
Berner A/S

Stenholm 2, DK-9400 Nørresundby

Annual Report for 1 April 2020 - 31 March 2021

CVR No 28 23 53 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
14/9 2021

Jørn Rohde
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 Berner A/S for the financial year 1 April 2020 - 31 March 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 March 2021 of the Company and of the results of the Company operations and cash flows for 2020/21.

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.

Nørresundby, 14 September 2021

Executive Board

Jørn Rohde

Board of Directors

Carsten Andreas Rumpf
Chairman

Miriam Patricia Semrau

Stefan Heinrich Georg Rennig

Independent Auditor's Report

To the Shareholder of Berner A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2021 and of the results of the Company's operations and cash flows for the financial year 1 April 2020 - 31 March 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Berner A/S for the financial year 1 April 2020 - 31 March 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aalborg, 14 September 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen

statsautoriseret revisor

mne30224

Rasmus Møllergaard Stenskrog

statsautoriseret revisor

mne34161

Company Information

The Company

Berner A/S
Stenholm 2
DK-9400 Nørresundby

CVR No: 28 23 53 13
Financial period: 1 April - 31 March
Incorporated: 27 November 1970
Municipality of reg. office: Aalborg

Board of Directors

Carsten Andreas Rumpf, Chairman
Miriam Patricia Semrau
Stefan Heinrich Georg Rennig

Executive Board

Jørn Rohde

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Skelagervej 1A
DK-9000 Aalborg

Financial Highlights

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

	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	112,572	121,324	138,721	132,197	151,242
Gross profit/loss	62,061	66,604	73,438	71,027	74,820
Operating profit/loss	-5,268	-11,733	-9,922	-8,415	-6,078
Net financials	-1,773	-1,093	-805	-486	-347
Net profit/loss for the year	-3,954	-12,486	-10,426	-8,656	-6,310
Balance sheet					
Balance sheet total	50,829	52,211	53,156	52,836	55,154
Equity	-7,510	-3,556	8,930	14,357	23,013
Cash flows					
Cash flows from:					
- investing activities	-648	-1,782	-1,381	-545	-1,243
Number of employees	83	96	105	108	119
Ratios					
Gross margin	55.1%	54.9%	52.9%	53.7%	49.5%
Profit margin	-2.2%	-9.7%	-7.2%	-6.4%	-4.0%
Return on assets	-4.9%	-22.5%	-18.7%	-15.9%	-11.0%
Solvency ratio	-14.8%	-6.8%	16.8%	27.2%	41.7%
Return on equity	71.5%	-464.7%	-89.5%	-46.3%	-24.1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The company's main activities comprise wholesale trade of fastening and fixation materials, tools and chemicals for the professional automobile and construction industries.

The sale is for the Danish market as well as for the North Atlantic countries.

Development in the year

The year was highly influenced by the Corona pandemic. Main impact was in 1st quarter during lockdown and especially the automotive market took a huge hit due to much reduced activity and visit ban and sales overall declined more than 21 % vs. p.y. With short time work we adjusted personnel capacity accordingly from April to mid August and received governmental support package. From Autumn sales was back at p.y. level and exceeded the adjusted budget expectation with +2 % full year.

Gross margin was 1,3 %-point above p.y. and 0,5 %-point above budget. Sales organization was restructured and efficiency much improved. Combined with further cost control this resulted in a strong EBT improvement of DKK 8,6 mill. (6,7 pp) vs. p.y. and DKK 5,5 mill. (4,9 pp) vs. budget (and previous year's expectation) despite negative influence from unbudgeted corporate IT cost.

The balance sheet at March 31st, 2021 shows equity of DKK -7,5 mill. – budget was DKK -13,3 mill.

Capital resources

The financial statements have been prepared for continued operation, as the parent company has provided the necessary credit facilities. The parent company has issued a letter of comfort in favor of the company covering the period up to July 31st, 2022.

Operating risks

No major price risks are estimated, in addition to current customer agreements, which may have a maturity of more than 1 year.

