
CM Holding A/S

Klubiensvej 22, DK-2150 Nordhavn

Annual Report for 1 January - 31 December 2021

CVR No 27 27 60 24

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
15/6 2022

Klaus Ewald Madsen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of CM Holding A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Nordhavn, 15 June 2022

Executive Board

Simon Christensen

Board of Directors

Klaus Ewald Madsen
Chairman

Simon Christensen

Julie Bjørn Christensen

Torben Herman Christensen

Bente Christensen

Christian Pagaard Junker

Independent Auditor's Report

To the Shareholders of CM Holding A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of CM Holding A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Independent Auditor's Report

Management's responsibilities for the 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 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 and the Group'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 Group's and 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

Independent Auditor's Report

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 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.
- 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.

Hellerup, 15 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
statsautoriseret revisor
mne33262

Claus Damhave
statsautoriseret revisor
mne34166

Company Information

The Company

CM Holding A/S
Klubiensvej 22
DK-2150 Nordhavn

CVR No: 27 27 60 24

Financial period: 1 January - 31 December

Incorporated: 3 July 2003

Financial year: 19th financial year

Municipality of reg. office: Copenhagen

Board of Directors

Klaus Ewald Madsen, Chairman
Simon Christensen
Julie Bjørn Christensen
Torben Herman Christensen
Bente Christensen
Christian Pagaard Junker

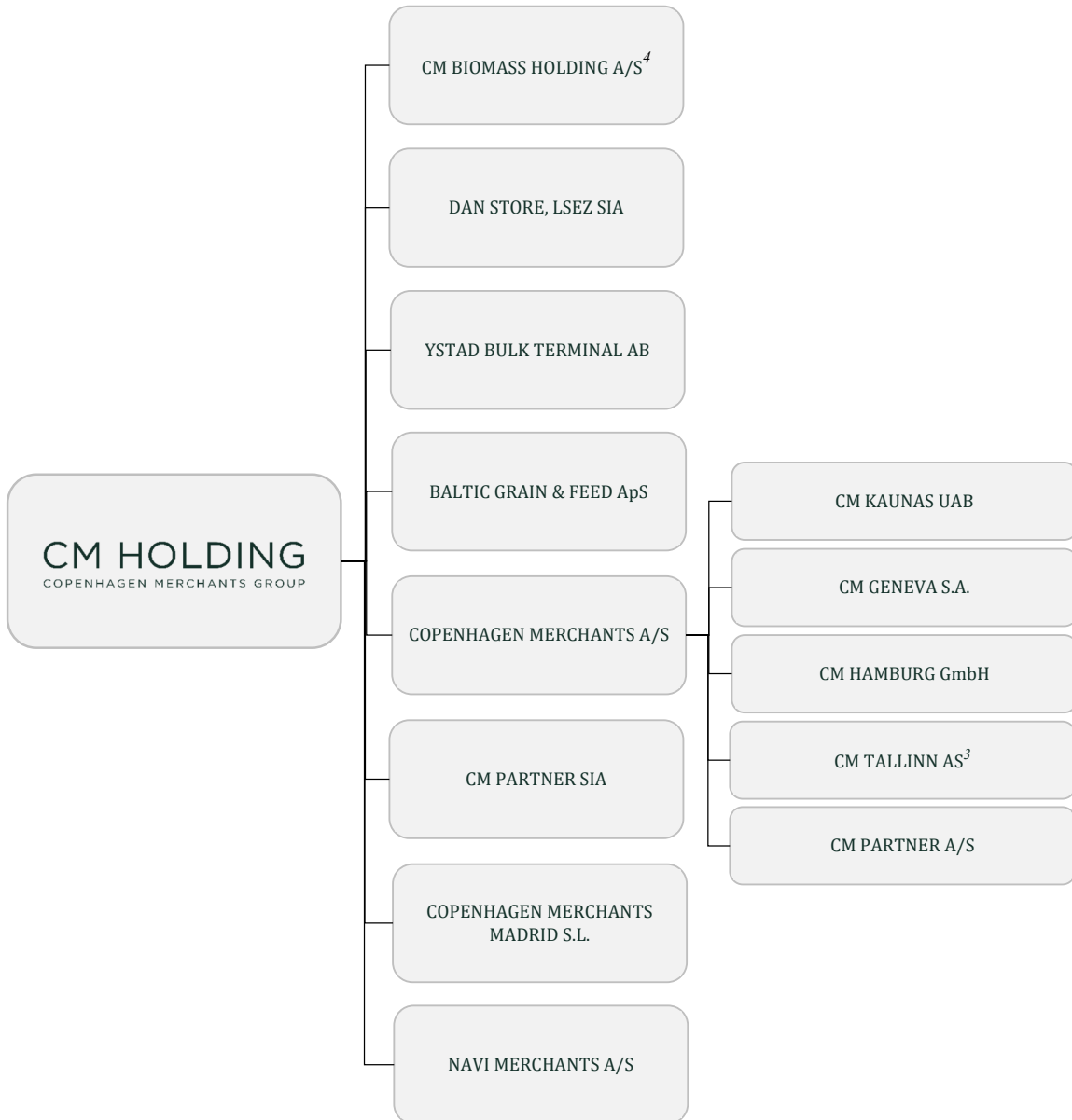
Executive Board

Simon Christensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

CM Holding A/S structure¹



¹ ECS has been acquired by Cotecna Inspection S.A. in December 2021 and is no longer part of the CM Group.

³ CM Tallinn AS discontinued operation and was liquidated in May 2022.

⁴ A/S United Shipping & Trading Company acquired a majority stake in CM Biomass Holding A/S, and consequently is not consolidated in the annual report. However, as CM Group maintains an active role in CM Biomass, the activities related to the Management's Review are deemed relevant.

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Revenue	752.475	3.506.819	3.170.985	2.289.808	1.616.737
Gross profit/loss	479.251	290.384	209.348	152.865	121.596
Profit/loss before financial income and expenses	384.204	155.608	91.891	54.531	40.056
Net financials	30.928	253	-12.987	-4.562	-1.291
Profit/loss from discontinuing activities	81.301	0	0	0	0
Net profit/loss for the year	488.733	124.477	59.257	38.281	30.656
Balance sheet					
Balance sheet total	821.649	1.078.769	904.570	652.692	601.385
Equity	690.282	442.485	301.838	238.821	197.767
Cash flows					
Cash flows from:					
- operating activities	91.680	78.821	-102.301	1.088	-4.754
- investing activities	360.584	-49.743	-37.193	-19.190	-33.385
including investment in property, plant and equipment	-18.539	-11.028	-7.440	-23.002	-26.429
- financing activities	-424.642	-12.350	147.824	-12.017	23.038
Change in cash and cash equivalents for the year	27.622	16.728	8.330	-30.119	-15.101
Number of employees	112	151	144	124	109

Financial Highlights

	Group				
	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Ratios					
Gross margin	63,7%	8,3%	6,6%	6,7%	7,5%
Profit margin	51,1%	4,4%	2,9%	2,4%	2,5%
Return on assets	46,8%	14,4%	10,2%	8,4%	6,7%
Solvency ratio	84,0%	41,0%	33,4%	36,6%	32,9%
Return on equity	86,3%	33,4%	21,9%	17,5%	16,9%

In 2021, the Group has sold the majority of its shares in CM Biomass Partners A/S and as the financials for CM Biomass Partners A/S has been disclosed as discontinuing activities, the Group's revenue has decreased significantly. However, the result has been positively affected by the gain on the sale of shares in CM Biomass Partners A/S, which is recognized in other operating income in the Groups financial statements.

For definitions of ratios, see under accounting policies.

Management's Review

Key activities

The CM group primarily offers services related to agri-bulk products and biomass. The services encompass brokerage, trading, freight and superintendence¹ as well as ownership and management of port terminals.

Activities and development in the year

The income statement of the CM Group for 2021 shows a profit of DKK 489 mill., including a non-recurring profit from divestments of DKK 348 mill.

As per 31st December 2021 the balance sheet of the CM Group shows an equity of DKK 690 mill.

The financial result for the year is above expectations and Management considers it to be more than satisfactory.

Business model

CM Group Holding A/S (hereinafter "CM Group") is a privately family-owned group of businesses spanning across different industries, benefiting from the synergies created between the business operations. CM Group operates within these five areas.

- ❖ Biomass
- ❖ Brokerage
- ❖ Dry Bulk Freight Services
- ❖ Terminals
- ❖ Superintendence¹

Although CM Group operates in different industries, we all have the same core values in common. Trust is the overarching value enrooted in how we conduct business and make business decisions. Commitment, proactivity, partnership, and integrity are values based upon trust and are reflected in how corporate social responsibility is integrated into the business strategy.

