

Other management levels

The Company has set a target to have the underrepresented gender account for 40% of other management roles. We remain focused on encouraging gender diversity at all levels of our Company by promoting and creating equal opportunities for both genders.

We promote a gender-inclusive workplace in our hiring and promotion processes as we believe that diversity among managers fuels innovation and better decision making.

Carpenter Holdings ApS
Annual report 2020
CVR no. 10 02 26 57

Management's review

Operating review

Women make up 27% and men 73% of the Group's other management roles in 2021.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

DKK'000	Note	Group		Parent Company	
		2020	2019	2020	2019
Revenue		409,696	424,004	0	0
Changes in inventories of finished goods and work in progress		1,787	-805	0	0
Costs of raw materials and consumables		-212,750	-223,709	0	0
Other operating income		0	12	0	0
Other external costs		-39,679	-41,588	-90	-94
Gross profit/loss		159,054	157,914	-90	-94
Staff costs	3	-91,418	-90,191	0	0
Depreciation, amortisation and impairment losses		-6,441	-6,586	0	0
Operating profit		61,195	61,137	-90	-94
Income from equity investments in group entities		0	0	44,000	77,007
Financial income	4	1,801	2,972	0	589
Financial expenses		-7,084	-2,278	-19	-5
Profit before tax		55,912	61,831	43,891	77,497
Tax on profit for the year		-12,210	-13,532	23	-108
Share of profit for the year	5	43,702	48,299	43,914	77,389

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		31/12 2020	31/12 2019	31/12 2020	31/12 2019
ASSETS					
Fixed assets					
Property, plant and equipment					
	6				
Land and buildings		50,196	49,738	0	0
Plant and machinery		8,745	6,710	0	0
Fixtures and fittings, tools and equipment		902	1,084	0	0
Property, plant and equipment under construction		3,235	4,977	0	0
		<u>63,078</u>	<u>62,509</u>	<u>0</u>	<u>0</u>
Investments					
	7				
Equity investments in group entities		0	0	198,918	198,918
Total fixed assets		<u>63,078</u>	<u>62,509</u>	<u>198,918</u>	<u>198,918</u>
Current assets					
Inventories					
Raw materials and consumables		21,083	20,803	0	0
Work in progress		521	310	0	0
Finished goods and goods for resale		9,571	7,682	0	0
		<u>31,175</u>	<u>28,795</u>	<u>0</u>	<u>0</u>
Receivables					
Trade receivables		72,967	67,507	0	0
Receivables from group entities		1,516	1,543	0	0
Other receivables		1,185	896	0	0
Corporation tax		698	0	8,373	7,962
Prepayments	8	1,032	820	0	0
		<u>77,398</u>	<u>70,766</u>	<u>8,373</u>	<u>7,962</u>
Cash at bank and in hand		<u>81,406</u>	<u>81,805</u>	<u>2,792</u>	<u>3,288</u>
Total current assets		<u>189,979</u>	<u>181,366</u>	<u>11,165</u>	<u>11,250</u>
TOTAL ASSETS		<u>253,057</u>	<u>243,875</u>	<u>210,083</u>	<u>210,168</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		31/12 2020	31/12 2019	31/12 2020	31/12 2019
EQUITY AND LIABILITIES					
Equity					
Contributed capital	9	1,500	1,500	1,500	1,500
Retained earnings		189,707	143,041	208,518	164,604
Proposed dividends for the financial year		<u>0</u>	<u>44,000</u>	<u>0</u>	<u>44,000</u>
Total equity		<u>191,207</u>	<u>188,541</u>	<u>210,018</u>	<u>210,104</u>
Provisions					
Provisions for deferred tax	10	<u>13,143</u>	<u>11,855</u>	<u>0</u>	<u>0</u>
Total provisions		<u>13,143</u>	<u>11,855</u>	<u>0</u>	<u>0</u>
Liabilities other than provisions					
Current liabilities other than provisions					
Trade payables		22,435	18,043	0	0
Payables to group entities		1,075	176	0	0
Corporation tax		0	4,955	0	0
Other payables		<u>25,197</u>	<u>20,305</u>	<u>65</u>	<u>64</u>
		<u>48,707</u>	<u>43,479</u>	<u>65</u>	<u>64</u>
Total liabilities other than provisions		<u>48,707</u>	<u>43,479</u>	<u>65</u>	<u>64</u>
TOTAL EQUITY AND LIABILITIES		<u>253,057</u>	<u>243,875</u>	<u>210,083</u>	<u>210,168</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Group			
	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2020	1,500	143,041	44,000	188,541
Ordinary dividends paid	0	0	-44,000	-44,000
Exchange adjustment	0	2,964	0	2,964
Transferred over the profit appropriation	0	43,702	0	43,702
Equity at 31 December 2020	1,500	189,707	0	191,207

