
CM Holding A/S

Klubiensvej 22, DK-2150 Nordhavn

Annual Report for 1 January - 31 December 2019

CVR No 27 27 60 24

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
11/5 2020

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 2019.

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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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, 11 May 2020

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 2019 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 2019 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 2019, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 11 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Claus Damhave
State Authorised Public Accountant
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: 17th 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

Financial Highlights

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

	Group				
	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Revenue	3.170.985	2.289.808	1.616.737	1.308.925	1.345.534
Gross profit/loss	209.348	152.865	121.596	110.187	113.686
Profit/loss before financial income and expenses	91.891	54.531	40.056	32.918	43.923
Net financials	-12.987	-4.562	-1.291	1.245	-5.208
Net profit/loss for the year	59.257	38.281	30.656	27.005	30.111
Balance sheet					
Balance sheet total	904.570	652.692	601.385	472.348	534.159
Equity	301.838	238.821	197.767	165.678	165.177
Cash flows					
Cash flows from:					
- operating activities	-102.301	1.088	-4.754	17.498	55.055
- investing activities	-37.193	-19.190	-33.385	-51.793	-25.668
including investment in property, plant and equipment	-7.440	-23.002	-26.429	-40.577	-27.640
- financing activities	24.360	-12.017	23.038	25.195	-22.276
Change in cash and cash equivalents for the year	-115.134	-30.119	-15.101	-9.100	7.111
Number of employees	144	124	109	106	83
Ratios					
Gross margin	6,6%	6,7%	7,5%	8,4%	8,4%
Profit margin	2,9%	2,4%	2,5%	2,5%	3,3%
Return on assets	10,2%	8,4%	6,7%	7,0%	8,2%
Solvency ratio	33,4%	36,6%	32,9%	35,1%	30,9%
Return on equity	21,9%	17,5%	16,9%	16,3%	19,5%

In connection with changes to accounting policies, the comparative figures for 2015 have not been restated.

Management's Review

Key activities

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

Development in the year

The income statement of the Group for 2019 shows a profit of DKK 59,257,144, and at 31 December 2019 the balance sheet of the Group shows equity of DKK 301,837,826.

Management considers the net profit for the year to be satisfactory.

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

In 2019, the company delivered a result a bit higher than the expectations stated in the 2018 annual report.

Special risks - operating risks and financial risks

Foreign exchange risks

A proportion of the Group'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

Management expects continuing growth in revenue and a satisfactory result before tax around DKK 70-80 millions.

External environment

The Group's activities are not considered to have an extensive impact on the external environment.

Management's Review

Statement of corporate social responsibility

Business model

CM is a privately owned group of businesses which, although spanning different industries, all have the same core values in common: commitment, proactivity, partnership and integrity. These values are reflected in the way that corporate social responsibility is integrated with the business strategy.

- ❖ CM 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 is **proactive** and strive to transform our challenges into opportunities. We try to mitigate risks ahead of time and train our employees to act decisively.
- ❖ CM values great **partnerships** that last, partnerships where we grow together. Therefore, CM carefully chooses employees, suppliers, and collaborators, while being transparent, in order to create a foundation for mutual trust, unity and loyalty.
- ❖ CM prioritizes **integrity** over profit. We are professional and honest.

CM Holding A/S approaches CSR by dividing its activities and companies in five main business units, as each unit has its own business model and related CSR risks. Terminals and Superintendence, however, are excluded from the 2019 CSR report as these business units are deemed to have insignificant CSR risks. The links in the value chain of the relevant business units and the main related CSR concerns of each link are illustrated below.