- ❖ CM Group is based on **commitment**. Commitment to constantly improve, and commitment to our clients and partners to be reliable by conducting business efficiently and responsibly.
- ❖ CM Group is **proactive** and strives to transform our challenges into opportunities. We try to mitigate risks ahead of time and train our employees to act decisively.
- ❖ CM Group values great **partnerships** that last, partnerships where we grow together. Therefore, CM Group carefully chooses employees, suppliers, and collaborators, while being transparent, to create a foundation for mutual trust, unity, and loyalty.
- ❖ CM Group prioritises **integrity** over profit. We are professional and honest.

CM Group actively aims to contribute to the continued development of the business operations.

Biomass

Since 2009, CM Biomass has actively engaged in the global transition towards a greener future through biomass. CM Biomass is the world's largest biomass trading house, with 3.5 million tons of wood pellet sales in 2021. Since the beginning, the Company has benefitted from the close connection to the CM Group with its

¹ The Superintendence activity was sold to Cotecna Inspection S.A. in December 2021

many years of experience within commodity trading, shipping, warehousing and wood pellet bagging. CM Biomass is widely spread throughout the value chain with its own production facilities and close collaborations with forestry, sawmills, furniture manufacturers, wood pellet manufacturers, utilities, and distributors.

In 2021 A/S United Shipping & Trading Company (hereinafter “USTC”) acquired a majority stake in CM Biomass. USTC owns 60% of CM Biomass, while the remaining 40% is held by the existing partners including CM Holding A/S. CM Group maintains an active role in the CM Biomass’ strategic and operational development of CM Biomass.

Brokerage

Today, with more than 20 Brokers plus execution specialists, CM Brokerage is one of the largest grain brokering companies in Europe. Although all offices work very closely together, each has a specific specialisation. Copenhagen specialises in the Scandinavian, UK and ARAG markets, Kaunas in Baltic States markets, Hamburg engages with international traders in the German and Polish markets. Geneva focuses on the Black Sea market and international destination business, Barcelona in Iberian markets, whereas Baltic Grain & Feed specialises in international and global rapeseed.

Although crops in the 2021 harvest suffered under poor weather conditions and came smaller than expected, CM Brokerage managed to sustain traded volumes and increase market shares in key markets. In 2021, CM Brokerage launched its digital platform CM NAVIGATOR to external clients. CM NAVIGATOR strives to become a leading digital tool for the grain trade industry.

CM Dry Bulk Freight Services

The chartering business has been an integrated part of the CM Group business services, providing turnkey freight solutions within the dry bulk tramp trade segment predominantly within biomass and grain, servicing our clients in the brokerage and biomass businesses. To better serve clients and facilitate growth ambitions, the dry bulk freight services have been migrated to a newly formed entity, Navi Merchants A/S, which is also engaged in short and long term vessel commitments from coaster to handy size, mainly servicing dry and breakbulk markets.

Terminals

CM Group provides an international and efficient portfolio of terminals covering strategic regions to adhere to the sourcing activities.

Ystad Bulk Terminal specialises in handling wood pellets and other commodities such as grain, woodchips and fertiliser. Ystad Bulk Terminal has a storage capacity of 27,000mt.

Dan Store has a storage capacity of 110.000mt and offers turnkey solutions for easy handling, including customs clearance plus inbound and outbound railway logistics. In 2021, better screening equipment for wood pellets have been acquired to enable high-capacity screening. This significantly reduces the risk of contamination while maintaining a high load speed.

CM holds interests in a number of other agri-bulk terminals around the Baltic Sea.

Superintendence

ECS EUROCARGO SERVICES (hereinafter “ECS”) is a market leader in the supervision and certification of grains, oilseeds and feedstuffs in Denmark, Poland and Germany. ECS provides a range of services within superintendence, following the goods through every link in the supply chain – from primary producer to food manufacturer – focusing unwaveringly on assuring and documenting their quality.

ECS experienced a very strong 2021 as a result of increased market shares within key markets. However, a robust core platform is needed to ensure long-term viability and growth, which CM Group cannot extensively provide, as the business is somewhat in the periphery of the core business. As a result of this, towards the end of 2021, the ECS business was sold to the Cotecna Inspection S.A. , a Swiss based company dedicated to the supervision market. We believe Cotecna Insepction S.A. will be a strong new partner for ECS, and Cotecna Inspection S.A. is expected to provide ECS with valuable industry expertise, making it possible for ECS to achieve further growth. Post-sale, Superintendence will thus no longer be a business area within CM Group.

Market overview

There is a well-established consensus that climate change from global warming is linked to the emission of greenhouse gasses from fossil fuels. The use of sustainable energy sources contributes to securing the energy supply reliability and increases the sustainable energy mix by minimising the dependence on the import of fossil fuels from politically unstable areas.

CM Group identifies a significant business prospect and job creation in the industry of green energy technologies. The increased prevalence of biomass energy, including the use of wood processing residues, production, aggregation and delivery of biomass, is expected to entail social and economic development of the involved regions. CM Group engages in development activities to maximise the efficient use of residues by extending the operational experience. Increasing demand for biomass as an energy source leads to innovation in different biomass types, servicing a variety of customers in different markets.

In 2021, grain prices reached historical highs due to relatively disappointing crops, countries building security stocks, high demand, and inflation, which also entailed that the market volatility reached a historical high. The Black Sea, being the most significant market globally, collapsed following the Russian invasion of Ukraine. CM is actively working with partners to establish new corridors to destinations from Ukraine for grain and other locally produced agri products, however, volumes are going to be limited as vessels cannot call Black Sea ports and not all flows can be redirected to other corridors due to logistical bottlenecks.

CM Group’s market position is considered strong and growing in generally expanding markets. Although recent geo-political events impact global trade negatively, CM is well positioned to further develop its businesses and increase activity levels and profitability.

The past year and follow-up on development expectations from last year

In 2021, the Company delivered a result of ordinary operation which was significantly higher than the expectations stated in the 2020 annual report. This was driven by the sale of a significant share of CM Biomass and the entire ECS Group coupled with growth in almost all business segments.

Special risks – Foreign exchange risks

A proportion of the Company’s revenue and purchases are made in other currencies than DKK. The hedging is primarily through forward foreign exchange contracts to hedge expected revenue and purchases. There are no speculative currency arrangements.

Targets and expectations for the year ahead

Considering the geo-political environment with significant impact on several business areas, there is great uncertainty attached to the forecast for 2022. Management expects overall growth in business volume and a satisfactory result before tax of ordinary operation of DKK 75-115 mill.

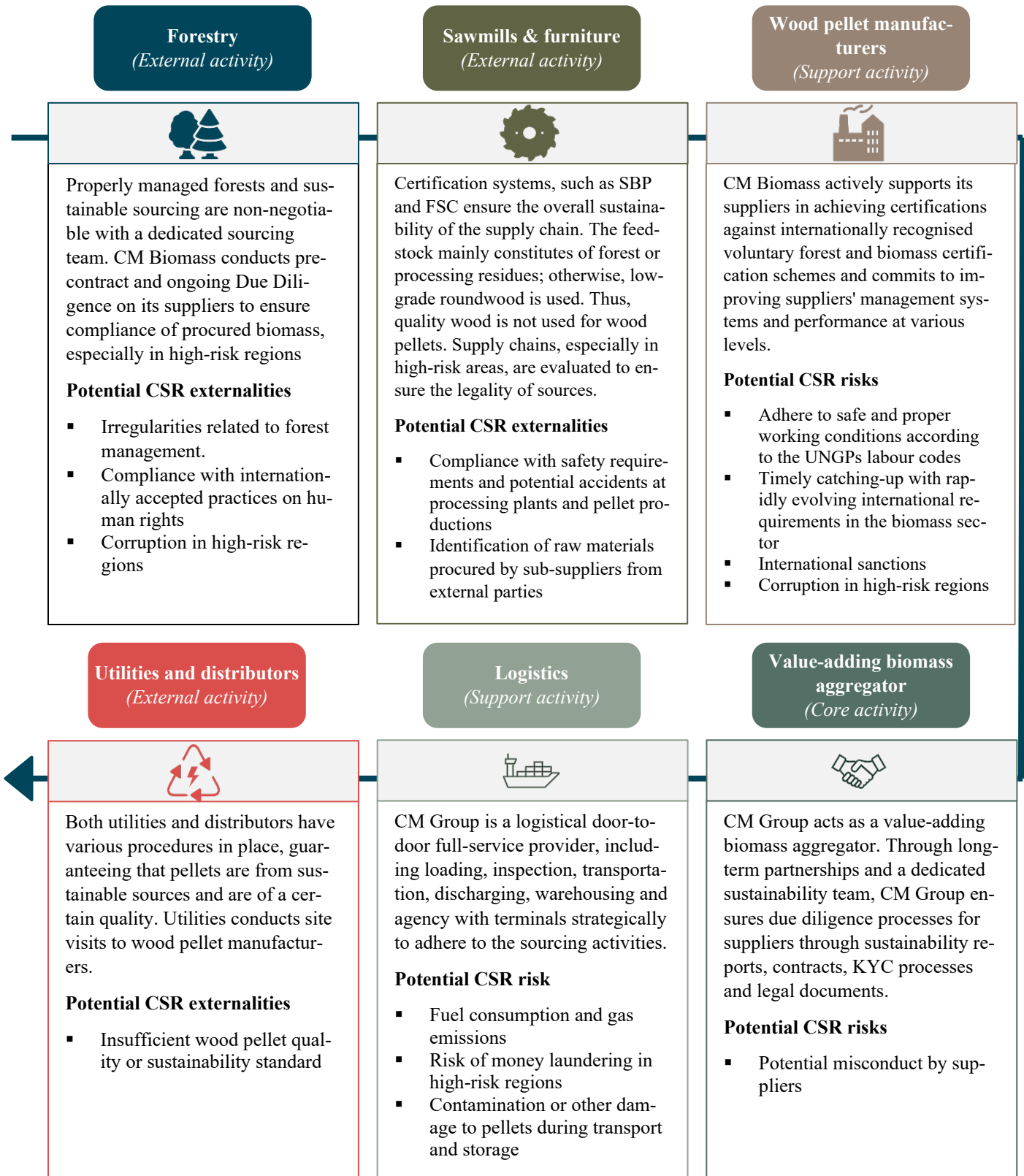
Statement of corporate social responsibility

