



DAS HERZ DER FRISCHE

ANNUAL REPORT FOR 2020

-Adopted at the annual general meeting on 28 May 2021

Chairman: _____

BITZER Electronics A/S

CVR no.: 21340006

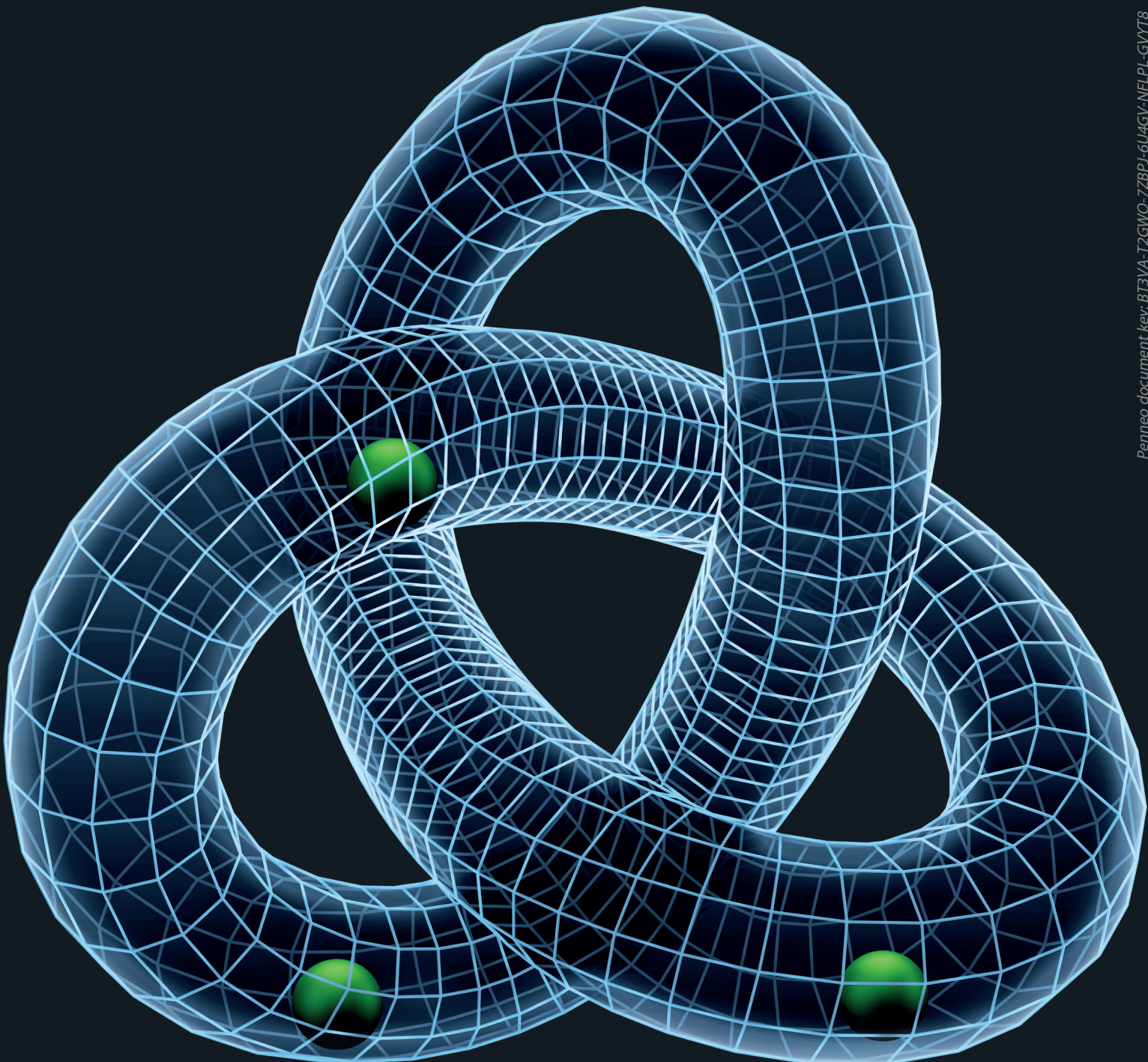


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Statement by management on the annual report

Today, the supervisory and executive boards have discussed and approved the annual report of BITZER Electronics A/S for the financial year 1 January - 31 December 2020.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2020 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2020.