Management's Review

Risks related to CSR

CSR Focus Areas	Identified Risks		
	Biomass Trading	Grain Brokerage	Chartering
Environment & Climate	Potential irregularities pertaining to forest management. Contamination or other damage to pellets during transport and storage, creating waste. GHG emissions.	Potential irregularities pertaining to sustainable farming. Contamination or other damage to the grain during transport and storage, creating waste.	Potential irregularities pertaining to gas emissions and fuel consumption for the chartered vessels.
Human Rights	In some regions there is a minor risk pertaining to: - the right for association and collective bargaining - compulsory or forced labor - gender and racial discrimination	In some regions there is a minor risk pertaining to: - the right for association and collective bargaining - compulsory or forced labor - gender and racial discrimination	In the shipping industry there is risk pertaining to: - the right for association and collective bargaining - humane working conditions on board the vessels
Corruption	CM Biomass and its suppliers operate in many countries, some with relatively high rate of corruption.	CM and its clients operate in many countries, some with relatively high rate of corruption.	Corruption and money laundering is a risk in the shipping industry.
Social Impact	Accidents can occur when logging wood, at sawmill production and pellet production. CM Biomass employees sometimes work long hours and are often working with short deadlines to serve business partners.	CM employees sometimes work long hours and are often working with short deadlines to serve business partners.	CM employees sometimes work long hours and are often working with short deadlines to serve business partners.
Conclusion	Overall, the CSR risks for CM Biomass' trading activities are mostly unlikely or have minor consequences. The identified risks are common across the industry and depend on the individual countries. As a trading company, CM Biomass' CSR efforts are focused on sustainable sourcing, pellet production, , transport/logistics and business partners.	In terms of the grain brokerage activities outside the supply chain, the CSR risk level is low. However, there are some risks in the supply chain, that CM must guard against, even though incidents seem unlikely. As a brokerage company, CM does not have much influence on the farming of the grain, so CM 's CSR efforts are focused on business partners and transport.	There are no substantial CSR risks in chartering. On the other hand, there is some risk pertaining to actual freight, which is common for the industry. As CM Chartering does not control the handling of the vessels, CM's CSR efforts are focused on business partners.

Management's Review

Policies, activities and results

Environment & Climate

CM's policy on environment and climate is to incorporate sustainability, efficient use of raw materials and fuels, in everyday business decisions, e.g. in relation to choice of business partners, agreements with suppliers and the investments made. In CM Biomass, sustainability is at the core of our business, where wood pellets are made from wood and sawdust residues.

Almost all of our biomass producers are certified according to recognized sustainable forest management schemes. These certifications ensure sustainable and legal sourcing of wood. In line with sustainable biomass procurement policy, all data needed for the evaluation of GHG emissions are collected and made available to customers.

It is CM Biomass' policy to continuously test and research alternative biomass fuels to explore the growing market for CO₂ neutral energy sources. In 2019, CM Biomass has been working with sunflowers, peanut husks, olives, and shea, with most favorable results from sunflower and peanut husk pellets.

Within grain brokerage, information about sustainability of grain and whether it is GMO or not, is brought to the attention of buyers, in accordance with 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, according to GMP+ FSA requirements.

Finally, CM chartering is focused on making sure that shiploads meet legal requirements, that the cargo is described correctly, and that the vessels' previous loads will not affect the new shiploads - this to prevent contamination, combustion and capsizing of vessels. CM chartering still had no such incidents in 2019.

Human Rights

Although no violations were identified during 2019 or the years before, some risks are present throughout the supply chains, especially due to the wide and growing geographical scope of the business. In order to mitigate these risks, CM has started a project to formalize the Code of Conduct for relevant business partners.

Corruption

CM has a no tolerance policy with regards to corruption and bribery, which is communicated clearly to employees as they are instructed in their work. Risk assessment of new suppliers, clients and business partners are carried out by CM, before signing any contracts or making any business transactions. For such assessments CM makes use of relevant industry contacts including but not limited to its P&I Club and Bimco. Based on risk assessments, selected suppliers are audited internally or with assistance from external consultants or auditors.

Management's Review

There were no reports of corruption in 2019. However, as CM's operations continue to expand, the need to avoid corruption and mitigate financial risks will increase. Consequently, CM will look for additional measures, among others in terms of the KYC (Know Your Customer) process.

Social Impact & Employee Welfare

It is CM's policy to provide good working conditions and fair terms to all employees. As most of CM's employees are white collar, the number of accidents is very low. In order to continuously improve employee satisfaction and safeguard personal development, CM entertains a flat organizational structure with open communication between employees and leaders. This includes pro-active identification of possible stress and measures to ensure a healthy work/life balance.

CM continues to have a low staff turnover in 2019, a positive indicator of a good work environment. CM has for years supported students with cases for their theses, student employment and internships. In 2019, CM had 8 student assistants.

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 2 women represented in the Board of Directors.

At present, two of the members of the Board of Directors in CM Holding A/S are women. As a result hereof the target is met, and the Board of Directors has no under-represented gender cf. guidelines from the Danish Business Authority.

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.

It should be noted, however, that the CM Holding Group has a very low employee turnover rate and that changes will not be made just to meet the described targets of equal opportunities.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2019 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019 have not been affected by any unusual events.