CM Group approaches CSR by dividing its activities and companies into the five main business areas², as each unit has its own business model. The 2021 Management's Review scope includes Biomass, Brokerage and Dry Bulk Freight Services, which directly and indirectly impact society and the environment throughout the value chain. Thus, Terminals and Superintendence are excluded from the 2021 Management's Review as these business units are deemed to have insignificant CSR risks. The Dry Bulk Freight Services consists of multiple activities, including railway, shipping and chartering; however, the main focus will be chartering, as this is the core activity within Dry Bulk Freight Services.

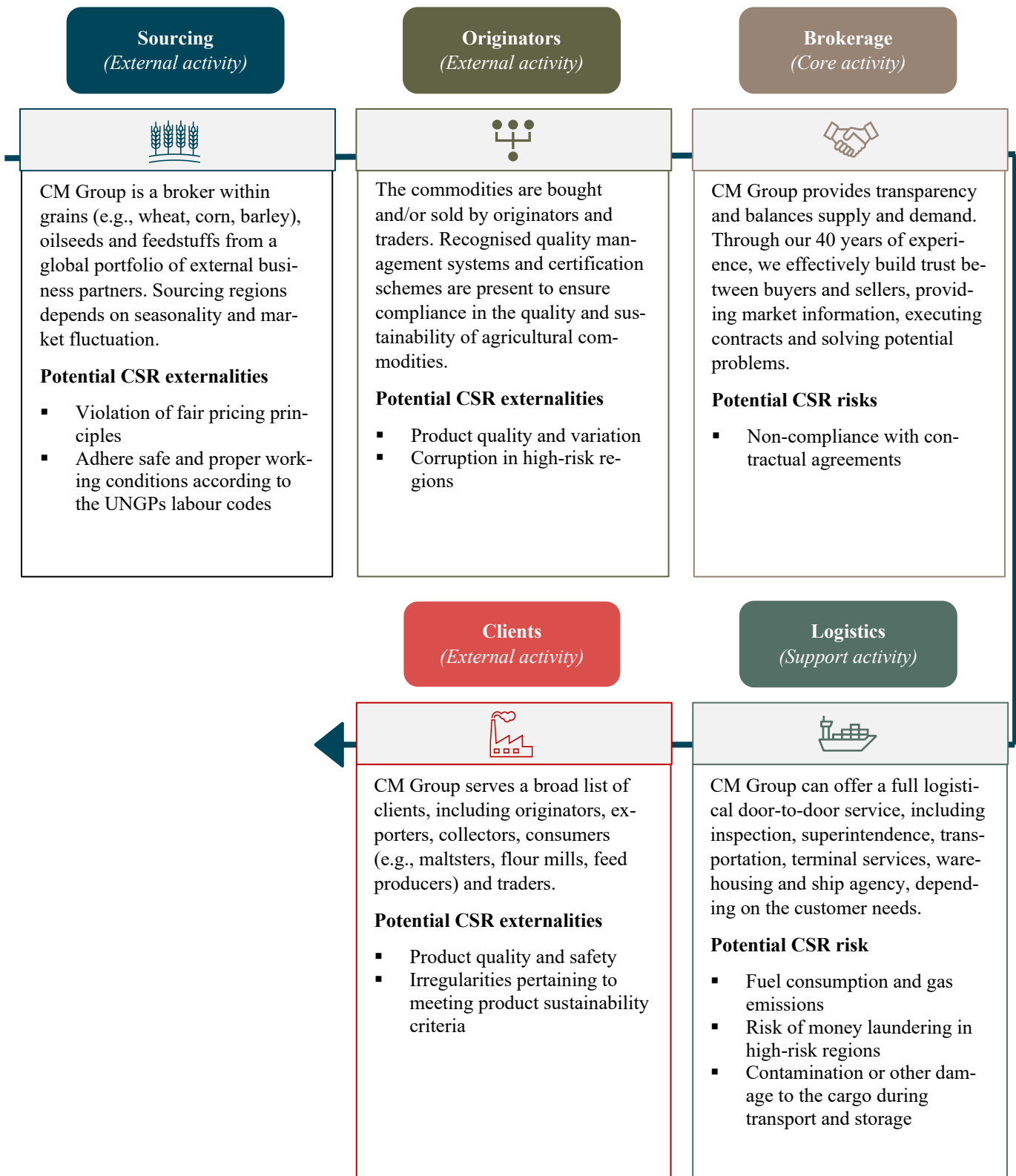
As a broker, trader and charterer, CM Group generally have limited direct CSR impact throughout the value chain. However, we recognise that doing business within these industries may entail externalities related to CSR, which can negatively impact other parts of the value chain over which we have no direct control. Thus, we always aim to follow applicable regulations and recognised standards on good business conduct to mitigate negative impact. The links in the value chain of the relevant business areas and the related CSR concerns of each value chain link are illustrated below.

² CM Group will have four major business areas going forward, as ECS Eurocargo Services is no longer part of the CM Group.

