
Berner A/S

Stenholm 2, DK-9400 Nørresundby

Annual Report for 1 April 2021 - 31 March 2022

CVR No 28 23 53 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
14/10 2022

Stefan Rennig
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 April - 31 March	10
Balance Sheet 31 March	11
Statement of Changes in Equity	13
Cash Flow Statement 1 April - 31 March	14
Notes to the Financial Statements	15

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 2021 - 31 March 2022.

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 2022 of the Company and of the results of the Company operations and cash flows for 2021/22.

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 October 2022

Executive Board

Stefan Heinrich Georg Rennig

Board of Directors

Arthur Oliver Jaunich
Chairman

Roman Johannes Schäfer

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 2022 and of the results of the Company's operations and cash flows for the financial year 1 April 2021 - 31 March 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Berner A/S for the financial year 1 April 2021 - 31 March 2022, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

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

Independent Auditor's Report

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 October 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen

statsautoriseret revisor

mne30224

Rasmus Møllergaard Stenskrøg

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

Arthur Oliver Jaunich, Chairman
Roman Johannes Schäfer
Stefan Heinrich Georg Rennig

Executive Board

Stefan Heinrich Georg Rennig

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:

	2021/22	2020/21	2019/20	2018/19	2017/18
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	59,499	64,863	66,604	73,438	71,027
Operating profit/loss	-4,468	-2,466	-11,733	-9,922	-8,415
Net financials	-1,464	-1,773	-1,093	-805	-486
Net profit/loss for the year	-6,279	-3,954	-12,486	-10,426	-8,656
Balance sheet					
Balance sheet total	42,570	50,829	52,211	53,156	52,836
Equity	-13,789	-7,510	-3,556	8,930	14,357
Cash flows					
Cash flows from:					
- investing activities	-261	-648	-1,782	-1,381	-545
Number of employees	73	83	96	105	108
Ratios					
Return on assets	-11.5%	-4.9%	-22.5%	-18.7%	-15.9%
Solvency ratio	-32.4%	-14.8%	-6.8%	16.8%	27.2%
Return on equity	0.0%	0.0%	-464.7%	-89.5%	-46.3%

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 again highly influenced from the consequences of the Corona pandemic. Overall, our total sales decreased by 0.7% compared with the previous years expectations. We thus missed our target of achieving growth of 3-4%. Despite the geopolitical situation, the Automotive sector was growing with the market and above previous year as expected. Unfortunately the Construction sector did not meet the expectations and could not benefit from the overall market development. This was mainly driven by an unusually high fluctuation and therefore a not sufficient sector occupation rate.

The gross margin decreased by 4.3% compared with the previous year, mainly due to rising purchase prices which could not be passed on to our customers in that short time, esp. due to the high share of key account customers. The improved overall profitability in the previous year as a result of short-time working and the support from the government therefore could not be reached again in last fiscal year even having a quite stable cost structure compared to previous year. The outlook to further improve the company's profit situation failed basically due to a loss in Sales combined with a negatively impacted gross margin. Accordingly, as mentioned at the outset, the year ended not only with a shortfall of the sales target but also with an EBT of DKK -6.4 million that was significantly below the expected improved EBT level of last year.

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, 2023.

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.

Management's Review

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.

Targets and expectations for the year ahead

The Corona pandemic aftermath in combination with the Ukraine war continues to influence the whole economy and the mood of companies and the willingness to invest. The current sharp rise in energy prices will pose further challenges in procurement and ongoing business operations. Due to the tight price situation in the entire raw materials market, we expect prices to continue to rise sharply in fiscal year 2022/2023, as they did in the final quarter of fiscal year 2021/2022.

Accordingly, we need to have an eye on our pricing politics and schemes to avoid additional gaps in our profitability from purchase prices. Despite all the geopolitical implications and all the uncertainties we are struggling with, we plan to grow by 3-5% in Sales versus previous year combined with full year effect from sales efficiency and a new go to market approach. The automotive aftermarket will increasingly be influenced by e-mobility with lower service requirements. Nevertheless, due to the current market situation, we see a declining number of new registrations in the passenger car segment. This in turn could lead to an increased service ratio, which could offset or more than compensate for the effects just described. Also, we see a trend that some car importers, often using OEM products, insource sales and exclude dealers, which are 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 on-site visits. Improving our gross margin by 2-3 percentage points will be a positive result from that but mainly depending from the further development in purchase prices and inflation costs. Our target for the upcoming year is an EBT between DKK -3.6 and -4.1 million.

