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# ***BERNER A/S***

Stenholm 2, DK-9400 Nørresundby

## **Annual Report for 1 April 2022 - 31 March 2023**

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CVR No. 28 23 53 13

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 29/9 2023

Stefan Rennig  
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 Financial Statements of BERNER A/S for the financial year 1 April 2022 - 31 March 2023.

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 2023 of the Company and of the results of the Company operations and cash flows for 2022/23.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Nørresundby, 29 September 2023

## Executive Board

Jesper Nørskov Hansen  
CEO

## Board of Directors

Peter Schmidt  
Chairman

Stefan Heinrich Georg Rennig

Roman Johannes Schäfer

# 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 2023 and of the results of the Company's operations and cash flows for the financial year 1 April 2022 - 31 March 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BERNER A/S for the financial year 1 April 2022 - 31 March 2023, 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 Financial 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.

## 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.

# Independent Auditor's report

## 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 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, 29 September 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jan Bunk Harbo Larsen

State Authorised Public Accountant

mne30224

Rasmus Møllgaard Stenskrøg

State Authorised Public Accountant

mne34161

## Company information

<b>The Company</b>	<p>BERNER A/S Stenholm 2 DK-9400 Nørresundby</p> <p>CVR No: 28 23 53 13 Financial period: 1 April 2022 - 31 March 2023 Incorporated: 27 November 1970 Municipality of reg. office: Aalborg</p>
<b>Board of Directors</b>	<p>Peter Schmidt, chairman Stefan Heinrich Georg Rennig Roman Johannes Schäfer</p>
<b>Executive Board</b>	<p>Jesper Nørskov Hansen</p>
<b>Auditors</b>	<p>PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A DK-9000 Aalborg</p>

# Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	59,322	59,499	64,863	66,604	73,438
Profit/loss of ordinary primary operations	-3,703	-4,468	-2,466	-11,733	-9,922
Profit/loss of financial income and expenses	-1,725	-1,464	-1,773	-1,093	-805
Net profit/loss	-5,266	-6,279	-3,954	-12,486	-10,426
<b>Balance sheet</b>					
Balance sheet total	47,840	42,570	50,829	52,211	53,156
Equity	10,945	-13,789	-7,510	-3,556	8,930
<b>Cash flows</b>					
Cash flows from:					
- investing activities	-882	-261	-648	-1,782	-1,381
Number of employees	72	73	83	96	105
<b>Ratios</b>					
Return on assets	-7.7%	-11.5%	-4.9%	-22.5%	-18.7%
Solvency ratio	22.9%	-32.4%	-14.8%	-6.8%	16.8%

# 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 income statement of the Company for 2022/23 shows a loss of DKK 5,265,651, and at 31 March 2023 the balance sheet of the Company shows positive equity of DKK 10,945,412.

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

The impact of the war of aggression on Ukraine ensured that the European economy also closed 2022 with lower economic output than initially forecast at the beginning of the year. All in all, we ended the year 2022/2023 with a decrease in sales of 2.0% compared to the previous year and 7.6% compared to budget. The gross margin deteriorated by around 2.4% compared with the previous year. In Details:

### Construction:

In particular, the ongoing supply bottlenecks for raw materials, materials and intermediate products posed additional challenges for the skilled trades. Due to the weakening of the economic environment in 2022, all trade groups in the skilled crafts sector saw a deterioration in their business situation compared with the previous year. According to Euroconstruct's analysis, growth in the 19 leading European countries in the construction sector has fallen from 5.8% in 2021 to 3% in 2022. The continuing shortage of skilled workers and raw materials as well as massive price increases for energy sources, raw materials, materials and precursors, as well as the Ukraine war, will continue to pose a major challenge in 2023. As a result of these general conditions, we lost 8.8% of sales in the Construction Division compared with the previous year.