DKK'000	Parent Company			
	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2020	1,500	164,604	44,000	210,104
Ordinary dividends paid	0	0	-44,000	-44,000
Transferred over the profit appropriation	0	43,914	0	43,914
Equity at 31 December 2020	1,500	208,518	0	210,018

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Group	
		2020	2019
Profit for the year		43,702	48,299
Other adjustments of non-cash operating items	14	17,272	8,364
Depreciation, amortisation and impairment losses		6,441	6,586
Cash flows from operations before changes in working capital		67,415	63,249
Changes in working capital	15	1,869	15,008
Corporation tax paid		-16,575	-11,905
Cash flows from ordinary activities		52,709	66,352
Interest income		1,801	728
Interest expense		-7,084	-687
Cash flows from operating activities		47,426	66,393
Acquisition of intangible assets		-6,793	-4,910
Disposal of property, plant and equipment		0	49
Cash flows from investing activities		-6,793	-4,861
Shareholders:			
Distributed dividends		-44,000	-87,435
Repayment of receivables from group entities and associates		0	55,981
Cash flows from financing activities		-44,000	-31,454
Cash flows for the year		-3,367	30,078
Cash and cash equivalents at the beginning of the year		81,805	52,826
Unrealised value adjustments for the year		2,968	-1,099
Cash and cash equivalents at year-end		81,406	81,805

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Carpenter Holdings ApS for 2020 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Carpenter Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in some other way exercises control over. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates.

On consolidation, intragroup income and expenses, shareholdings, intragroup balances and dividends and realised and unrealised gains and losses on intragroup transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2020.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of property, plant and equipment.

Cost of sales

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Group's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in subsidiaries are recognised in the income statement in the financial year in which dividends are declared. To the extent that distributed dividends exceed accumulated earnings at the acquisition date, the dividends are recognised as write-down of the cost of the equity investment.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date on which they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	20-60 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments

Equity investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash flow statement

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

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

2 Segment information

Segment information is provided on geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

DKK'000	Group		Parent Company	
	2020	2019	2020	2019
Revenue, Denmark	152,902	136,485	0	0
Revenue, Nordic region	89,316	116,253	0	0
Revenue, Europe	163,229	169,483	0	0
Revenue, other	4,249	1,783	0	0
	<u>409,696</u>	<u>424,004</u>	<u>0</u>	<u>0</u>

The distribution of revenue across business segments is not disclosed in accordance with section 96 (1) the Danish Financial Statements Act as information about this may cause material damage to the Group.

DKK'000	Group		Parent Company	
	2020	2019	2020	2019
Wages and salaries	74,523	73,354	0	0
Pensions	16,366	6,385	0	0
Other social security costs	529	10,452	0	0
	<u>91,418</u>	<u>90,191</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>222</u>	<u>218</u>	<u>0</u>	<u>0</u>

3 Staff costs

Wages and salaries	74,523	73,354	0	0
Pensions	16,366	6,385	0	0
Other social security costs	529	10,452	0	0
	<u>91,418</u>	<u>90,191</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>222</u>	<u>218</u>	<u>0</u>	<u>0</u>