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.

Management's Review

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	2021/22 DKK	2020/21 DKK
Gross profit/loss		59,499,048	64,862,925
Distribution expenses	2	-47,977,022	-51,453,098
Administrative expenses	2	-15,989,900	-15,875,736
Operating profit/loss		-4,467,874	-2,465,909
Other operating expenses		-435,214	-22,507
Profit/loss before financial income and expenses	3	-4,903,088	-2,488,416
Financial income		24,265	19,184
Financial expenses	4	-1,488,594	-1,792,389
Profit/loss before tax		-6,367,417	-4,261,621
Tax on profit/loss for the year	5	88,154	308,046
Net profit/loss for the year		-6,279,263	-3,953,575

Balance Sheet 31 March

Assets

	Note	2022 DKK	2021 DKK
Acquired licenses		0	31,278
Intangible assets	6	0	31,278
Land and buildings		6,575,359	7,509,004
Other fixtures and fittings, tools and equipment		255,446	519,488
Property, plant and equipment	7	6,830,805	8,028,492
Fixed assets		6,830,805	8,059,770
Inventories	8	17,257,974	17,844,958
Trade receivables		14,797,935	14,820,437
Receivables from group enterprises		434,980	699,767
Other receivables		51,937	287,167
Prepayments	9	644,857	1,017,041
Receivables		15,929,709	16,824,412
Cash at bank and in hand		2,551,602	8,100,019
Currents assets		35,739,285	42,769,389
Assets		42,570,090	50,829,159

Balance Sheet 31 March

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital	10	11,300,000	11,300,000
Retained earnings		-25,088,937	-18,809,674
Equity		-13,788,937	-7,509,674
Other payables		4,109,322	4,452,447
Long-term debt	12	4,109,322	4,452,447
Trade payables		6,662,826	7,811,632
Payables to group enterprises		33,004,643	36,610,211
Other payables	12	12,582,236	9,464,543
Short-term debt		52,249,705	53,886,386
Debt		56,359,027	58,338,833
Liabilities and equity		42,570,090	50,829,159
Going concern	1		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 April	11,300,000	-18,809,674	-7,509,674
Net profit/loss for the year	0	-6,279,263	-6,279,263
Equity at 31 March	11,300,000	-25,088,937	-13,788,937

Cash Flow Statement 1 April - 31 March

	Note	2021/22 DKK	2020/21 DKK
Net profit/loss for the year		-6,279,263	-3,953,575
Adjustments	13	2,866,406	3,231,406
Change in working capital	14	2,842,702	4,416,895
Cash flows from operating activities before financial income and expenses		-570,155	3,694,726
Financial income		24,265	19,184
Financial expenses		-1,488,594	-1,792,391
Cash flows from ordinary activities		-2,034,484	1,921,519
Corporation tax paid		-88,154	0
Received joint taxation contribution		176,308	308,046
Cash flows from operating activities		-1,946,330	2,229,565
Purchase of property, plant and equipment		-261,266	-816,795
Sale of property, plant and equipment		0	169,000
Cash flows from investing activities		-261,266	-647,795
Repayment of payables to group enterprises		-3,605,568	-547,173
Raising of loans from group enterprises		264,747	0
Cash flows from financing activities		-3,340,821	-547,173
Change in cash and cash equivalents		-5,548,417	1,034,597
Cash and cash equivalents at 1 April		8,100,019	7,065,422
Cash and cash equivalents at 31 March		2,551,602	8,100,019
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2,551,602	8,100,019
Cash and cash equivalents at 31 March		2,551,602	8,100,019

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, 2023.

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
2 Staff		
Wages and Salaries	37,114,490	39,190,089
Pensions	3,009,153	3,100,123
Other social security expenses	464,323	1,107,014
Other staff expenses	<u>286,001</u>	<u>427,799</u>
	<u>40,873,967</u>	<u>43,825,025</u>
Including remuneration to the Executive Board	<u>0</u>	<u>3,530,350</u>
Average number of employees	<u>73</u>	<u>83</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. for the fiscal year 2021/22.