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

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

Sønderborg, 28 May 2021

Executive board

Henning Højberg Kristensen
Managing Director

Supervisory board

Christian Jürgen Wehrle
chairman

Gianbattista Parlanti

Frank Hartmann

Rainer Meinhard Grosse-Kracht

Independent auditor's report

To the shareholders of BITZER Electronics A/S

Opinion

We have audited the financial statements of BITZER Electronics A/S for the financial year 1 January - 31 December 2020, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2020 and of the results of the company's operations and 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 financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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 management's review

Management is responsible for management's review.

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

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

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

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

Vejle, 28 May 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Lars Almskou Ohmeyer
State Authorised Public Accountant
MNE no. mne24817

Company details

The company

BITZER Electronics A/S
Kærvej 77
6400 Sønderborg

CVR no.: 21 34 00 06

Reporting period: 1 January - 31 December 2020

Financial year: 23rd financial year

Domicile: Sønderborg

Supervisory board

Christian Jürgen Wehrle, chairman
Gianbattista Parlanti
Frank Hartmann
Rainer Meinhard Grosse-Kracht

Executive board

Henning Højberg Kristensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
7100 Vejle

Bankers

Sydbank A/S

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	119.772	111.573	96.609	116.701	84.942
Profit/loss before net financials	39.113	33.688	25.422	49.411	25.976
Net financials	-7.303	865	2.466	-10.538	2.439
Profit/loss for the year	24.830	26.937	21.729	30.286	22.140
Balance sheet					
Balance sheet total	119.417	164.566	148.415	193.853	163.759
Equity	35.343	76.664	70.727	83.165	84.802
Cash flows from:					
- operating activities	73.470	13.585	13.541	60.032	14.295
- investing activities	-1.201	-3.371	-6.645	-3.283	-2.127
- including investment in property, plant and equipment	-1.139	-3.371	-6.577	-3.230	-1.798
- financing activities	-66.150	-22.615	-36.985	-27.901	-10.589
The year's changes in cash and cash equivalents	6.119	-12.402	-30.089	28.848	1.580
Number of employees	116	117	113	102	98
Financial ratios					
Return on assets	27,5%	21,5%	14,9%	27,6%	17,3%
Solvency ratio	29,6%	46,6%	47,7%	42,9%	51,8%
Return on equity	44,3%	36,6%	28,2%	36,1%	27,9%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..

Management's review

Business review

The Company's main objective is to act as business partner for the industry in connection with innovation, development, production, marketing and sales of customer specific electronics and system solutions within cooling, heating and ventilation.

Recognition and measurement uncertainties

The recognition and measurement of items in the annual report is not associated with any uncertainty.

Unusual matters

The company's financial position at 31 December 2020 and the results of its operations and cash flows for the financial year ended 31 December 2020 are not affected by any unusual matters.

Financial review

The company's income statement for the year ended 31 December 2020 shows a profit of DKK 24.829.750, and the balance sheet at 31 December 2020 shows equity of DKK 35.343.323.

Significant events occurring after the end of the financial year

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

The year at a glance and follow-up on expectations expressed last year

Sales have been strong throughout the year - higher than previous year.

Headcount and development activities decreased slightly compared to previous year.

Sales, headcount and development activities are expected at the same level next year.

Knowledge resources

The company's activities particular requires know-how resources from employees and technologies. Thus it is important tat the company is able to recruit and keep employees with a high level of education.

The environment

The company develops energy-saving products and seeks to comply with energy optimisation in all respects, including our facilities etc.

Research and development

The company develops customized products. Furthermore the company participates in technology projects in cooperation with Danish universities and institutes.