Management's Review

Subsequent events

The consequences of Covid-19, where governments around the world have decided to "close down" countries, will have a major impact on the world economy. Management considers the impact of Covid-19 as an event arisen after the balance sheetdate (December 31, 2019), and therefore constitutes a non-regulatory event for the Group.

It is estimated that covid-19 will have a limited effect on the Group's business in the medium and long term, as the products that are primarily handled are for the food, energy and pharmaceutical industries which are not immediately considered to be severely affected.

At this point in time, it is not possible to determine the exact magnitude of the impact from Covid-19.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2019 DKK	2018 DKK	2019 DKK	2018 DKK
Revenue		3.170.984.526	2.289.808.476	0	0
Other operating income		1.396.886	1.897.867	19.945.814	5.028.956
Expenses for raw materials and consumables		-2.903.969.038	-2.070.853.604	0	0
Other external expenses		-59.064.519	-67.987.609	-10.061.106	-6.435.078
Gross profit/loss		209.347.855	152.865.130	9.884.708	-1.406.122
Staff expenses	3	-103.059.735	-86.205.097	-14.462.179	-7.228.395
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-14.202.966	-11.461.171	-2.405.078	-244.936
Other operating expenses		-194.381	-667.680	0	-201.300
Profit/loss before financial income and expenses		91.890.773	54.531.182	-6.982.549	-9.080.753
Income from investments in subsidiaries		0	0	46.135.865	32.980.534
Income from investments in associates		-338.096	3.649.690	589.518	3.649.690
Financial income	4	1.142.705	3.242.108	3.786.533	4.044.987
Financial expenses	5	-13.792.096	-11.454.217	-5.736.482	-4.239.051
Profit/loss before tax		78.903.286	49.968.763	37.792.885	27.355.407
Tax on profit/loss for the year	6	-19.646.142	-11.688.262	920.692	1.297.046
Net profit/loss for the year		59.257.144	38.280.501	38.713.577	28.652.453

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2019 DKK	2018 DKK	2019 DKK	2018 DKK
Completed development projects		5.100.350	5.899.497	5.020.671	5.760.179
Goodwill		161.928	188.916	0	0
Intangible assets	7	5.262.278	6.088.413	5.020.671	5.760.179
Land and buildings		93.754.247	98.926.420	14.761.039	14.761.039
Other fixtures and fittings, tools and equipment		44.869.366	38.352.058	7.606.576	8.179.108
Leasehold improvements		3.329.764	2.141.847	1.566.698	325.251
Property, plant and equipment in progress		23.530	14.599.893	0	0
Property, plant and equipment	8	141.976.907	154.020.218	23.934.313	23.265.398
Investments in subsidiaries	9	0	0	174.768.953	133.792.848
Investments in associates	10	115.241.552	85.814.371	94.561.857	85.814.371
Receivables from group enterprises	11	0	0	15.927.247	19.254.482
Receivables from associates	11	9.895.169	17.870.104	9.895.169	17.870.104
Other investments	11	3.770.454	5.795.913	238.190	2.107.380
Deposits	11	3.445.749	3.105.528	619.000	554.002
Fixed asset investments		132.352.924	112.585.916	296.010.416	259.393.187
Fixed assets		279.592.109	272.694.547	324.965.400	288.418.764

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2019 DKK	2018 DKK	2019 DKK	2018 DKK
Finished goods and goods for resale		253.901.435	118.613.762	0	0
Prepayments for goods		15.829.213	3.011.517	0	0
Inventories		269.730.648	121.625.279	0	0
Trade receivables		270.600.712	198.229.610	0	0
Receivables from group enterprises		0	0	20.489.927	13.220.553
Receivables from associates		10.394.155	12.968.905	10.345.781	5.921.025
Other receivables		18.857.323	13.756.876	1.843.149	3.035.769
Deferred tax asset	15	121.387	845.001	0	0
Corporation tax		1.341.462	106.355	790.150	2.631.166
Prepayments	12	25.503.908	12.367.614	999.392	19.473
Receivables		326.818.947	238.274.361	34.468.399	24.827.986
Cash at bank and in hand		28.428.149	20.097.670	14	46
Currents assets		624.977.744	379.997.310	34.468.413	24.828.032
Assets		904.569.853	652.691.857	359.433.813	313.246.796