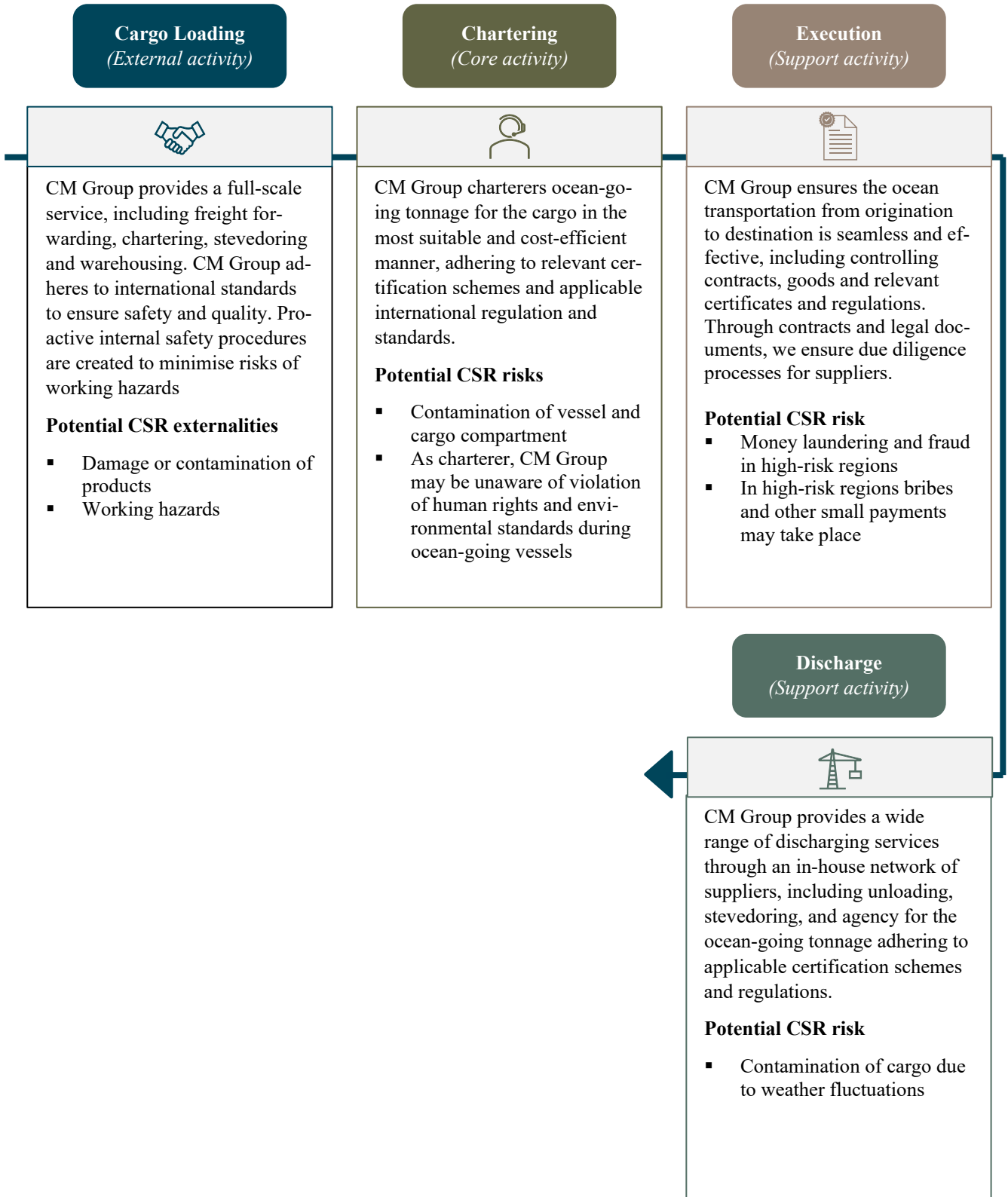
Flow from forests to end users



Flow from sourcing to end users



Logistics flow



Management's Review

Policies, activities and results

Sustainable Development Goals

CM Group has committed itself to work dedicated with the UN's Sustainable Development Goals (hereinafter "SDGs"), enabling dedicated work with sustainability, delivering environmental-, social- and commercial value. CM Group influences the 17 SDGs directly and indirectly; however, we have a significant ability to provide solutions to the challenges within SDG #7 Affordable and clean energy and SDG #12 Responsible consumption and production, as these are core areas in CM Group's business strategy. We are focusing on the following five targets related to the two SDGs.

- ❖ 7.2 Increase the share of renewable energy in the global energy mix.
- ❖ 7.3 Improve the global rate of energy efficiency.
- ❖ 12.2 Achieve the sustainable management and efficient use of natural resources.
- ❖ 12.5 Reduce waste generation through prevention, reduction, recycling, and reuse.
- ❖ 12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Sustainable energy and responsible production are central priority areas for CM Group and constitute a natural part of conducting good business. At CM Group, we contribute with solutions related to renewable energy, energy efficiency and commercial and sustainable production and consumption. In 2021, the primary focus has been on energy optimisation of terminals and production facilities, which will continue in 2022. We are continuously working with the two SDGs in relation to our activities to develop our business sustainably and commercially.

Environment & Climate

CM Group's policy on the environment is to incorporate sustainability, efficient use and logistics of raw materials and fuels in everyday business decisions, e.g., in relation to the choice of business partners, agreements with suppliers and identification of opportunities. We strive to integrate the UN Sustainable Development Goals into CM Group strategy in order to ensure that our sustainability commitment is fully implemented in how we conduct our business.

In line with our CR policy, CM Biomass' environmental commitments aimed at ensuring the use of sustainable raw materials and recognise the importance of biodiversity conservation, the preservation of High Conservation Value Forests, and the protection of distinctive and vulnerable forest ecosystems; assessing the sustainability of our partners' raw materials, and also favouring technologies and practices that have a minimum impact on the environment.

CM Biomass considers the cascade principle, and we urge our partners to utilise wood resources according to economically sound solutions. We promote internationally recognised forest management certifications and biomass schemes among wood pellet producers. The majority of our wood pellet suppliers are already certified, and the remaining adhere to the EU Timber Regulation (EUTR) and national trade requirements. In high-risk regions, such as Russia, additional monitoring measures are implemented to ensure the legality and sustainability of timber supplies.

CM Biomass's policy is to continuously test and research alternative biomass fuels to explore the growing market for CO2 neutral energy sources. In 2021, CM Biomass continued to work with by-products from sunflower, peanuts, olives, bagasse, and shea, with the most focus on sunflower husk pellets and peanut hull pellets.

Within Brokerage, information about the food safety of grain and whether it is GMO or not is brought to the buyers' attention, according to EU legislation, to support them in choosing an appropriate product and supplier. CM Brokerage is GMP+ FSA certified, ensuring feed commodities are protected and handled appropriately under the GMP+ FSA requirements. Furthermore, the increasing use of sanction clauses provides reliability in meeting sustainability criteria and minimising risks. CM Brokerage had no incidents related to environmental CSR risks in 2021.

When moving dry bulk freight, CM Group adheres to international standards and regulations on maritime pollution by following the International Maritime Organization's ("*IMO*") conventions on marine pollution and the International Convention for the Prevention of Pollution from Ships ("*MARPOL*"). To prevent contamination, combustion and capsizing of vessels, CM Dry Bulk Freight ensure that shiploads meet legal requirements, that the cargo is described correctly, and that the vessels' previous loads will not affect the following shiploads. We use internal and external specialists for inspection to meet the described focus areas. The dry bulk segment had no such incidents in 2021.

Going forward in 2022, our ambition is to continuously implement SDG-related initiatives in our business units.

Human Rights

Good business conduct at CM Group has always been part of the DNA; however, the increasing expansion of the business has called upon a formalisation of a Code of Conduct to ensure common reference across the organisation. Hence, a Code of Conduct has been established, which put forward a set of values and guidelines based on business-economic, environmental, and social responsibilities, which employees and representatives are expected to behave.

CM Dry Bulk Freight Services adheres to international regulations to ensure humane working conditions and maritime safety. CM Group follows IMO's conventions and protocols on marine safety, including other relevant international conventions and regulations; Safety of Life at Sea ("*SOLAS*") and ITF Seafarers' regulations. In 2021 no violations were identified.

CM Group respects human, social and professional rights as listed in the UN's Guiding Principles on Business and Human Rights (UNGPs), and do not violate them. The right for privacy is a priority at CM Group and we seek to comply with all aspects of the EU General Data Protection Regulation ("*GDPR*"). As a result, in 2021 and the years before, no human rights violations were identified. As our business expands, we continue to strengthen our practices within human rights in line with applicable conventions.

Corruption & bribery

CM Group operates under corporate values and principles of best business practices and in accordance with trade rules and procedures subscribed by the EU and UN. A null tolerance policy regarding corruption and bribery is communicated clearly to employees as they are instructed in their work.

CM Group has due diligence processes in place to ensure accountability from suppliers. During the due diligence process, CM Group collects necessary documents, e.g., chain of custody contracts, company

procedures and legal documents on a potential supplier. The Company interviews responsible key personnel and performs various risk analyses and assessments.

Before signing contracts or making business transactions, CM Group conducts risk assessments of new suppliers, clients, and business partners. For such assessments, CM Group uses relevant industry contacts, including P&I Club and Bimco.

Based on risk assessments, selected suppliers are audited internally or with assistance from external consultants or auditors. Anti-corruption procedures and evaluation of internal mitigation measures are a part of CM Group's annual sustainability audits. We expect the highest integrity standards in all business interactions; thus, contractual provisions against corruption and bribery are stipulated for risky areas.

CM Group adheres to anti-corruption practices to eliminate corruption. We follow relevant certification schemes to conduct due diligence measures to mitigate the risks of corruption and money laundering – present in some parts of the industry. Moreover, we invest in long-term business relations to support open and direct communication.

There were no reports of corruption in 2021. However, as CM Group's operations continue to expand, the need to avoid corruption and mitigate financial risks will increase. Consequently, CM Group has added further resources for internal controlling. Going forward, CM Group will look for additional measures, including due diligence and KYC (Know Your Customer) processes.

Social Impact & Employee Welfare

CM Group's policy is to provide good working conditions and fair terms to all employees. As most of CM Group's employees are white-collar, the risk of accidents is considered very low. To continuously improve employee satisfaction and safeguard personal development, CM Group maintains a flat organisational structure with open communication and a high level of trust between employees and leaders. This includes proactive identification of possible stress and measures to ensure a healthy work/life balance.

As a considerable player in the market, CM Group actively helps and educates suppliers to ensure they achieve the required sustainability certificates, which are, among others, described in the sustainability appendix, being a crucial part of every supplier contract.