### Automotive:

Following slumps in previous years, a further slump in production was felt in 2022 due to supply chain disruptions in the automotive industry. However, our strong presence in the market meant that we were able to increase sales in the automotive sector by 3.9% year-on-year. Nevertheless, price increases on the procurement market also resulted in lower margins here, as not all purchase price increases could be passed on to customers.

## Capital resources

The financial statements have been prepared for continued operation, as the parent company has provided the necessary credit facilities. The parent company increased the equity with DKK 30 mio. during the last year and has thus reaffirmed that the location and the business in Denmark are to be retained despite the negative earnings situation.

## 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

For the fiscal year 2023/24, we expect a low economic growth in the European area based on the currently available information of the Ukraine war. As of March 2023, the ECB assumes growth of 1.0%. There is a high degree of uncertainty regarding the economic impact with regard to inflation and remaining supply bottlenecks. Negative effects on operating business are expected from further increases in raw material prices and rising interest rates. 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 leads to an increased service ratio, which could offset or more than compensate for the effects just described and has also already shown in the past year. In the construction sector, we expect a further decline in orders from tradesmen, but hope to achieve further customer growth through our extensive services.

Although the European economy is expected to grow slightly, we assume that we will not be able to maintain our sales volume of 22/23 and expect a minus of 1.9% in sales.

In addition to lower sales, costs for procurement, personnel, energy, etc. continue to rise. These two effects will lead to a planned EBT between DKK -7 to -10 million.

For the following years, we expect the turnover to be positive EBIT from 2025/2026 onwards due to positive sales developments and a weakening of purchase price increases. We are in a highly competitive market, but we believe that the quality of our products combined with outstanding service and competent employees will enable us to regain market share in the years to come.

## 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 continue and extend our initiatives regarding the use of electric company cars for all our sales representatives and internal staff as well as we will increasingly launch "green" products that protect the environment and still have a high level of customer satisfaction in terms of quality and performance e.g. our new solvent-free and VOC-free X-treme parts cleaner.

## Intellectual capital resources

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

## Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

## Unusual events

The financial position at 31 March 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2022/23 have not been affected by any unusual events.

## Subsequent events

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

## Income statement 1 April 2022 - 31 March 2023

	Note	2022/23 DKK	2021/22 DKK
<b>Gross profit</b>		<b>59,321,980</b>	<b>59,499,048</b>
Distribution expenses	1	-47,713,757	-47,977,022
Administrative expenses	1	-15,311,438	-15,989,900
<b>Operating profit/loss</b>		<b>-3,703,215</b>	<b>-4,467,874</b>
Other operating expenses		0	-435,214
<b>Profit/loss before financial income and expenses</b>		<b>-3,703,215</b>	<b>-4,903,088</b>
Financial income		13,717	24,265
Financial expenses	2	-1,738,281	-1,488,594
<b>Profit/loss before tax</b>		<b>-5,427,779</b>	<b>-6,367,417</b>
Tax on profit/loss for the year	3	162,128	88,154
<b>Net profit/loss for the year</b>	4	<b>-5,265,651</b>	<b>-6,279,263</b>

# Balance sheet 31 March 2023

## Assets

	Note	2022/23	2021/22
		DKK	DKK
Acquired licenses		0	0
<b>Intangible assets</b>	5	<b>0</b>	<b>0</b>
Land and buildings		5,643,942	6,575,359
Other fixtures and fittings, tools and equipment		685,033	255,446
<b>Property, plant and equipment</b>	6	<b>6,328,975</b>	<b>6,830,805</b>
<b>Fixed assets</b>		<b>6,328,975</b>	<b>6,830,805</b>
<b>Inventories</b>	7	<b>19,079,139</b>	<b>17,257,974</b>
Trade receivables		14,553,607	14,797,935
Receivables from group enterprises		1,021,310	434,980
Other receivables		10,040	51,937
Prepayments	8	2,094,715	644,857
<b>Receivables</b>		<b>17,679,672</b>	<b>15,929,709</b>
<b>Cash at bank and in hand</b>		<b>4,752,710</b>	<b>2,551,602</b>
<b>Current assets</b>		<b>41,511,521</b>	<b>35,739,285</b>
<b>Assets</b>		<b>47,840,496</b>	<b>42,570,090</b>