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2019	2018	2019	2018
		DKK	DKK	DKK	DKK
Share capital		1.250.000	1.250.000	1.250.000	1.250.000
Reserve for net revaluation under the equity method		14.145.661	32.971.523	118.576.134	108.114.258
Retained earnings		216.480.554	157.733.713	112.050.081	82.590.978
Equity attributable to shareholders of the Parent Company		231.876.215	191.955.236	231.876.215	191.955.236
Minority interests		69.961.611	46.865.793	0	0
Equity	13	301.837.826	238.821.029	231.876.215	191.955.236
Provision for deferred tax	15	5.654.822	5.666.267	3.463.048	3.593.590
Other provisions	16	0	652.130	0	0
Provisions		5.654.822	6.318.397	3.463.048	3.593.590
Mortgage loans		5.379.717	5.617.720	5.379.717	5.617.720
Credit institutions		43.410.591	35.257.331	250.000	1.250.000
Payables to group enterprises		60.000.000	57.676.553	60.000.000	57.676.553
Payables to owners and Management		519.550	695.603	519.550	695.603
Other payables		35.818.914	33.555.140	18.432.107	18.000.000
Long-term debt	17	145.128.772	132.802.347	84.581.374	83.239.876

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2019 DKK	2018 DKK	2019 DKK	2018 DKK
Mortgage loans	17	231.336	223.000	231.336	223.000
Credit institutions	17	270.158.849	146.694.864	5.482.842	6.153.177
Prepayments received from customers		126.745	5.789.449	0	0
Trade payables		111.425.878	65.963.986	841.444	2.232.329
Payables to group enterprises	17	3.446.896	2.353.048	30.943.586	24.497.985
Payables to associates		1.015.191	1.401.788	0	0
Payables to owners and Management	17	200.000	415.186	200.000	200.000
Corporation tax		10.928.448	9.818.898	0	0
Other payables	17	54.415.090	42.089.865	1.813.968	1.151.603
Short-term debt		451.948.433	274.750.084	39.513.176	34.458.094
Debt		597.077.205	407.552.431	124.094.550	117.697.970
Liabilities and equity		904.569.853	652.691.857	359.433.813	313.246.796
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	20				
Related parties	21				
Fee to auditors appointed at the general meeting	22				
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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	1.250.000	32.971.523	157.733.713	191.955.236	46.865.793	238.821.029
Addition minority interest	0	0	0	0	2.552.135	2.552.135
Exchange adjustments relating to foreign entities	0	345.493	83.274	428.767	27.927	456.694
Dividend from group companies and associates	0	-18.926.816	18.926.816	0	0	0
Fair value adjustment of hedging instruments	0	93.557	685.078	778.635	-27.811	750.824
Net profit/loss for the year	0	-338.096	39.051.673	38.713.577	20.543.567	59.257.144
Equity at 31 December	1.250.000	14.145.661	216.480.554	231.876.215	69.961.611	301.837.826

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	1.250.000	108.114.258	82.590.978	191.955.236	0	191.955.236
Dissolution of previous years' revaluation	0	-12.865.217	12.865.217	0	0	0
Exchange adjustments relating to foreign entities	0	428.767	0	428.767	0	428.767
Dividend from group companies and associates	0	-24.605.692	24.605.692	0	0	0
Other equity movements	0	778.635	0	778.635	0	778.635
Net profit/loss for the year	0	46.725.383	-8.011.806	38.713.577	0	38.713.577
Equity at 31 December	1.250.000	118.576.134	112.050.081	231.876.215	0	231.876.215

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2019 DKK	2018 DKK
Net profit/loss for the year		59.257.144	38.280.501
Adjustments	18	46.445.977	27.323.031
Change in working capital	19	-179.187.437	-46.798.972
Cash flows from operating activities before financial income and expenses		-73.484.316	18.804.560
Financial income		1.142.705	3.242.108
Financial expenses		-11.922.906	-11.454.219
Cash flows from ordinary activities		-84.264.517	10.592.449
Corporation tax paid		-18.036.544	-9.504.803
Cash flows from operating activities		-102.301.061	1.087.646
Purchase of intangible assets		-592.503	-1.235.830
Purchase of property, plant and equipment		-7.439.966	-23.001.995
Fixed asset investments made etc		-48.253.043	-6.141.935
Sale of property, plant and equipment		250.000	110.000
Exchange adjustment		-84.224	-403.282
Dividends received from associates		18.926.816	11.483.362
Cash flows from investing activities		-37.192.920	-19.189.680
Change in mortgage loans		-229.667	-223.244
Change in loans from credit institutions		8.153.260	-6.722.474
Changes in balances with affiliated parties		13.884.747	-7.850.841
Minority interests		2.552.135	2.523.268
Change in balances to owners		0	256.613
Cash flows from financing activities		24.360.475	-12.016.678
Change in cash and cash equivalents		-115.133.506	-30.118.712
Cash and cash equivalents at 1 January		-125.597.194	-95.478.482
Cash and cash equivalents at 31 December		-240.730.700	-125.597.194
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		28.428.149	20.097.670
Overdraft facility		-269.158.849	-145.694.864
Cash and cash equivalents at 31 December		-240.730.700	-125.597.194