4 Financial income

Interest income from group entities	0	321	0	88
Foreign exchange gains	89	407	0	74
Other interest income	1,712	2,244	0	427
	<u>1,801</u>	<u>2,972</u>	<u>0</u>	<u>589</u>

5 Proposed profit appropriation

Proposed dividends for the year	0	44,000	0	44,000
Retained earnings	43,702	4,299	43,914	33,389
	<u>43,702</u>	<u>48,299</u>	<u>43,914</u>	<u>77,389</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

6 Property, plant and equipment

DKK'000	Group				
	Land and buildings	Property, plant and equipment in progress	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2020	120,380	177,512	12,288	4,977	315,157
Exchange rate adjustment	623	3,039	78	0	3,740
Additions for the year	3,598	2,721	308	166	6,793
Disposals for the year	0	-373	-186	0	-559
Transfers for the year	0	1,908	0	-1,908	0
Cost at 31 December 2020	124,601	184,807	12,488	3,235	325,131
Depreciation and impairment losses at 1 January 2020	-70,641	-170,803	-11,204	0	-252,648
Exchange rate adjustment	-496	-2,957	-70	0	-3,523
Depreciation for the year	-3,268	-2,675	-498	0	-6,441
Depreciation and impairment losses for the year on assets sold	0	373	186	0	559
Depreciation and impairment losses at 31 December 2020	-74,405	-176,062	-11,586	0	-262,053
Carrying amount at 31 December 2020	50,196	8,745	902	3,235	63,078

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

7 Investments

	<u>Parent Company</u>
	<u>Equity investments in group entities</u>
DKK'000	
Cost at 1 January 2020	198,918
Cost at 31 December 2020	198,918
Carrying amount at 31 December 2020	198,918

Name	<u>Registered office</u>	<u>Voting rights and ownership interest</u>
Carpenter ApS	Aarhus, Denmark	100%
Carpenter Sweden AB	Tranås, Sweden	100%

8 Prepayments

	<u>Group</u>		<u>Parent Company</u>	
	31/12 2020	31/12 2019	31/12 2020	31/12 2019
DKK'000				
Costs	353	238	0	0
Insurance	679	582	0	0
	<u>1,032</u>	<u>820</u>	<u>0</u>	<u>0</u>

9 Equity

Contributed capital consists of 1 shares of a nominal value of DKK 1,500 thousand. There have been no changes in contributed capital during the last five years.

All shares rank equally.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

DKK'000	Group		Parent Company	
	31/12 2020	31/12 2020	31/12 2020	31/12 2020
10 Deferred tax assets				
Deferred tax at 1 January	11,855	15,031	0	0
Deferred tax adjustment for the year in the income statement	1,288	-3,176	0	0
	<u>13,143</u>	<u>11,855</u>	<u>0</u>	<u>0</u>
11 Fees to auditor appointed at the general meeting				
Audit	394	393	30	30
Non-audit services	94	76	60	42
	<u>488</u>	<u>469</u>	<u>90</u>	<u>72</u>

12 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 732 thousand within five years (2019: DKK 1,116 thousand).

13 Related party disclosures

Carpenter Holdings ApS' related parties comprise the following:

Control

Parent Company:
E.R Carpenter Holding B.V., Tijvoortsebaan 2, 5051 HJ Goirle, Netherlands

Ultimate Parent Company:
Carpenter Co., 560 Monument Ave., Richmond VA 23230, USA

Related party transactions

In accordance with section 98 c (7) of the Danish Financial Statements Act, related party transactions have not been disclosed in the consolidated financial statements and parent company financial statements, as they were conducted on an arm's length basis.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

DKK'000	Group	
	2020	2019
14 Other adjustments		
Other financial income	-1,801	-2,972
Other financial expenses	7,084	2,278
Tax on profit for the year	12,210	13,532
Provisions	0	-3,176
Other items	-221	-1,298
	<u>17,272</u>	<u>8,364</u>
15 Changes in working capital		
Change in inventories	-2,380	4,939
Change in receivables	-5,934	6,681
Change in trade and other payables	10,183	3,388
	<u>1,869</u>	<u>15,008</u>