

STERIGENICS DENMARK A/S

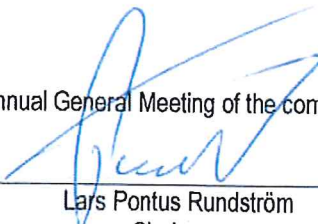
Registered Office: Aa. Louis-Hansens Alle 11, 3060 Espergærde

CVR-number 26 29 96 91

Annual Report 2020

Financial year: 01.01.2020 – 31.12.2020
19. Financial year

Adopted at the Annual General Meeting of the company 26. March 2021



Lars Pontus Rundström
Chairman

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Company Information

The Company	STERIGENICS DENMARK A/S Aa. Louise-Hansens Alle 11 3060 Espergærde Municipality of reg. office: Helsingør
Executive Board	Kim Harboe
Supervisory Board	Lars Pontus Rundström Kim Harboe Robin Van Den Bergh
Auditors	Ernst & Young Dirch Passers Allé 36 2000 Frederiksberg
Financial Year	1 January - 31 December

Management's Review

The Company's business review

The Company's objective is to perform contract sterilisation of hospital equipment and other products as well as other services related to contract sterilisation.

Significant changes in the company's activities and financial affairs

The results of the financial year are a result before tax of DKK 16.507.933 compared to a result before tax of DKK 14.007.943 in the financial year 2019. The results achieved are satisfactory.

The global crisis of the Corona-virus have not had an impact or effect on the company's business.

There has been no significant changes in the activities and financial position during the financial year.

Subsequent events

It is Management's assessment that after the end of the financial year no events have occurred, which have a material influence on the assessment of the financial statements.

Management's Statement on the Annual Report

The Board of Directors and the Executive Board have today discussed and approved the Annual Report 2020 of STERIGENICS DENMARK A/S.

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

In our opinion, the Annual Report gives a true and fair view of the Company's financial position at 31 December 2020 and the results of operations for the financial year 1 January - 31 December 2020 of the Company.

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

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

Espergærde, 26. March 2021

Executive Board

Kim Harboe

Supervisory Board

Lars Pontus Rundström

Kim Harboe

Robin Van Den Bergh

Independent auditors' report

To the shareholders of STERIGENICS DENMARK A/S:

Opinion

We have audited the financial statements of STERIGENICS DENMARK A/S for the financial year 1 January – 31 December 2020, which comprise accounting policies, income statement, balance sheet, equity statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations 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 additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the 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.

Independent auditors' report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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 Statement Act. We did not identify any material misstatement of Management's review.

Copenhagen, 26. March 2021
Ernst & Young Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Martin Alsbæk
State Authorised Public Accountant
mne28627

Accounting Policies

Basis of accounting

The Annual Report of STERIGENICS DENMARK A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B. The Management has chosen to follow certain rules from reporting class C.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures.

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

The Annual Report for 2020 has been prepared in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities. Furthermore, all expenses incurred, including depreciation, amortisation and impairment losses, are recognised in the income statement.

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

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any deductions and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report, which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Exchange differences between the exchange rates at the balance sheet date and the transactions date rates are recognised in financial income and expenses in the income statement. If exchange rate transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The difference between the exchange

Accounting Policies

Translation policies, continued

rates at the balance sheet date and the exchange rate at the time of contracting the receivable or the debt is recognised in financial income and expenses in the income statement.

Fixed assets purchased in foreign currencies are measured at the rate of exchange at the date of transaction.

Income statement

Gross profit

Referring to the Danish Financial Statements Act §32, net revenue and production costs are aggregated to Gross gain.

Revenue

Revenue is recognized in the income statement provided that delivery and transfer of risk have been made to the purchaser by the end of the year. Revenue is recognized exclusive of VAT and net discounts relating to sales.

Cost of production

Production costs include costs spent to achieve the turnover of the year. The costs include consumables, labour costs and production overhead such as maintenance and depreciations etc.

Administrative expenses

Administration expenses include costs for office and other administrative overhead.

Sales and Distribution costs

Sales and distribution expenses include costs for advertisement and marketing, car service and depreciations regarding goodwill etc.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised exchange gains and losses concerning debt and transactions in foreign currencies as well as extra payments and repayment under the on-account taxation scheme.