Management's review

Statutory corporate social responsibility report

The company focus on being social responsible in relation to developing and producing energy-saving products, supporting human rights and selecting suppliers with high ethical standards.

In order to ensure continued focus and initiatives the company joined the UN Global Compact in 2012. Please refer to our CSR report.

Income statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit		119.772.357	111.572.741
Staff expenses	1	<u>-75.485.059</u>	<u>-72.540.294</u>
Profit/loss before amortisation/depreciation and impairment losses		44.287.298	39.032.447
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-5.153.188	-5.344.214
Other operating costs		<u>-21.374</u>	<u>0</u>
Profit/loss before net financials		39.112.736	33.688.233
Financial income	3	86.630	919.273
Financial costs	4	<u>-7.389.827</u>	<u>-54.717</u>
Profit/loss before tax		31.809.539	34.552.789
Tax on profit/loss for the year	5	<u>-6.979.789</u>	<u>-7.616.280</u>
Profit/loss for the year		<u>24.829.750</u>	<u>26.936.509</u>
 Distribution of profit			
 Recommended appropriation of profit/loss			
Proposed dividend for the year		0	26.150.000
Extraordinary dividend for the year		40.000.000	0
Transferred to other statutory reserves		-466.222	-482.069
Retained earnings		<u>-14.704.028</u>	<u>1.268.578</u>
		<u>24.829.750</u>	<u>26.936.509</u>

Balance sheet 31 December

	Note	2020 DKK	2019 DKK
Assets			
Development projects		0	1.016.647
Software		43.483	22.644
Intangible assets	6	43.483	1.039.291
Other fixtures and fittings, tools and equipment		7.043.570	9.640.988
Leasehold improvements		646.975	897.027
Property, plant and equipment in progress		344.491	474.423
Property, plant and equipment	7	8.035.036	11.012.438
Total non-current assets		8.078.519	12.051.729
Raw materials and consumables		64.157.016	48.760.450
Work in progress		487.536	492.213
Finished goods and goods for resale		14.751.403	22.023.120
Inventories		79.395.955	71.275.783
Trade receivables		13.716.792	61.583.866
Receivables from intercompany		2.891.662	12.646.920
Other receivables		2.498.299	1.007.307
Deferred tax asset		5.833.301	4.837.034
Prepayments		252.900	532.111
Receivables		25.192.954	80.607.238
Cash at bank and in hand		6.749.911	631.050
Total current assets		111.338.820	152.514.071
Total assets		119.417.339	164.565.800

Balance sheet 31 December

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Equity and liabilities			
Share capital		25.000.000	25.000.000
Reserve for development expenditure		0	466.222
Retained earnings		10.343.323	25.047.350
Proposed dividend for the year		0	26.150.000
Equity	8	<u>35.343.323</u>	<u>76.663.572</u>
Warranty provisions		32.258.455	29.753.542
Total provisions		<u>32.258.455</u>	<u>29.753.542</u>
Other payables		0	2.408.306
Total non-current liabilities		<u>0</u>	<u>2.408.306</u>
Trade payables		32.920.237	40.414.844
Payables to intercompany		1.249.622	993.582
Corporation tax		161.604	295.534
Other payables		17.484.098	14.036.420
Total current liabilities		<u>51.815.561</u>	<u>55.740.380</u>
Total liabilities		<u>51.815.561</u>	<u>58.148.686</u>
Total equity and liabilities		<u>119.417.339</u>	<u>164.565.800</u>
Contingent liabilities	9		
Related parties and ownership structure	10		

Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2020	25.000.000	466.222	25.047.351	26.150.000	76.663.573
Ordinary dividend paid	0	0	0	-26.150.000	-26.150.000
Net profit/loss for the year	0	-466.222	-14.704.028	0	-15.170.250
Equity at 31 December 2020	25.000.000	0	10.343.323	0	35.343.323