In the Code of Conduct, we wish to encourage an open dialogue on all issues related to CM Group's business methods, compliance with CM Group's policies or issues that are considered illegal. Hence, a whistle-blower scheme is implemented in Q2 2022 as a supplement to the direct and daily communication to ensure a safe environment in which employees within CM Group have the confidence to speak out about reprehensible practices.

CM Group's Covid-19 pandemic response has been to introduce procedures to minimise the dissemination of the disease. Local sites under CM Group ownership have carried out actions in accordance with local regulation to avoid the spread of Covid-19. The pandemic has demanded a significant amount of flexibility from the employees, with some appreciating working from home, and others being frustrated due to, e.g., lack of social contact. CM Group has continuously sought to adopt measures for employees and externals to enable physical meetings when possible.

CM Group continues to have a relatively low staff turnover in 2021 at 6,1%, compared to 7,1% in 2020. This is a positive indicator of a good work environment considering the dynamic markets CM Group operates in. Several social initiatives have taken place throughout 2021 to sustain a good work environment and keep engagement levels high while complying with local safety requirements. CM Group has focused on nurturing

and developing trust between employees and business partners to decrease the psychological distance and bureaucracy while increasing performance. CM Group has for years supported students with cases for their theses, student employment and internships. In 2021, CM Group had an average of 8 student assistants compared to 7 in 2020.

In 2022, we are introducing CM Coaching Community to provide opportunities for our employees to continuously develop their professional and personal competencies.

Data Ethics

Although the nature of our business does not involve the treatment of data through artificial intelligence, machine learning or other forms of algorithms, we continuously assess our digital development with respect to data ethics. Data from third parties primarily consists of publicly available statistics e.g., prices, rates, and other business data related to our business units. Thus, CM Group does not buy or process personal data from third parties and does not personalise products or services. We conduct internal assessments annually on data processing and ensure continuous awareness of data ethics where relevant through workshops.

Statement on gender composition

The Board of Directors aim to follow the recommendations of the Danish Business Authority with respect to the underrepresented gender. The target of the Company is to have two women represented in the board of directors.

In the financial year 2021, two of the Members of the Board of Directors in CM Holding A/S are women. As a result, the target is met, and the Board of Directors has no under-represented gender cf. guidelines from the Danish Business Authority. However, it is expected that one of the female board members will resign from the Board of Directors at the Annual General Meeting in 2022.

CM Holding A/S does not account for the proportion of the underrepresented gender in the Company's other management levels since the Company has employed fewer than 50 employees in the financial year.

CM Group respects equal treatment unconditionally, however, it should be noted that CM Group has a low employee turnover rate and that changes will not be made with the sole purpose of meeting equal gender composition targets.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The introduction of the global Covid-19 pandemic, continued to cause regional lockdowns, and have in varying degrees affected employees. The impact from Covid-19 on business is deemed to have had an overall neutral impact on the results of the group.

During 2021, CM Group sold a significant share of its stake in CM Biomass to A/S United Shipping & Trading Company. Furthermore, the Superintendence division in ECS Eurocargo Services was taken over by Cotecna Inspection S.A.. The transactions had a significant and positive one-time impact on the financial result of CM Group in 2021 of DKK 348 mill. CM Biomass is no longer a subsidiary, and going forward, the results of CM Biomass will thus be reflected as an associated company. ECS Eurocargo Services is no longer part of CM Group will thus be excluded.

Subsequent events

The Russian invasion of Ukraine will impact the businesses of CM Group in several ways.

The biomass market will become even more imbalanced as sourcing from Russia and Belarus is sanctioned. This will challenge the supply-chains, also of CM Biomass, and it is expected to drive up already high prices even further.

Traded grain volumes in the Black Sea market are basically gone, with very uncertain recovery prospects.

The impact on throughput in terminals will vary depending on location and market, but overall the impact is expected to be negative, especially in Latvia.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2021	2020	2021	2020
		DKK	DKK	DKK	DKK
Revenue	1	752.475.159	3.506.819.187	0	0
Other operating income	3	371.133.302	5.130.512	32.209.546	28.954.798
Expenses for raw materials and consumables		-596.991.030	-3.169.232.463	0	0
Other external expenses		-47.366.866	-52.333.106	-11.830.396	-14.149.849
Gross profit/loss		479.250.565	290.384.130	20.379.150	14.804.949
Staff expenses	2	-83.740.158	-117.442.923	-21.441.514	-17.964.917
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-11.306.048	-17.333.613	-3.031.836	-2.709.935
Profit/loss before financial income and expenses	3	384.204.359	155.607.594	-4.094.200	-5.869.903
Income from investments in subsidiaries		0	0	433.679.213	79.421.746
Income from investments in associates		31.473.444	17.078.741	29.877.118	15.068.008
Financial income	4	2.285.918	542.797	4.659.107	3.784.261
Financial expenses	5	-2.830.960	-17.368.728	-4.059.914	-4.332.504
Profit/loss before tax		415.132.761	155.860.404	460.061.324	88.071.608
Tax on profit/loss for the year	6	-7.700.925	-31.383.022	-143.928	1.284.718
Profit/loss from continuing activities		407.431.836	124.477.382	459.917.396	89.356.326
Profit/loss from discontinuing activities	7	81.300.867	0	0	0
Net profit/loss for the year		488.732.703	124.477.382	459.917.396	89.356.326

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2021	2020	2021	2020
		DKK	DKK	DKK	DKK
Software		3.678.765	4.156.269	3.631.904	4.079.662
Acquired rights		0	3.655.927	0	0
Goodwill		0	134.940	0	0
Intangible assets	8	3.678.765	7.947.136	3.631.904	4.079.662
Land and buildings		93.707.392	89.031.394	24.585.535	14.593.200
Other fixtures and fittings, tools and equipment		35.588.781	46.477.491	7.236.184	7.456.414
Leasehold improvements		2.730.881	2.945.892	803.089	1.192.847
Property, plant and equipment	9	132.027.054	138.454.777	32.624.808	23.242.461
Investments in subsidiaries	10	0	0	84.464.664	263.565.954
Investments in associates	11	247.102.364	144.701.402	241.246.057	107.077.915
Receivables from group enterprises	12	0	0	11.703.640	15.790.974
Receivables from associates	12	111.658.761	14.023.273	111.658.761	14.023.273
Other investments	12	542.146	527.011	542.146	527.011
Deposits	12	1.046.965	22.652.045	638.040	619.000
Other receivables	12	112.782.332	0	112.782.332	0
Fixed asset investments		473.132.568	181.903.731	563.035.640	401.604.127
Fixed assets		608.838.387	328.305.644	599.292.352	428.926.250

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Finished goods and goods for resale		13.301.236	310.869.905	0	0
Prepayments for goods		0	20.420.454	0	0
Inventories		13.301.236	331.290.359	0	0
Trade receivables		46.220.093	291.374.774	0	0
Receivables from group enterprises		0	0	32.380.283	14.421.433
Receivables from associates		48.254.754	12.837.346	44.609.429	12.609.508
Other receivables	19	6.719.442	55.485.497	5.150.458	295.389
Corporation tax		10.723	1.054.543	4.807.755	405.123
Prepayments	13	25.525.771	13.264.868	4.842.520	2.994.395
Receivables		126.730.783	374.017.028	91.790.445	30.725.848
Cash at bank and in hand		72.778.185	45.156.148	51.579.572	1.688.628
Currents assets		212.810.204	750.463.535	143.370.017	32.414.476
Assets		821.648.591	1.078.769.179	742.662.369	461.340.726

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Share capital	14	1.250.000	1.250.000	1.250.000	1.250.000
Reserve for net revaluation under the equity method		53.255.323	29.455.096	74.732.195	214.001.532
Reserve for exchange rate adjustments		-689.441	-2.457.423	0	0
Reserve for hedging transactions		0	14.042.741	0	0
Retained earnings		513.628.250	289.103.138	491.461.937	116.142.020
Proposed dividend for the year		100.000.000	0	100.000.000	0
Equity attributable to shareholders of the Parent Company		667.444.132	331.393.552	667.444.132	331.393.552
Minority interests		22.837.661	111.091.924	0	0
Equity		690.281.793	442.485.476	667.444.132	331.393.552
Provision for deferred tax	16	4.446.768	4.965.923	2.488.741	2.820.065
Other provisions	17	0	3.028.784	0	0
Provisions		4.446.768	7.994.707	2.488.741	2.820.065
Mortgage loans		4.944.748	5.166.959	4.944.748	5.166.959
Credit institutions		13.416.500	48.326.516	0	0
Payables to group enterprises		0	60.000.000	0	60.000.000
Other payables		9.466.701	21.261.344	0	18.138.360
Long-term debt	18	27.827.949	134.754.819	4.944.748	83.305.319