Foreign exchange risks

No major currency risks are estimated as most of the purchases are made in EUR, and all sales of goods take place in DKK. At present, no hedging of currency displacements.

Credit risks

Operating credits are financed through the Group at variable interest rates, but any interest rate fluctuations did not have a significant direct effect on earnings. At present, no cover off interest positions.

Management's Review

Targets and expectations for the year ahead

The Corona pandemic still influences market opportunities, but we are not expecting usage of support packages from short time work. We plan a 3-4 % sales growth and combined with full year effect from sales efficiency restructure, we plan to match the much improved EBT level of last fiscal year.

The construction market showed a fast recovery after the first Corona lock-down and the current positive market activity is expected to continue.

The automotive aftermarket will increasingly be influenced by e-mobility with lower service requirements. Also, we see a trend that some car importers, often using OEM products, insource sales and exclude dealers – our customers. However, our Berner Chemical Management service strongly improves our competitiveness, so we expect also to grow in this volatile market environment. With a clear strategy and value proposition we will drive customer relations to more business relation and less personal relation.

Research and development

Main R&D activities are held by the parent company in Germany. Customer tailored services like Berner Chemical Management are developed locally.

External environment

The company strives not to influence the external environment negatively. We will take new initiatives including the use of electric and hybrid company cars.

Intellectual capital resources

The company continuously invests in highly specialized resources. Employees are upgraded on an ongoing basis through continuing development and training.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 April - 31 March

	Note	2020/21 DKK	2019/20 DKK
Revenue		112,572,140	121,324,247
Cost of sales		-50,511,118	-54,720,715
Gross profit/loss		62,061,022	66,603,532
Distribution expenses	2	-51,453,098	-60,650,259
Administrative expenses	2	-15,875,736	-17,686,242
Operating profit/loss		-5,267,812	-11,732,969
Other operating income		2,801,903	0
Other operating expenses		-22,507	0
Profit/loss before financial income and expenses	3	-2,488,416	-11,732,969
Financial income		19,184	23,264
Financial expenses	4	-1,792,389	-1,116,422
Profit/loss before tax		-4,261,621	-12,826,127
Tax on profit/loss for the year	5	308,046	339,789
Net profit/loss for the year		-3,953,575	-12,486,338

Balance Sheet 31 March

Assets

	Note	2021 DKK	2020 DKK
Acquired licenses		31,278	77,931
Intangible assets	6	31,278	77,931
Land and buildings		7,509,004	8,223,926
Other fixtures and fittings, tools and equipment		519,488	876,365
Property, plant and equipment	7	8,028,492	9,100,291
Fixed assets		8,059,770	9,178,222
Inventories	8	17,844,958	18,584,978
Trade receivables		14,820,437	15,164,415
Receivables from group enterprises		699,767	892,647
Other receivables		287,167	306,009
Prepayments	9	1,017,041	1,019,317
Receivables		16,824,412	17,382,388
Cash at bank and in hand		8,100,019	7,065,422
Currents assets		42,769,389	43,032,788
Assets		50,829,159	52,211,010

Balance Sheet 31 March

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital	10	11,300,000	11,300,000
Retained earnings		-18,809,674	-14,856,099
Equity		-7,509,674	-3,556,099
Other payables		4,452,447	3,393,335
Long-term debt	13	4,452,447	3,393,335
Trade payables		7,811,632	6,072,197
Payables to group enterprises		36,610,211	37,157,383
Other payables	13	9,464,543	9,144,194
Short-term debt		53,886,386	52,373,774
Debt		58,338,833	55,767,109
Liabilities and equity		50,829,159	52,211,010
Going concern	1		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	16		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 April	11,300,000	-14,856,099	-3,556,099
Net profit/loss for the year	0	-3,953,575	-3,953,575
Equity at 31 March	11,300,000	-18,809,674	-7,509,674