Accounting Policies

Corporation tax

The tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity.

Balance sheet

Non-current assets

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	25	Years
Plant and machinery	10-20	Years
Other fixtures and fittings, tools and equipment	3-10	Years

Estimated residual value after use is DKK 0.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

Gains or losses on disposal of tangible assets are calculated as the difference between selling price less selling costs and the book value at the time of sale. Gains and losses are recognized as other operating income or other operating expenses.

Impairment of fixed assets

An impairment test is made for property, plant and equipment, and intangible assets, if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. The value is reduced by provision for bad debts. Impairment are made at net realizable value.

Accounting Policies

Cash

Cash at bank and in hand comprise cash and bank balances.

Deferred income assets

Prepayments include expenses incurred in respect of subsequent financial years.

Provisions

Provisions include expected costs related to royalty obligations and are recognized at the balance sheet date, when the company has a legal or actual obligation and it is probable that the obligation will cause an outflow of financial resources, as a result of past events. Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

Corporation tax and deferred tax

Current tax liabilities and current tax receivable are recognised in calculated tax on the tax-able income for the year in the balance sheet adjusted for tax on previous years' taxable income and taxes paid on account.

Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction. Any deferred net tax assets are measured at net realisable value.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Change in deferred tax due to changes in tax rates are recognised in the income statements. For this year, a tax rate of 22% is applied.

Debt

Financial debts are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the financial debts are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Other debt is measured at net realizable value.

Income statement 1 January - 31 December

Note	2020	2019
Gross profit	23.863.735	20.968.214
Administrative expenses	6.740.886	6.595.341
Distribution costs	73.249	261.958
Profit from ordinary operating activities	17.049.600	14.110.915
2 Financial income	50.101	191.325
3 Financial expenses	591.768	294.297
Profit from ordinary activities before tax	16.507.933	14.007.943
5 Tax expense on ordinary activities	3.632.358	3.084.609
Profit	12.875.575	10.923.334
Proposed distribution of results:		
Proposed dividend recognised in equity	0	0
Retained earnings	12.875.575	10.923.334
Profit for the year distributed	12.875.575	10.923.334

Balance sheet 31 December

Assets

Note	2020	2019
6 Land and buildings	15.267.465	16.793.483
7 Fixtures, fittings, tools and equipment	10.922.534	12.604.199
8 Property, plant and equipment in progress	942.291	118.229
Property, plant and equipment	27.132.290	29.515.911
Non-current assets	27.132.290	29.515.911
Short-term trade receivables	6.327.781	5.316.337
Receivables from group enterprises	34.730.824	17.123.777
Other short-term receivables	6.885	6.885
Prepaid expenses	547.732	514.270
Receivables	41.613.222	22.961.269
Cash and cash equivalents	2.594.857	2.999.070
Current assets	44.208.079	25.960.339
Total assets	71.340.369	55.476.250

Balance sheet 31 December

Liabilities

Note	2020	2019
Share capital	20.001.000	20.001.000
Retained earnings	42.079.553	29.203.978
Proposed dividend recognised in equity	0	0
Equity	62.080.553	49.204.978
9 Provisions for deferred tax	871.978	1.178.324
Provisions	871.978	1.178.324
10 Other long-term payables	2.004.569	630.045
Long-term debt	2.004.569	630.045
Short-term trade payables	1.782.510	1.665.444
Short-term payables to group enterprises	62.045	23.948
Short-term tax payables	137.764	36.722
10 Other short-term payables	4.400.950	2.736.789
Short-term debt	6.383.269	4.462.903
Total debt	8.387.838	5.092.948
Total liabilities and equity	71.340.369	55.476.250
11 Liabilities under leases disclosed separately		
12 Disclosure of mortgages and collaterals		
13 Ownership		