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Mortgage loans	18	223.444	221.491	223.444	221.491
Credit institutions	18	6.816.702	257.109.621	0	250.000
Prepayments received from customers		0	277.835	0	0
Trade payables		24.810.621	106.751.349	1.644.936	2.622.025
Payables to group enterprises	18	364.148	2.907.117	30.987.647	34.171.511
Payables to associates		0	4.161.252	0	41.838
Payables to owners and Management		0	170.587	0	170.587
Corporation tax		3.029.666	9.199.314	0	0
Deposits		197.700	114.600	197.700	114.600
Other payables	18	63.649.800	112.621.011	34.731.021	6.229.738
Short-term debt		99.092.081	493.534.177	67.784.748	43.821.790
Debt		126.920.030	628.288.996	72.729.496	127.127.109
Liabilities and equity		821.648.591	1.078.769.179	742.662.369	461.340.726
Subsequent events	25				
Distribution of profit	15				
Contingent assets, liabilities and other financial obligations	22				
Related parties	23				
Fee to auditors appointed at the general meeting	24				
Accounting Policies	26				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for exchange rate adjustments	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	1.250.000	29.455.096	-2.457.423	14.042.741	289.103.138	0	331.393.552	111.091.924	442.485.476
Disposals for the year	0	0	1.539.033	4.771.856	-6.310.889	0	0	-108.309.005	-108.309.005
Extraordinary dividend paid	0	0	0	0	-100.000.000	0	-100.000.000	0	-100.000.000
Dissolution of previous years' revaluation	0	-2.116.049	0	0	2.116.049	0	0	0	0
Exchange adjustments relating to foreign entities	0	96.893	228.949	0	0	0	325.842	211.987	537.829
Dividend from group companies and associates	0	-276.000	0	0	276.000	0	0	0	0
Fair value adjustment of hedging instruments	0	-5.378.061	0	-18.814.597	0	0	-24.192.658	-8.972.552	-33.165.210
Net profit/loss for the year	0	31.473.444	0	0	328.443.952	100.000.000	459.917.396	28.815.307	488.732.703
Equity at 31 December	1.250.000	53.255.323	-689.441	0	513.628.250	100.000.000	667.444.132	22.837.661	690.281.793

Statement of Changes in Equity

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Reserve for exchange rate adjustments	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	1.250.000	214.001.532	0	0	116.142.020	0	331.393.552	0	331.393.552
Extraordinary dividend paid	0	0	0	0	-100.000.000	0	-100.000.000	0	-100.000.000
Dissolution of previous years' revaluation	0	-211.642.974	0	0	211.642.974	0	0	0	0
Exchange adjustments relating to foreign entities	0	325.842	0	0	0	0	325.842	0	325.842
Dividend from group companies and associates	0	-18.385.108	0	0	18.385.108	0	0	0	0
Other equity movements	0	-24.192.658	0	0	0	0	-24.192.658	0	-24.192.658
Net profit/loss for the year	0	114.625.561	0	0	245.291.835	100.000.000	459.917.396	0	459.917.396
Equity at 31 December	1.250.000	74.732.195	0	0	491.461.937	100.000.000	667.444.132	0	667.444.132

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2021 DKK	2020 DKK
Net profit/loss for the year		488.732.703	124.477.382
Adjustments	20	-329.316.108	48.370.458
Change in working capital	21	-48.989.975	-43.074.204
Cash flows from operating activities before financial income and expenses		110.426.620	129.773.636
Financial income		2.285.920	542.797
Financial expenses		-7.571.043	-17.286.186
Cash flows from ordinary activities		105.141.497	113.030.247
Corporation tax paid		-13.461.797	-34.209.361
Cash flows from operating activities		91.679.700	78.820.886
Purchase of intangible assets		-1.176.126	-6.298.972
Purchase of property, plant and equipment		-18.538.969	-11.028.254
Fixed asset investments made etc		-114.377.322	-37.176.231
Sale of fixed asset investments etc		494.400.655	4.507.906
Exchange adjustment		0	-92.004
Dividends received from associates		276.000	345.000
Cash flows from investing activities		360.584.238	-49.742.555
Change in mortgage loans		-220.258	-222.603
Change in loans from credit institutions		-20.516.773	-8.133.303
Change in balances to group enterprises		-62.542.968	0
Changes in balances with affiliated parties		-133.052.897	-3.994.426
Minority interests		-108.309.005	0
Dividend paid		-100.000.000	0
Cash flows from financing activities		-424.641.901	-12.350.332
Change in cash and cash equivalents		27.622.037	16.727.999
Cash and cash equivalents at 1 January		45.156.148	28.428.149
Cash and cash equivalents at 31 December		72.778.185	45.156.148
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		72.778.185	45.156.148
Cash and cash equivalents at 31 December		72.778.185	45.156.148

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
1 Revenue				
Geographical segments				
Revenue, Denmark	292.253.399	827.019.869	0	0
Revenue, outside Denmark	460.221.760	2.679.799.318	0	0
	752.475.159	3.506.819.187	0	0
Business segments				
Biomass	0	3.022.030.950	0	0
Logistics	610.188.891	355.941.615	0	0
Broker	65.843.557	77.158.018	0	0
Other	76.442.711	51.688.604	0	0
	752.475.159	3.506.819.187	0	0
2 Staff expenses				
Wages and salaries	73.384.438	105.864.657	16.740.787	16.041.422
Pensions	1.781.254	2.225.795	655.773	586.910
Other social security expenses	3.658.776	6.750.659	160.448	129.705
Other staff expenses	4.915.690	2.601.812	3.884.506	1.206.880
	83.740.158	117.442.923	21.441.514	17.964.917
Including remuneration to the Executive Board and Board of Directors	2.617.937	4.173.572	2.617.937	4.173.572
Average number of employees	112	151	18	18

Notes to the Financial Statements

	Group		Parent Company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
3 Special items				
Gain on sale of investments in subsidiaries	348.211.137	0	0	0
	348.211.137	0	0	0
Gain on sale of investments in subsidiaries is recognized in other operating income.				
4 Financial income				
Interest received from group enterprises	0	0	2.447.357	3.264.585
Interest received from associates	2.150.107	476.306	2.073.465	445.967
Other financial income	135.811	66.491	138.285	73.709
	2.285.918	542.797	4.659.107	3.784.261
5 Financial expenses				
Interest paid to group enterprises	1.373.204	1.934.688	2.320.226	2.868.020
Other financial expenses	1.112.179	10.047.126	1.603.112	770.490
Exchange adjustments, expenses	345.577	5.386.914	136.576	693.994
	2.830.960	17.368.728	4.059.914	4.332.504
6 Tax on profit/loss for the year				
Current tax for the year	7.948.547	31.978.970	392.245	-758.421
Deferred tax for the year	-330.629	-567.512	-331.324	-642.983
Adjustment of tax concerning previous years	83.007	-28.436	83.007	116.686
	7.700.925	31.383.022	143.928	-1.284.718

Notes to the Financial Statements

7 Profit/loss from discontinuing activities

	Group		Parent Company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
Revenue	2.246.664.730	0	0	0
Other operating income	5.506.211	0	0	0
Expenses for raw materials and consumables	-2.080.870.285	0	0	0
Other external expenses	-22.675.816	0	0	0
Gross profit/loss	148.624.840	0	0	0
Staff expenses	-36.545.846	0	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-4.615.171	0	0	0
Profit/loss before financial income and expenses	107.463.823	0	0	0
Income from investments in associates	1.541.855	0	0	0
Financial income	0	0	0	0
Financial expenses	-4.740.081	0	0	0
Profit/loss before tax	104.265.597	0	0	0
Tax on profit/loss for the year	-22.964.730	0	0	0
Profit/loss from discontinuing activities	81.300.867	0	0	0

Profit/loss from discontinuing activities can be attributed to the Group's Biomass business, which has been sold during the year.

Notes to the Financial Statements

8 Intangible assets

Group	Software	Acquired rights	Goodwill	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	8.198.690	5.737.902	10.602.628	24.539.220
Additions for the year	1.176.126	0	0	1.176.126
Disposals for the year	0	-5.737.902	-323.856	-6.061.758
Cost at 31 December	<u>9.374.816</u>	<u>0</u>	<u>10.278.772</u>	<u>19.653.588</u>
Impairment losses and amortisation at 1 January	4.042.421	2.081.975	10.467.688	16.592.084
Amortisation for the year	1.653.630	0	26.988	1.680.618
Reversal of amortisation of disposals for the year	0	-2.081.975	-215.904	-2.297.879
Impairment losses and amortisation at 31 December	<u>5.696.051</u>	<u>0</u>	<u>10.278.772</u>	<u>15.974.823</u>
Carrying amount at 31 December	<u>3.678.765</u>	<u>0</u>	<u>0</u>	<u>3.678.765</u>
Amortised over	<u>5 years</u>	<u>10 years</u>	<u>10 years</u>	

Software consist of a ERP system and other software for use in the Group.