Notes to the Financial Statements

1 Subsequent events

The consequences of Covid-19, where governments around the world have decided to "close down" countries, will have a major impact on the world economy. Management considers the impact of Covid-19 as an event arisen after the balance sheetdate (December 31, 2019), and therefore constitutes a non-regulatory event for the Group.

It is estimated that covid-19 will have a limited effect on the Group's business in the medium and long term, as the products that are primarily handled are for the food, energy and pharmaceutical industries which are not immediately considered to be severely affected.

At this point in time, it is not possible to determine the exact magnitude of the impact from Covid-19.

	Group		Parent Company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
2 Revenue				
Geographical segments				
Revenue, Denmark	681.199.286	578.097.156	0	0
Revenue, outside Denmark	2.489.785.240	1.711.711.320	0	0
	3.170.984.526	2.289.808.476	0	0
Business segments				
Biomass	2.708.820.662	1.643.220.616	0	0
Logistics	367.853.505	549.710.034	0	0
Broker	49.727.765	47.727.765	0	0
Other	44.582.594	49.150.061	0	0
	3.170.984.526	2.289.808.476	0	0

Notes to the Financial Statements

	Group		Parent Company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
3 Staff expenses				
Wages and salaries	91.358.302	77.257.881	13.259.565	5.627.373
Pensions	1.747.036	1.173.118	425.884	110.127
Other social security expenses	6.860.426	5.338.406	99.959	20.185
Other staff expenses	3.093.971	2.435.692	676.771	1.470.710
	103.059.735	86.205.097	14.462.179	7.228.395
Including remuneration to the Executive Board and Board of Directors	3.664.131	3.278.000	3.664.131	2.078.000
Average number of employees	144	124	16	6
4 Financial income				
Interest received from group enterprises	0	0	2.717.554	3.185.818
Interest received from associates	896.475	738.101	896.475	738.101
Other financial income	246.230	2.504.007	172.504	2.221
Exchange adjustments	0	0	0	118.847
	1.142.705	3.242.108	3.786.533	4.044.987
5 Financial expenses				
Interest paid to group enterprises	1.781.331	2.353.048	2.579.412	3.121.650
Interest paid to associates	0	54.637	0	54.637
Other financial expenses	11.607.941	7.177.884	2.841.415	1.062.764
Exchange adjustments, expenses	402.824	1.868.648	315.655	0
	13.792.096	11.454.217	5.736.482	4.239.051

Notes to the Financial Statements

	Group		Parent Company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
6 Tax on profit/loss for the year				
Current tax for the year	19.210.015	9.646.261	-1.149.769	-2.631.166
Deferred tax for the year	712.169	2.042.001	-130.542	1.334.120
Adjustment of tax concerning previous years	-276.042	0	359.619	0
	19.646.142	11.688.262	-920.692	-1.297.046

7 Intangible assets

Group

	Completed development projects DKK	Goodwill DKK	Total DKK
Cost at 1 January	7.074.864	10.602.628	17.677.492
Exchange adjustment	48	0	48
Additions for the year	592.503	0	592.503
Transfers for the year	-29.795	0	-29.795
Cost at 31 December	7.637.620	10.602.628	18.240.248
Impairment losses and amortisation at 1 January	1.175.367	10.413.712	11.589.079
Exchange adjustment	13	0	13
Amortisation for the year	1.361.890	26.988	1.388.878
Impairment losses and amortisation at 31 December	2.537.270	10.440.700	12.977.970
Carrying amount at 31 December	5.100.350	161.928	5.262.278
Amortised over	5 years	10 years	

Completed development projects consist of a ERP system and other software for use in the Group.