	Share capital	Reserve for development expenditure	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2019	25.000.000	948.291	23.778.772	21.000.000	70.727.063
Ordinary dividend paid	0	0	0	-21.000.000	-21.000.000
Net profit/loss for the year	0	-482.069	27.418.578	0	26.936.509
Proposed dividend for the year	0	0	-26.150.000	26.150.000	0
Equity at 31 December 2019	25.000.000	466.222	25.047.350	26.150.000	76.663.572

Cash flow statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Net profit/loss for the year		24.829.750	26.936.509
Adjustments	11	21.962.461	14.200.070
Change in working capital	12	42.091.182	-19.887.031
Cash flows from operating activities before financial income and expenses		88.883.393	21.249.548
Interest income and similar income		86.630	919.273
Interest expenses and similar charges		-7.389.826	-54.717
Cash flows from ordinary activities		81.580.197	22.114.104
Corporation tax paid		-8.109.986	-8.529.204
Cash flows from operating activities		73.470.211	13.584.900
Purchase of intangible assets		-62.615	0
Purchase of property, plant and equipment		-1.138.735	-3.371.476
Cash flows from investing activities		-1.201.350	-3.371.476
Repayment of loans from credit institutions		0	-1.615.302
Dividend paid		-66.150.000	-21.000.000
Cash flows from financing activities		-66.150.000	-22.615.302
Change in cash and cash equivalents		6.118.861	-12.401.878
Cash and cash equivalents		631.050	13.032.928
Cash and cash equivalents		6.749.911	631.050
Analysis of cash and cash equivalents:			
Cash at bank and in hand		6.749.911	631.050
Cash and cash equivalents		6.749.911	631.050

Notes

	<u>2020</u>	<u>2019</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	68.249.635	65.465.491
Pensions	6.213.596	6.027.453
Other social security costs	<u>1.021.828</u>	<u>1.047.350</u>
	<u>75.485.059</u>	<u>72.540.294</u>
Including remuneration to the executive and supervisory boards	<u>4.598.716</u>	<u>3.764.366</u>
Average number of employees	<u>116</u>	<u>117</u>
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	1.058.424	1.721.914
Depreciation tangible assets	<u>4.094.764</u>	<u>3.622.300</u>
	<u>5.153.188</u>	<u>5.344.214</u>
which breaks down as follows:		
Development projects	1.016.647	1.699.270
Software	41.777	22.644
Other fixtures and fittings, tools and equipment	3.806.174	3.288.384
Leasehold improvements	<u>288.590</u>	<u>333.916</u>
	<u>5.153.188</u>	<u>5.344.214</u>

Notes

	<u>2020</u>	<u>2019</u>
	DKK	DKK
3 Financial income		
Interest received from intercompany	39.734	26.965
Other financial income	46.896	258.786
Exchange adjustments	<u>0</u>	<u>633.522</u>
	<u>86.630</u>	<u>919.273</u>
4 Financial costs		
Other financial costs	64.962	54.717
Exchange adjustments	<u>7.324.865</u>	<u>0</u>
	<u>7.389.827</u>	<u>54.717</u>
5 Tax on profit/loss for the year		
Current tax for the year	8.007.604	8.619.534
Deferred tax for the year	-996.267	-971.266
Adjustment of tax concerning previous years	<u>-31.548</u>	<u>-31.988</u>
	<u>6.979.789</u>	<u>7.616.280</u>

Notes

6 Intangible assets

	Development projects	Software	Total
Cost at 1 January 2020	8.986.993	1.213.490	10.200.483
Additions for the year	0	62.615	62.615
Disposals for the year	0	0	0
Cost at 31 December 2020	8.986.993	1.276.105	10.263.098
Impairment losses and amortisation at 1 January 2020	7.970.346	1.190.846	9.161.192
Amortisation for the year	1.016.647	41.776	1.058.423
Impairment losses and amortisation at 31 December 2020	8.986.993	1.232.622	10.219.615
Carrying amount at 31 December 2020	0	43.483	43.483