	<u>2022</u> DKK	<u>2021</u> DKK
3 Special items		
Compensation, state aid schemes Covid-19	<u>0</u>	<u>2,670,786</u>
	<u>0</u>	<u>2,670,786</u>

Compensation, state aid schemes Covid-19 is recognized in "Other operating income" above "Gross profit/loss"

4 Financial expenses

Interest paid to group enterprises	1,415,114	1,640,110
Other financial expenses	<u>73,480</u>	<u>152,279</u>
	<u>1,488,594</u>	<u>1,792,389</u>

Notes to the Financial Statements

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
5 Tax on profit/loss for the year		
Current tax for the year	0	0
Adjustment of tax concerning previous years	-88,154	-308,046
	<u>-88,154</u>	<u>-308,046</u>
 6 Intangible assets		
		Acquired licenses
		DKK
Cost at 1 April		1,956,744
Disposals for the year		-456,125
Cost at 31 March		<u>1,500,619</u>
Impairment losses and amortisation at 1 April		1,925,466
Amortisation for the year		31,278
Reversal of amortisation of disposals for the year		-456,125
Impairment losses and amortisation at 31 March		<u>1,500,619</u>
 Carrying amount at 31 March		<u>0</u>

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 April	35,147,908	12,503,658
Additions for the year	0	261,266
Disposals for the year	0	-9,557,981
Cost at 31 March	<u>35,147,908</u>	<u>3,206,943</u>
Impairment losses and depreciation at 1 April	27,638,904	11,984,170
Depreciation for the year	933,645	525,308
Reversal of impairment and depreciation of sold assets	0	-9,557,981
Impairment losses and depreciation at 31 March	<u>28,572,549</u>	<u>2,951,497</u>
Carrying amount at 31 March	<u>6,575,359</u>	<u>255,446</u>

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
8 Inventories		
Finished goods and goods for resale	16,821,452	17,266,832
Prepayments for goods	<u>436,522</u>	<u>578,126</u>
	<u>17,257,974</u>	<u>17,844,958</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

Retained earnings	<u>-6,279,263</u>	<u>-3,953,575</u>
	<u>-6,279,263</u>	<u>-3,953,575</u>

Notes to the Financial Statements

12 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>2022</u> DKK	<u>2021</u> DKK
Other payables		
After 5 years	4,109,322	4,452,447
Long-term part	4,109,322	4,452,447
Other short-term payables	12,582,236	9,464,543
	<u>16,691,558</u>	<u>13,916,990</u>
	<u>2021/22</u> DKK	<u>2020/21</u> DKK
13 Cash flow statement - adjustments		
Financial income	-24,265	-19,184
Financial expenses	1,488,594	1,792,389
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,490,231	1,766,247
Tax on profit/loss for the year	-88,154	-308,046
	<u>2,866,406</u>	<u>3,231,406</u>
14 Cash flow statement - change in working capital		
Change in inventories	586,984	740,021
Change in receivables	629,957	307,353
Change in trade payables, etc	1,625,761	3,369,521
	<u>2,842,702</u>	<u>4,416,895</u>

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
15 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>6,575,359</u>	<u>7,509,004</u>
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2,386,688	3,095,657
Between 1 and 5 years	<u>1,264,148</u>	<u>2,255,833</u>
	<u>3,650,836</u>	<u>5,351,490</u>
Rental obligations. Total future rental payments:	<u>33,113</u>	<u>33,113</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.

Deferred tax asset related to tax losses amounts to DKK 23 million. Based on uncertainty related to future projected earnings for the coming years, Management has considered it fair not to recognise the asset.

Notes to the Financial Statements

16 Related parties

	<u>Basis</u>
Controlling interest	
Berner Trading Holding GmbH, Bernerstrasse 6, 74653 Künzelsau, Germany, HRB 739678	Parent company
B.yond, Bernerstrasse 6, 74653 Künzelsau, Germany	Ultimate 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

17 Accounting Policies

The Annual Report of Berner A/S for 2021/22 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 2021/22 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

17 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, cost of sales, other operating income.

Notes to the Financial Statements

17 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

17 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	4 - 25 years
Other fixtures and fittings, tools and equipment	3-15 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.

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, raw materials and consumables equals landed cost.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Financial debts

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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