Notes to the Financial Statements

7 Intangible assets (continued)

Parent Company

	Completed development projects <u>DKK</u>
Cost at 1 January	5.760.179
Additions for the year	<u>592.503</u>
Cost at 31 December	<u>6.352.682</u>
Impairment losses and amortisation at 1 January	0
Amortisation for the year	<u>1.332.011</u>
Impairment losses and amortisation at 31 December	<u>1.332.011</u>
Carrying amount at 31 December	<u>5.020.671</u>
Amortised over	<u>5 years</u>

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	150.428.402	60.128.059	2.347.741	14.599.893	227.504.095
Exchange adjustment	38.302	123.540	-21.481	0	140.361
Additions for the year	20.064	5.550.987	1.845.385	23.530	7.439.966
Disposals for the year	0	-1.367.150	0	0	-1.367.150
Transfers for the year	0	8.568.648	0	-14.599.893	-6.031.245
Cost at 31 December	150.486.768	73.004.084	4.171.645	23.530	227.686.027
Impairment losses and depreciation at 1 January	51.501.982	21.776.001	205.894	0	73.483.877
Exchange adjustment	12.699	46.485	-3.012	0	56.172
Depreciation for the year	5.217.840	6.965.858	638.999	0	12.822.697
Reversal of impairment and depreciation of sold assets	0	-653.626	0	0	-653.626
Impairment losses and depreciation at 31 December	56.732.521	28.134.718	841.881	0	85.709.120
Carrying amount at 31 December	93.754.247	44.869.366	3.329.764	23.530	141.976.907
Depreciated over	20-50 years	3-20 years	5-25 years		

Notes to the Financial Statements

8 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	8.290.378	338.973	26.296.328
Additions for the year	0	354.719	1.637.264	1.991.983
Disposals for the year	0	-472.480	0	-472.480
Kostpris at 31 December	<u>17.666.977</u>	<u>8.172.617</u>	<u>1.976.237</u>	<u>27.815.831</u>
Impairment losses and depreciation at 1 January	2.905.938	111.270	13.722	3.030.930
Depreciation for the year	0	670.677	395.817	1.066.494
Reversal of impairment and depreciation of sold assets	0	-215.906	0	-215.906
Impairment losses and depreciation at 31 December	<u>2.905.938</u>	<u>566.041</u>	<u>409.539</u>	<u>3.881.518</u>
Carrying amount at 31 December	<u>14.761.039</u>	<u>7.606.576</u>	<u>1.566.698</u>	<u>23.934.313</u>
Depreciated over	<u>20-50 years</u>	<u>3-5 years</u>	<u>5 years</u>	

Notes to the Financial Statements

	Parent Company	
	2019	2018
	DKK	DKK
9 Investments in subsidiaries		
Cost at 1 January	57.379.360	49.379.360
Additions for the year	13.551.900	8.000.000
Disposals for the year	-686.683	0
Cost at 31 December	<u>70.244.577</u>	<u>57.379.360</u>
Value adjustments at 1 January	75.142.735	53.944.558
Disposals for the year	-12.865.217	0
Exchange adjustment	83.560	160.806
Net profit/loss for the year	46.663.486	35.594.528
Dividend to the Parent Company	-5.678.876	-12.142.400
Depreciations on PPA adjustments	-602.499	-602.499
Fair value adjustment of hedging instruments for the year	685.078	199.237
Amortisation of goodwill	-26.988	-79.522
Change in intercompany profit on Property, plant and equipment	101.866	-1.931.973
Value adjustments at 31 December	<u>103.503.145</u>	<u>75.142.735</u>
Equity investments with negative net asset value amortised over receivables	<u>1.021.231</u>	<u>1.270.753</u>
Carrying amount at 31 December	<u>174.768.953</u>	<u>133.792.848</u>
Remaining positive difference included in the above carrying amount at 31 December	<u>5.960.975</u>	<u>6.590.462</u>

Notes to the Financial Statements

9 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 Partner LLC	Russia	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%
ECS Eurocargo Services A/S	Aarhus	100%
ECS Eurocargo Services Sp Z.o.o.	Poland	100%
ECS Eurocargo Services GmbH	Germany	100%
CM Biomass Partners A/S	Copenhagen	67,71%
CM Biomass Ltd	Russia	67,71%
Copenhagen Merchants Biomass Hamburg GmbH	Germany	67,71%
CMB North America Holding LLC	USA	67,71%
CM Bio Operating, LLC	USA	67,71%
CMB Douglas LLC	USA	67,71%
CMB Huntsville LLC	USA	67,71%
CM Ressource Ltd	Russia	67,71%
Baltic Grain & Feed ApS	Aarhus	100%
Dan Store, LSEZ SIA	Latvia	55%