Cash Flow Statement 1 April - 31 March

	Note	2020/21 DKK	2019/20 DKK
Net profit/loss for the year		-3,953,575	-12,486,338
Adjustments	14	3,231,406	2,641,510
Change in working capital	15	4,416,893	4,057,543
Cash flows from operating activities before financial income and expenses		3,694,724	-5,787,285
Financial income		19,184	23,264
Financial expenses		-1,792,389	-1,116,420
Cash flows from ordinary activities		1,921,519	-6,880,441
Received joint taxation contribution		308,046	339,789
Cash flows from operating activities		2,229,565	-6,540,652
Purchase of property, plant and equipment		-816,795	-1,782,054
Sale of property, plant and equipment		169,000	0
Cash flows from investing activities		-647,795	-1,782,054
Raising of payables to group enterprises		0	481,708
Repayment of payables to group enterprises		-547,173	0
Raising of loans from group enterprises		0	12,500,000
Cash flows from financing activities		-547,173	12,981,708
Change in cash and cash equivalents		1,034,597	4,659,002
Cash and cash equivalents at 1 April		7,065,422	2,406,420
Cash and cash equivalents at 31 March		8,100,019	7,065,422
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		8,100,019	7,065,422
Cash and cash equivalents at 31 March		8,100,019	7,065,422

Notes to the Financial Statements

1 Going concern

The financial statements have been prepared for continued operation, as the parent company has provided the necessary credit facilities. The parent company has issued a letter of support in favor of the company covering the period up to July 31st, 2022.

	<u>2020/21</u> DKK	<u>2019/20</u> DKK
2 Staff		
Wages and Salaries	39,190,089	45,327,134
Pensions	3,100,123	3,503,785
Other social security expenses	1,107,014	1,007,382
Other staff expenses	<u>427,799</u>	<u>929,174</u>
	<u>43,825,025</u>	<u>50,767,475</u>
 Including remuneration to the Executive Board	 <u>3,530,350</u>	 <u>0</u>
 Average number of employees	 <u>83</u>	 <u>96</u>
 3 Special items		
Compensation, state aid schemes Covid-19	<u>2,670,786</u>	<u>0</u>
	<u>2,670,786</u>	<u>0</u>
 4 Financial expenses		
Interest paid to group enterprises	1,640,110	1,074,391
Other financial expenses	<u>152,279</u>	<u>42,031</u>
	<u>1,792,389</u>	<u>1,116,422</u>

Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
5 Tax on profit/loss for the year		
Current tax for the year	0	0
Adjustment of tax concerning previous years	-308,046	-339,789
	-308,046	-339,789
6 Intangible assets		Acquired licenses DKK
Cost at 1 April		866,340
Cost at 31 March		866,340
Impairment losses and amortisation at 1 April		788,409
Amortisation for the year		46,653
Impairment losses and amortisation at 31 March		835,062
Carrying amount at 31 March		31,278
7 Property, plant and equipment		Other fixtures and fittings, tools and equipment DKK
	Land and buildings DKK	
Cost at 1 April	35,040,053	11,525,321
Additions for the year	436,155	380,640
Disposals for the year	-328,300	0
Cost at 31 March	35,147,908	11,905,961
Impairment losses and depreciation at 1 April	26,816,127	10,648,956
Depreciation for the year	959,570	737,517
Impairment and depreciation of sold assets for the year	-136,793	0
Impairment losses and depreciation at 31 March	27,638,904	11,386,473
Carrying amount at 31 March	7,509,004	519,488

Notes to the Financial Statements

	<u>2021</u> DKK	<u>2020</u> DKK
8 Inventories		
Finished goods and goods for resale	17,266,832	17,804,122
Prepayments for goods	<u>578,126</u>	<u>780,856</u>
	<u>17,844,958</u>	<u>18,584,978</u>

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

10 Equity

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> DKK
A-shares	6,500	6,500,000
B-shares	30	300,000
C-shares	45	<u>4,500,000</u>
		<u>11,300,000</u>

11 Distribution of profit

	<u>2020/21</u> DKK	<u>2019/20</u> DKK
Retained earnings	<u>-3,953,575</u>	<u>-12,486,338</u>
	<u>-3,953,575</u>	<u>-12,486,338</u>

12 Provision for deferred tax

Deferred tax asset related to tax losses amounts to DKK 22 million. Based on uncertainty related to future projected earnings for the coming years and the inability to use the tax losses in the joint taxation, Management has considered it fair not to recognise the asset.