Parent Company

	Software
	DKK
Cost at 1 January	6.913.752
Additions for the year	<u>1.176.126</u>
Cost at 31 December	<u>8.089.878</u>
Impairment losses and amortisation at 1 January	2.834.090
Amortisation for the year	<u>1.623.884</u>
Impairment losses and amortisation at 31 December	<u>4.457.974</u>
Carrying amount at 31 December	<u>3.631.904</u>
Amortised over	<u>5 years</u>

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	151.674.498	81.848.870	4.393.689	237.917.057
Additions for the year	10.414.336	7.783.866	340.767	18.538.969
Disposals for the year	-728.697	-28.153.829	-185.993	-29.068.519
Transfers for the year	36.007	-24.128	0	11.879
Cost at 31 December	<u>161.396.144</u>	<u>61.454.779</u>	<u>4.548.463</u>	<u>227.399.386</u>
Impairment losses and depreciation at 1 January	62.643.104	35.371.379	1.447.797	99.462.280
Depreciation for the year	5.697.736	3.751.498	547.798	9.997.032
Reversal of impairment and depreciation of sold assets	-558.873	-13.350.094	-178.013	-14.086.980
Transfers for the year	<u>-93.215</u>	<u>93.215</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>67.688.752</u>	<u>25.865.998</u>	<u>1.817.582</u>	<u>95.372.332</u>
Carrying amount at 31 December	<u>93.707.392</u>	<u>35.588.781</u>	<u>2.730.881</u>	<u>132.027.054</u>
Depreciated over	<u>20-50 years</u>	<u>3-20 years</u>	<u>5-25 years</u>	

Notes to the Financial Statements

9 Property, plant and equipment (continued)

Parent Company

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	17.666.977	8.672.121	1.992.737	28.331.835
Additions for the year	<u>10.365.300</u>	<u>425.000</u>	<u>0</u>	<u>10.790.300</u>
Kostpris at 31 December	<u>28.032.277</u>	<u>9.097.121</u>	<u>1.992.737</u>	<u>39.122.135</u>
Impairment losses and depreciation at 1 January	3.073.777	1.215.707	799.890	5.089.374
Depreciation for the year	<u>372.965</u>	<u>645.230</u>	<u>389.758</u>	<u>1.407.953</u>
Impairment losses and depreciation at 31 December	<u>3.446.742</u>	<u>1.860.937</u>	<u>1.189.648</u>	<u>6.497.327</u>
Carrying amount at 31 December	<u>24.585.535</u>	<u>7.236.184</u>	<u>803.089</u>	<u>32.624.808</u>
Depreciated over	<u>20-50 years</u>	<u>3-5 years</u>	<u>5 years</u>	

Notes to the Financial Statements

	Parent Company	
	2021	2020
	DKK	DKK
10 Investments in subsidiaries		
Cost at 1 January	75.879.608	70.244.577
Additions for the year	5.000.000	5.635.031
Disposals for the year	-19.922.577	0
Cost at 31 December	60.957.031	75.879.608
Value adjustments at 1 January	186.642.852	103.503.145
Disposals for the year	-211.642.974	0
Exchange adjustment	228.949	-1.424.780
Net profit/loss for the year	90.843.337	79.949.367
Dividend to the Parent Company	-18.109.108	-8.900.000
Depreciations on PPA adjustments	-602.499	-602.499
Fair value adjustment of hedging instruments for the year	-18.814.597	14.042.741
Amortisation of goodwill	-26.988	-26.988
Change in intercompany profit on Property, plant and equipment	-5.445.774	101.866
Value adjustments at 31 December	23.073.198	186.642.852
Equity investments with negative net asset value amortised over receivables	434.435	1.043.494
Carrying amount at 31 December	84.464.664	263.565.954
Remaining positive difference included in the above carrying amount at 31 December	4.594.049	5.331.488

Notes to the Financial Statements

10 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Copenhagen Merchants A/S	Copenhagen	100%
Copenhagen Merchants Hamburg GmbH	Germany	100%
CM Geneva SA	Switzerland	100%
CM Tallinn AS	Estonia	100%
CM Partner A/S	Copenhagen	100%
CM Kaunas UAB	Lithuania	100%
CM Partner SIA	Latvia	100%
Copenhagen Merchants Madrid S.L	Spain	100%
Ystad Bulk Terminal AB	Sweden	100%
Navi Merchants A/S	Copenhagen	100%
Baltic Grain & Feed ApS	Aarhus	100%
Dan Store, LSEZ SIA	Latvia	55%

Notes to the Financial Statements

	Group		Parent Company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
11 Investments in associates				
Cost at 1 January	115.246.306	101.095.891	79.738.868	79.488.868
Additions for the year	114.108.173	14.150.415	109.848.192	250.000
Disposals for the year	<u>-35.507.438</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cost at 31 December	<u>193.847.041</u>	<u>115.246.306</u>	<u>189.587.060</u>	<u>79.738.868</u>
Value adjustments at 1 January	29.455.096	14.145.661	27.339.047	15.072.989
Disposals for the year	-2.116.049	0	0	0
Exchange adjustment	96.893	-1.509.621	96.893	-2.542.264
Net profit/loss for the year	32.143.536	17.748.834	30.547.210	15.738.100
Dividends received	-276.000	-345.000	-276.000	-345.000
Depreciations on PPA adjustments	-670.092	-670.092	-670.092	-670.092
Fair value adjustment of hedging instruments for the year	<u>-5.378.061</u>	<u>85.314</u>	<u>-5.378.061</u>	<u>85.314</u>
Value adjustments at 31 December	<u>53.255.323</u>	<u>29.455.096</u>	<u>51.658.997</u>	<u>27.339.047</u>
Carrying amount at 31 December	<u>247.102.364</u>	<u>144.701.402</u>	<u>241.246.057</u>	<u>107.077.915</u>
Remaining positive difference included in the above carrying amount at 31 December	<u>962.222</u>	<u>1.632.314</u>	<u>962.222</u>	<u>1.632.314</u>

Notes to the Financial Statements

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
Aalborg Kornterminal Holding ApS	Aalborg	35%
Gdansk Bulk Terminal Sp. Z o.o.	Poland	51%
Szczecin Bulk Terminal Sp. Z o.o.	Poland	51%
Fredericia Bulk Terminal I/S	Fredericia	50%
Kalundborg Holding A/S	Kalundborg	50%
Kalundborg Bulk Terminal I/S	Kalundborg	25%
CM Biomass Holding A/S	Middelfart	24%
Aarhus Omni Bulk A/S	Aarhus	50%
Norse Maritime A/S	Copenhagen	15%
Lignum Maritime A/S	Copenhagen	15%

The Groups shares in Norse Maritime A/S and Lignum Maritime A/S is classified as associates, as the Group has significant influence due to ownership agreements.

Notes to the Financial Statements

12 Other fixed asset investments

	Group			
	Receivables from asso- ciates	Other investments	Deposits	Other receiv- ables
	DKK	DKK	DKK	DKK
Cost at 1 January	14.023.273	2.478.743	22.652.047	0
Additions for the year	97.635.488	250.105	19.044	112.782.332
Disposals for the year	0	0	-21.624.126	0
Cost at 31 December	111.658.761	2.728.848	1.046.965	112.782.332
Impairment losses at 1 January	0	1.951.732	0	0
Impairment losses for the year	0	234.970	0	0
Impairment losses at 31 December	0	2.186.702	0	0
Carrying amount at 31 December	111.658.761	542.146	1.046.965	112.782.332

	Parent Company				
	Receivables from group enterprises	Receivables from asso- ciates	Other investments	Deposits	Other receiv- ables
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	15.790.974	14.023.273	2.478.743	618.996	0
Additions for the year	0	97.635.488	250.105	19.044	112.782.332
Disposals for the year	-4.087.334	0	0	0	0
Cost at 31 December	11.703.640	111.658.761	2.728.848	638.040	112.782.332
Impairment losses at 1 January	0	0	1.951.732	0	0
Impairment losses for the year	0	0	234.970	0	0
Impairment losses at 31 December	0	0	2.186.702	0	0
Carrying amount at 31 December	11.703.640	111.658.761	542.146	638.040	112.782.332

Notes to the Financial Statements

13 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions.

14 Equity

The share capital consists of 1,250 shares of a nominal value of DKK 1,000.