Notes to the Financial Statements

	Group		Parent Company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
10 Investments in associates				
Cost at 1 January	52.842.848	47.659.060	52.842.848	47.659.060
Additions for the year	48.253.043	5.183.788	26.646.020	5.183.788
Cost at 31 December	<u>101.095.891</u>	<u>52.842.848</u>	<u>79.488.868</u>	<u>52.842.848</u>
Value adjustments at 1 January	32.971.523	41.341.975	32.971.523	41.341.975
Exchange adjustment	345.493	-640.883	345.207	-640.883
Net profit/loss for the year	331.996	4.319.781	1.259.610	4.319.781
Dividends received	-18.926.816	-11.483.362	-18.926.816	-11.483.362
Depreciations on PPA adjustments	-670.092	-670.092	-670.092	-670.092
Fair value adjustment of hedging instruments for the year	<u>93.557</u>	<u>104.104</u>	<u>93.557</u>	<u>104.104</u>
Value adjustments at 31 December	<u>14.145.661</u>	<u>32.971.523</u>	<u>15.072.989</u>	<u>32.971.523</u>
Carrying amount at 31 December	<u>115.241.552</u>	<u>85.814.371</u>	<u>94.561.857</u>	<u>85.814.371</u>
Remaining positive difference included in the above carrying amount at 31 December	<u>2.302.406</u>	<u>2.972.498</u>	<u>2.302.406</u>	<u>2.972.498</u>

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
Aalborg Kornterminal Holding ApS	Aalborg	34,5%
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%
Douglas Pellets LLC	USA	40%
Huntsville Pellets LLC	USA	50%

Notes to the Financial Statements

11 Other fixed asset investments

	Group			Parent Company			
	Receivables from asso- ciates	Other investments	Deposits	Receivables from group enterprises	Receivables from asso- ciates	Other investments	Deposits
	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	17.870.115	5.795.913	3.105.528	19.254.482	17.870.115	2.107.380	554.000
Exchange adjustment	0	-156.269	0	0	0	0	0
Additions for the year	441.131	0	340.221	0	441.131	0	65.000
Disposals for the year	-8.416.077	0	0	-3.327.235	-8.416.077	0	0
Cost at 31 December	9.895.169	5.639.644	3.445.749	15.927.247	9.895.169	2.107.380	619.000
Impairment losses for the year	0	1.869.190	0	0	0	1.869.190	0
Impairment losses at 31 December	0	1.869.190	0	0	0	1.869.190	0
Carrying amount at 31 December	9.895.169	3.770.454	3.445.749	15.927.247	9.895.169	238.190	619.000

12 Prepayments

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

13 Equity

The share capital consists of 1,250 shares of a nominal value of DKK 1,000. No shares carry any special rights.

The share capital is broken down as follow:

	Number	Nominal value DKK
A-shares	750	750.000
B-shares	500	500.000
		1.250.000

Notes to the Financial Statements

	Group		Parent Company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
14 Distribution of profit				
Reserve for net revaluation under the equity method	-338.096	3.641.499	46.725.383	36.630.224
Minority interests' share of net profit/loss of subsidiaries	20.543.567	9.636.239	0	0
Retained earnings	39.051.673	25.002.763	-8.011.806	-7.977.771
	59.257.144	38.280.501	38.713.577	28.652.453
15 Provision for deferred tax				
Provision for deferred tax at 1 January	4.821.266	2.779.265	3.593.590	2.259.470
Amounts recognised in the income statement for the year	712.169	2.042.001	-130.542	1.334.120
Provision for deferred tax at 31 December	5.533.435	4.821.266	3.463.048	3.593.590
16 Other provisions				
Other provisions	0	652.130	0	0
	0	652.130	0	0
The provisions are expected to mature as follows:				
Within 1 year	0	652.130	0	0
	0	652.130	0	0

Notes to the Financial Statements

17 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:

	Group		Parent Company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
Mortgage loans				
After 5 years	4.468.112	4.735.327	4.468.112	4.735.327
Between 1 and 5 years	911.605	882.393	911.605	882.393
Long-term part	<u>5.379.717</u>	<u>5.617.720</u>	<u>5.379.717</u>	<u>5.617.720</u>
Within 1 year	<u>231.336</u>	<u>223.000</u>	<u>231.336</u>	<u>223.000</u>
	<u>5.611.053</u>	<u>5.840.720</u>	<u>5.611.053</u>	<u>5.840.720</u>
Credit institutions				
Between 1 and 5 years	<u>43.410.591</u>	<u>35.257.331</u>	<u>250.000</u>	<u>1.250.000</u>
Long-term part	<u>43.410.591</u>	<u>35.257.331</u>	<u>250.000</u>	<u>1.250.000</u>
Within 1 year	1.000.000	1.000.000	1.000.000	1.000.000
Other short-term debt to credit institutions	<u>269.158.849</u>	<u>145.694.864</u>	<u>4.482.842</u>	<u>5.153.177</u>
Short-term part	<u>270.158.849</u>	<u>146.694.864</u>	<u>5.482.842</u>	<u>6.153.177</u>
	<u>313.569.440</u>	<u>181.952.195</u>	<u>5.732.842</u>	<u>7.403.177</u>
Payables to group enterprises				
Between 1 and 5 years	<u>60.000.000</u>	<u>57.676.553</u>	<u>60.000.000</u>	<u>57.676.553</u>
Long-term part	<u>60.000.000</u>	<u>57.676.553</u>	<u>60.000.000</u>	<u>57.676.553</u>
Other short-term debt to group enterprises	<u>3.446.896</u>	<u>2.353.048</u>	<u>30.943.586</u>	<u>24.497.985</u>
	<u>63.446.896</u>	<u>60.029.601</u>	<u>90.943.586</u>	<u>82.174.538</u>

Notes to the Financial Statements

17 Long-term debt (continued)

	Group		Parent Company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
Payables to owners and Management				
Between 1 and 5 years	519.550	695.603	519.550	695.603
Long-term part	519.550	695.603	519.550	695.603
Within 1 year	200.000	200.000	200.000	200.000
Other short-term debt to owners and Management	0	215.186	0	0
Short-term part	200.000	415.186	200.000	200.000
	719.550	1.110.789	719.550	895.603
Other payables				
Between 1 and 5 years	35.818.914	33.555.140	18.432.107	18.000.000
Long-term part	35.818.914	33.555.140	18.432.107	18.000.000
Other short-term payables	54.415.090	42.089.865	1.813.968	1.151.603
	90.234.004	75.645.005	20.246.075	19.151.603

Notes to the Financial Statements

	Group	
	<u>2019</u>	<u>2018</u>
	DKK	DKK
18 Cash flow statement - adjustments		
Financial income	-1.142.705	-3.242.108
Financial expenses	13.792.096	11.454.217
Depreciation, amortisation and impairment losses, including losses and gains on sales	14.202.966	11.461.171
Income from investments in associates	338.096	-3.649.690
Tax on profit/loss for the year	19.646.142	11.688.262
Other adjustments	-390.618	-388.821
	<u>46.445.977</u>	<u>27.323.031</u>
19 Cash flow statement - change in working capital		
Change in inventories	-148.105.369	12.150.113
Change in receivables	-84.916.819	-42.270.939
Change in other provisions	-652.130	-2.588.200
Change in trade payables, etc	53.736.057	-14.657.222
Change in fair value of hedging instruments booked on equity	750.824	567.276
	<u>-179.187.437</u>	<u>-46.798.972</u>

Notes to the Financial Statements

	Group		Parent Company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
20 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	14.761.039	14.761.039	14.761.039	14.761.039
The following assets have been placed as security with bankers:				
Land and buildings with a carrying amount of	78.993.208	84.165.381	0	0
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	27.281.309	27.078.120
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	78.008.874	32.753.316	1.693.517	1.636.500
Between 1 and 5 years	27.101.427	13.706.279	5.871.650	6.296.320
After 5 years	7.009.306	5.851.230	0	0
	112.119.607	52.310.825	7.565.167	7.932.820

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 1.311.000.

Notes to the Financial Statements

20 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 is jointly and severally liable without restriction for commitment with bank in the subsidiary, CM Partner A/S.

The Parent Company is liable without restriction for 69,5% of the commitment with bank in the subsidiary, CM Biomass Partners A/S.

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 10,000 to the associated company, Kalundborg Holding A/S.

21 Related parties

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

Notes to the Financial Statements

21 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	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK
22 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	593.475	568.475	50.000	42.000
Tax advisory services	243.913	319.000	91.900	74.000
Other services	273.101	112.000	153.685	85.000
	1.110.489	999.475	295.585	201.000

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of CM Holding A/S for 2019 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 2019 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 and 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

23 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

23 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

23 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.

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.

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

Completed development projects consist of software and 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.

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

Notes to the Financial Statements

23 Accounting Policies (continued)

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

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.

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.

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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.

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.

Notes to the Financial Statements

23 Accounting Policies (continued)

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" and "Overdraft facilities".

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

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