Equity Statement

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Total</u>
Equity 1 January 2019	20.001.000	18.280.644	40.000.000	78.281.644
Dividends paid	0	0	-40.000.000	-40.000.000
Profit of the year	0	10.923.334	0	10.923.334
Equity 31 December 2019	<u>20.001.000</u>	<u>29.203.978</u>	<u>0</u>	<u>49.204.978</u>
Equity 1 January 2020	20.001.000	29.203.978	0	49.204.978
Dividends paid	0	0	0	0
Profit of the year	0	12.875.575	0	12.875.575
Equity 31 December 2020	<u>20.001.000</u>	<u>42.079.553</u>	<u>0</u>	<u>62.080.553</u>

Notes to the Annual Report

	<u>2020</u>	<u>2019</u>
1 Employee expense		
Wages and salaries	19.159.334	17.740.380
Pensions	1.510.351	1.362.915
Other social security costs	282.861	323.295
Employee expense total	<u>20.952.546</u>	<u>19.426.590</u>
Average number of employees	<u>34</u>	<u>31</u>
2 Financial income		
Other financial costs	50.101	191.325
	<u>50.101</u>	<u>191.325</u>
3 Financial expenses		
Other financial costs	591.768	294.297
	<u>591.768</u>	<u>294.297</u>
5 Tax expense on ordinary activities		
Tax on the taxable income for the year	3.938.704	612.722
Change in provision for deferred tax	-306.346	2.471.887
	<u>3.632.358</u>	<u>3.084.609</u>

Notes to the Annual Report

	2020	2019
6 Land and buildings		
Cost, beginning of the year	42.039.550	41.857.205
Additions for the year	25.700	182.345
Disposals for the year	0	0
Cost, end of the year	42.065.250	42.039.550
Depreciation, beginning of year	25.246.067	23.701.606
Depreciation for the year	1.551.718	1.544.461
Depreciation, end of year	26.797.785	25.246.067
Net book value 31 December	15.267.465	16.793.483

Depreciations are allocated as production costs

7 Production plant and machinery		
Cost, beginning of the year	56.441.633	54.439.711
Additions for the year	1.493.718	2.001.922
Disposals for the year	0	0
Cost, end of the year	57.935.351	56.441.633
Depreciation, beginning of year	43.837.434	40.668.946
Depreciation for the year	3.175.383	3.168.488
Depreciation, end of year	47.012.817	43.837.434
Net book value 31 December	10.922.534	12.604.199

Depreciations are allocated as production costs

Notes to the Annual Report

	2020	2019
	<u> </u>	<u> </u>
8 Assets under construction		
Cost, beginning of the year	118.229	980.069
Additions for the year	942.291	118.229
Disposals for the year	-118.229	-980.069
Cost, end of the year	<u>942.291</u>	<u>118.229</u>
Net book value 31 December	<u>942.291</u>	<u>118.229</u>
9 Provisions for deferred tax		
Deferred tax 1 January	-1.178.324	1.293.563
Adjustment of provision for the year	306.346	-2.471.887
Deferred tax assets at 31 December	<u>-871.978</u>	<u>-1.178.324</u>
Deferred tax assets recognized in the balance sheet	<u>-873.855</u>	<u>-1.178.324</u>
The following amount is shown in the balance sheet:		
Tax loss to carry forward	0	10.846
Tangible fixed assets	-871.978	-1.189.170
	<u>-871.978</u>	<u>-1.178.324</u>
10 Other long-term payables		
Due after 5 years	0	0
Due 1-5 years	2.004.569	630.045
Due within 1 year	4.400.950	2.736.789
	<u>6.405.519</u>	<u>3.366.834</u>

Notes to the Annual Report

11 Liabilities under leases disclosed separately

The company has entered into lease and operating lease agreements with a total obligation of kDKK 236, of which kDKK 212 is due within 1 year.

12 Disclosure of mortgages and collaterals

There are no securities or mortgages as of 31 December 2020.

13 Ownership

The immediate Parent Company is STR 1 B.V., Naritaweg 165, 1043 BW Amsterdam, Netherlands. The Company's ultimate Parent Company which prepares consolidated financial statements into which the Company is incorporated as a subsidiary, is Sotera Health Company, 9100 South Hills Blvd, Suite 300, Boradview Heights, Ohio, 44147, USA.

The following shareholders in the company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

STR 1 B.V., Amsterdam, Netherlands.