Notes

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold im- provements	Property, plant and equipment in progress	Total
Cost at 1 January 2020	22.355.999	5.582.641	474.423	28.413.063
Additions for the year	755.706	38.538	344.491	1.138.735
Disposals for the year	-74.172	0	0	-74.172
Transfers for the year	474.423	0	-474.423	0
Cost at 31 December 2020	<u>23.511.956</u>	<u>5.621.179</u>	<u>344.491</u>	<u>29.477.626</u>
Impairment losses and depre- ciation at 1 January 2020	12.715.010	4.685.614	0	17.400.624
Depreciation for the year	3.806.174	288.590	0	4.094.764
Reversal of impairment and depreciation of sold assets	<u>-52.798</u>	<u>0</u>	<u>0</u>	<u>-52.798</u>
Impairment losses and depre- ciation at 31 December 2020	<u>16.468.386</u>	<u>4.974.204</u>	<u>0</u>	<u>21.442.590</u>
Carrying amount at 31 De- cember 2020	<u>7.043.570</u>	<u>646.975</u>	<u>344.491</u>	<u>8.035.036</u>

8 Equity

The share capital consists of 25.000 shares of a nominal value of DKK 1.000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

9 Contingent liabilities

Other contingent liabilities not recognised in balance sheet

The Company has entered into tenancy agreements and leases for a period up to and including 2024. Rent at lease payments for the period total DKK 9.360 thousands.

Notes

10 Related parties and ownership structure

Controlling interest

Related party having a controlling interest is the parent BITZER SE, Sindelfingen, Germany, due to this company's ownership of the entire share capital in the company.

The annual report is incorporated in the Group Consolidated Accounts of BITZER SE, Eschenbrunnlestrasse 15, 71065 Sindelfingen, Germany.

In accordance with sector 98c (7) of the Danish Financial Statements Act, the company has not disclosed any related party transactions as they were conducted on an arm's length basis.

11 Cash flow statement - adjustments

	2020 DKK	2019 DKK
Financial income	-86.630	-919.273
Financial costs	7.389.827	54.717
Other operating costs	21.374	0
Depreciation, amortisation and impairment losses, including losses and gains on sales	5.153.188	5.344.214
Tax on profit/loss for the year	6.979.789	7.616.280
Change in other provisions	2.504.913	2.104.132
	<u>21.962.461</u>	<u>14.200.070</u>

12 Cash flow statement - change in working capital

Change in inventories	-8.120.171	-5.494.093
Change in receivables	56.410.551	-24.059.715
Change in trade payables, etc	-6.199.198	9.666.777
	<u>42.091.182</u>	<u>-19.887.031</u>

Accounting policies

The annual report of BITZER Electronics A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2020 is presented in DKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Accounting policies

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and items of property, plant and equipment.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable losses. Patents and licenses are amortised on a straight line basis over a period of 3 years.

Development projects that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated, and where the intention is to produce, market or use the project or the process, are recognised as intangible assets provided, that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the aggregate development costs. Other development costs are expensed in the income statement as incurred.

Development costs are measured at direct costs and a portion of the costs that can be related indirectly to the individual development projects.

Development projects are amortised over a period of 3 years.

Accounting policies

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

All leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingent liabilities'.

Inventories

Inventories are measured at cost using the weighted average method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Accounting policies

Receivables

Receivables are measured at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Provisions

Provisions comprise expected expenses relating to warranty commitments, restructuring, etc. Provisions are recognised when, as a result of a past event, the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax is measured according to 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.

Any changes in deferred tax resulting from changes in tax rates are recognised in the income statement. For the current year the tax rate is 22%.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

Foreign currency translation

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

Receivables and 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.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

Cash flow statement

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flow from raising and repayment of long term debts as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

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

Accounting policies

Financial highlights

Definitions of financial ratios.

Return on assets

$$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$$

Equity ratio

$$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$

Profit/loss for analysis purposes

Profit/loss from ordinary operations after tax minus non-controlling interests' portion hereof

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Henning Højberg Kristensen

Managing Director

On behalf of: BITZER Electronics A/S

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