Notes to the Financial Statements

13 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:

	<u>2021</u> DKK	<u>2020</u> DKK
Other payables		
Between 1 and 5 years	<u>4,452,447</u>	<u>3,393,335</u>
Long-term part	4,452,447	3,393,335
Other short-term payables	<u>9,464,543</u>	<u>9,144,194</u>
	<u>13,916,990</u>	<u>12,537,529</u>

14 Cash flow statement - adjustments

Financial income	-19,184	-23,264
Financial expenses	1,792,389	1,116,422
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,766,247	1,888,141
Tax on profit/loss for the year	<u>-308,046</u>	<u>-339,789</u>
	<u>3,231,406</u>	<u>2,641,510</u>

15 Cash flow statement - change in working capital

Change in inventories	740,021	317,025
Change in receivables	557,976	5,331,645
Change in trade payables, etc	<u>3,118,896</u>	<u>-1,591,127</u>
	<u>4,416,893</u>	<u>4,057,543</u>

Notes to the Financial Statements

	2021 DKK	2020 DKK
16 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Buildings with an amount of	<u>7,509,004</u>	<u>8,223,926</u>
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	3,095,657	4,201,664
Between 1 and 5 years	2,255,833	3,578,071
After 5 years	0	6,308
	<u>5,351,490</u>	<u>7,786,043</u>
Rental obligations. Total future rental payments:	<u>33,113</u>	<u>224,000</u>

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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 unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

During the financial year, the company has recognized grants as income from the Governments Financial Support Packages due to Covid-19. Since the Danish Business Authorities has not yet carried out the final check of the basis of the grants, it is possible that a share of the recognized income will be rejected. If this should happen, against management's expectations, it will incur a cost in the following financial year. It is not possible to calculate the exact amount but received grants amount to a total of DKK 2,670,786, please refer to note 3 regarding Special items.

Notes to the Financial Statements

17 Related parties

Basis

Controlling interest

Berner Trading Holding GmbH, Bernerstrasse 6, 74653
Künzelsau, Germany, HRB 739678 Parent company

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.

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Berner Trading Holding GmbH	Bernerstrasse 6, 74653 Künzelsau, Germany, HRB 739678

The Group Annual Report of Berner Trading Holding GmbH may be obtained at the following address:

Bernerstrasse 6, 74653 Künzelsau, Germany, HRB 739678

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Berner A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year. Minor reclassifications has been made in the comparative figures. The reclassifications has not affected the result or equity.

The Financial Statements for 2020/21 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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

Notes to the Financial Statements

18 Accounting Policies (continued)

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other 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.

Translation policies

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.

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 Company.

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

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of sales.

Notes to the Financial Statements

18 Accounting Policies (continued)

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of acquired licenses is also included to the extent that acquired licenses relates to distribution activities.

Administrative expenses

Administrative expenses accounting items of a secondary nature in relation to the company's main activity, including gains and losses on the sale of fixed assets as well as subsidy of COVID19 assistance packages. Subsidy are recognized when it is reasonably certain that the company complies with the conditions for receiving the subsidy, and it is reasonably certain that the company will receive the subsidy. The subsidy is recognized systematically in the income statement over the period to which it relates or immediately if the subsidy not conditional on future costs or investments being incurred. Subsidy are recognized as other operating income, or in the balance sheet if the subsidy is given for investment in an asset.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including COVID19 assistance packages and gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year 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 group enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

18 Accounting Policies (continued)

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3 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.

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	25 years
Other fixtures and fittings, tools and equipment	3-15 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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial debts

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

Cash Flow Statement

The cash flow statement shows the Company'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 Company'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.

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

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