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> DKK
A-shares	750	750.000
B-shares	500	500.000
		<u>1.250.000</u>

15 Distribution of profit

	<u>Group</u>		<u>Parent Company</u>	
	<u>2021</u> DKK	<u>2020</u> DKK	<u>2021</u> DKK	<u>2020</u> DKK
Extraordinary dividend paid	100.000.000	0	100.000.000	0
Proposed dividend for the year	100.000.000	0	100.000.000	0
Reserve for net revaluation under the equity method	31.473.444	17.078.742	114.625.561	94.509.387
Minority interests' share of net profit/loss of subsidiaries	28.815.307	35.121.056	0	0
Retained earnings	<u>228.443.952</u>	<u>72.277.584</u>	<u>145.291.835</u>	<u>-5.153.061</u>
	<u>488.732.703</u>	<u>124.477.382</u>	<u>459.917.396</u>	<u>89.356.326</u>

Notes to the Financial Statements

	Group		Parent Company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
16 Provision for deferred tax				
Provision for deferred tax at 1 January	4.965.923	5.533.435	2.820.065	3.463.048
Amounts recognised in the income statement for the year	-330.629	-567.512	-331.324	-642.983
Effect from disposal of subsidiaries	-188.526	0	0	0
Provision for deferred tax at 31 December	4.446.768	4.965.923	2.488.741	2.820.065
17 Other provisions				
Provision for loss-making contracts	0	3.028.784	0	0
	0	3.028.784	0	0

18 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Mortgage loans

After 5 years	4.058.585	4.265.686	4.058.585	4.286.707
Between 1 and 5 years	886.163	901.273	886.163	880.252
Long-term part	4.944.748	5.166.959	4.944.748	5.166.959
Within 1 year	223.444	221.491	223.444	221.491
	5.168.192	5.388.450	5.168.192	5.388.450

Notes to the Financial Statements

18 Long-term debt (continued)

	Group		Parent Company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
Credit institutions				
After 5 years	0	10.449.739	0	0
Between 1 and 5 years	13.416.500	37.876.777	0	0
Long-term part	<u>13.416.500</u>	<u>48.326.516</u>	<u>0</u>	<u>0</u>
Within 1 year	0	250.000	0	250.000
Other short-term debt to credit institutions	6.816.702	256.859.621	0	0
Short-term part	<u>6.816.702</u>	<u>257.109.621</u>	<u>0</u>	<u>250.000</u>
	<u>20.233.202</u>	<u>305.436.137</u>	<u>0</u>	<u>250.000</u>
Payables to group enterprises				
Between 1 and 5 years	0	60.000.000	0	60.000.000
Long-term part	<u>0</u>	<u>60.000.000</u>	<u>0</u>	<u>60.000.000</u>
Other short-term debt to group enterprises	364.148	2.907.117	30.987.647	34.171.511
	<u>364.148</u>	<u>62.907.117</u>	<u>30.987.647</u>	<u>94.171.511</u>
Other payables				
Between 1 and 5 years	9.466.701	21.261.344	0	18.138.360
Long-term part	<u>9.466.701</u>	<u>21.261.344</u>	<u>0</u>	<u>18.138.360</u>
Other short-term payables	63.649.800	112.621.011	34.731.021	6.229.738
	<u>73.116.501</u>	<u>133.882.355</u>	<u>34.731.021</u>	<u>24.368.098</u>

Notes to the Financial Statements

19 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	DKK	DKK	DKK	DKK
Assets	0	28.214.207	0	0

Forward exchange contracts have been concluded to hedge future sale of goods in foreign currencies. At the balance sheet date, the fair value of the forward exchange contracts amounts to TDKK 0.

20 Cash flow statement - adjustments

Financial income	-2.285.918	-542.797
Financial expenses	7.571.041	17.368.728
Depreciation, amortisation and impairment losses, including losses and gains on sales	-332.289.918	17.333.612
Income from investments in associates	-33.015.299	-17.078.741
Tax on profit/loss for the year	30.665.655	31.383.022
Other adjustments	38.331	-93.366
	-329.316.108	48.370.458

21 Cash flow statement - change in working capital

Change in inventories	-9.717.834	-61.559.711
Change in receivables	-51.055.591	-47.748.692
Change in other provisions	-3.028.784	3.028.784
Change in trade payables, etc	43.026.441	42.268.296
Change in fair value of hedging instruments booked on equity	-28.214.207	20.937.119
	-48.989.975	-43.074.204

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK

22 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings with a carrying amount of	14.259.388	14.593.200	14.259.388	14.593.200
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The following assets have been placed as security with bankers:

Land and buildings with a carrying amount of	70.570.050	75.415.290	0	0
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The following assets have been placed as security with credit institutes:

The Parent Company's shares in the subsidiary, Dan Store SIA, carrying amount of	0	0	0	29.986.109
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Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	280.296.549	62.041.718	3.684.135	2.106.555
Between 1 and 5 years	14.332.309	44.812.631	7.448.114	5.030.359
After 5 years	1.702.646	1.869.373	0	0
	296.331.504	108.723.722	11.132.249	7.136.914

The total future rental and lease payments primarily consist of rent and Time Charter agreements.

Furthermore, two associated companies (I/S) own warehouses built on leased land, which are on long-term leases. The lease contracts can be terminated by the associated companies within 6 months. The total lease obligation concerning warehouses on leased land amounts to DKK 1.342.000.

Notes to the Financial Statements

22 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Torben Herman Christensen Holding A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Parent Company is jointly and severally liable without restriction for certain Bulk Terminals liabilities.

The Parent Company has issued a letter of support towards the subsidiary Dan Store, LSEZ SIA amounting TEUR 110.

The Parent Company is jointly and severally liable for 51% of the commitment with bank in the associated company, Gdansk Bulk Terminal Sp. z.o.o., Poland.

The Parent Company is jointly and severally liable for 51% of the commitment with bank in the associated company, Szczecin Bulk Terminal Sp. z.o.o., Poland.

The Parent Company has made a guarantee of a total of TDKK 5,000 to the associated company, Kalundborg Holding A/S.

23 Related parties

	<u>Basis</u>
Controlling interest	
Torben Herman Christensen Holding A/S	Parent Company
Torben Herman Christensen	Ultimate principal shareholder

Notes to the Financial Statements

23 Related parties (continued)

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

There have been no transactions with the Board of Directors, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Group is included in the consolidated report for the parent company

Name	Place of registered office
Torben Herman Christensen Holding A/S	Taarbæk Strandvej 42C, 2930 Klampenborg

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
24 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	700.432	639.686	135.000	70.000
Tax advisory services	251.634	153.397	149.342	79.706
Other services	15.088.322	1.255.845	14.958.822	1.075.750
	16.040.388	2.048.928	15.243.164	1.225.456

Notes to the Financial Statements

25 Subsequent events

The Russian invasion of Ukraine will impact the businesses of CM Group in several ways.

The biomass market will become even more short of supply following the sanctions on biomass from Russia and Belarus in continuation of Russia's invasion of Ukraine. This will challenge supply chains across the market, along with those of CM Biomass, and is expected to support high prices for a relatively long period.

Subsequent to the war, grain flows exported to the Black Sea market are dramatically reduced with very uncertain recovery prospects. However, CM Group is involved in finding new logistic solutions enabling exports via other corridors, particularly in Poland. Contrary, the effect of Russian sanctions will have a negative effect on Dan Store in Liepaja.

The impact on throughput in terminals will vary depending on location and market, but overall the impact is expected to be negative, especially in Latvia.

Notes to the Financial Statements

26 Accounting Policies

The Annual Report of CM Holding A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2021 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

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

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, CM Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes or where the Group, despite a smaller share of votes, on the basis of ownership agreements, exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Notes to the Financial Statements

26 Accounting Policies (continued)

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

Notes to the Financial Statements

26 Accounting Policies (continued)

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

26 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange 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. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Notes to the Financial Statements

26 Accounting Policies (continued)

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Staff expenses

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

Notes to the Financial Statements

26 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

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

The Company is jointly taxed with danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Software are measured at the lower of cost less accumulated amortisation and recoverable amount. Software are amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Property, plant and equipment

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

Notes to the Financial Statements

26 Accounting Policies (continued)

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Buildings	20-50 years	
Other fixtures and fittings, tools and equipment		3-20 years
Leasehold improvements	5-25 years	

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Notes to the Financial Statements

26 Accounting Policies (continued)

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of long-term receivables, deposits and unlisted shares.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions etc.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Notes to the Financial Statements

26 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Cash Flow Statement

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

Cash flows from operating activities

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

Notes to the Financial Statements

26 Accounting Policies (continued)

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals 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 flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

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

Notes to the Financial Statements

26 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$