# Balance sheet 31 March 2023

## Liabilities and equity

	Note	2022/23 DKK	2021/22 DKK
Share capital	9	11,300,000	11,300,000
Retained earnings		-354,588	-25,088,937
<b>Equity</b>		<b><u>10,945,412</u></b>	<b><u>-13,788,937</u></b>
Other payables		4,103,054	4,109,322
<b>Long-term debt</b>	10	<b><u>4,103,054</u></b>	<b><u>4,109,322</u></b>
Trade payables		7,856,710	6,662,826
Payables to group enterprises		18,541,209	33,004,643
Other payables	10	6,394,111	12,582,236
<b>Short-term debt</b>		<b><u>32,792,030</u></b>	<b><u>52,249,705</u></b>
<b>Debt</b>		<b><u>36,895,084</u></b>	<b><u>56,359,027</u></b>
<b>Liabilities and equity</b>		<b><u>47,840,496</u></b>	<b><u>42,570,090</u></b>
Contingent assets, liabilities and other financial obligations	13		
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## Statement of changes in equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 April	11,300,000	-25,088,937	-13,788,937
Contribution from group	0	30,000,000	30,000,000
Net profit/loss for the year	0	-5,265,651	-5,265,651
<b>Equity at 31 March</b>	<b>11,300,000</b>	<b>-354,588</b>	<b>10,945,412</b>

## Cash flow statement 1 April 2022 - 31 March 2023

	Note	2022/23 DKK	2021/22 DKK
Result of the year		-5,265,651	-6,279,263
Adjustments	11	2,946,118	2,866,406
Change in working capital	12	-8,565,369	2,842,702
<b>Cash flow from operations before financial items</b>		<b>-10,884,902</b>	<b>-570,155</b>
Financial income		13,717	24,265
Financial expenses		-1,738,281	-1,488,594
<b>Cash flows from ordinary activities</b>		<b>-12,609,466</b>	<b>-2,034,484</b>
Corporation tax paid		162,128	88,154
<b>Cash flows from operating activities</b>		<b>-12,447,338</b>	<b>-1,946,330</b>
Purchase of property, plant and equipment		-881,852	-261,266
<b>Cash flows from investing activities</b>		<b>-881,852</b>	<b>-261,266</b>
Repayment of payables to group enterprises		-14,463,434	-3,605,568
Repayment of other long-term debt		-6,268	0
Raising of payables to group enterprises		0	264,747
Contribution from Group		30,000,000	0
<b>Cash flows from financing activities</b>		<b>15,530,298</b>	<b>-3,340,821</b>
<b>Change in cash and cash equivalents</b>		<b>2,201,108</b>	<b>-5,548,417</b>
Cash and cash equivalents at 1 April		2,551,602	8,100,019
<b>Cash and cash equivalents at 31 March</b>		<b>4,752,710</b>	<b>2,551,602</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4,752,710	2,551,602
<b>Cash and cash equivalents at 31 March</b>		<b>4,752,710</b>	<b>2,551,602</b>

# Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>1. Staff</b>		
Wages and salaries	34,181,143	37,114,490
Pensions	2,672,673	3,009,153
Other social security expenses	513,593	464,323
Other staff expenses	287,987	286,001
	<u>37,655,396</u>	<u>40,873,967</u>
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Distribution expenses	34,843,884	37,710,540
Administrative expenses	2,811,512	3,163,427
	<u>37,655,396</u>	<u>40,873,967</u>
<b>Including remuneration to the Executive Board</b>	<u>2,409,132</u>	
<b>Average number of employees</b>	<u>72</u>	<u>73</u>
	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>2. Financial expenses</b>		
Interest paid to group enterprises	1,723,183	1,415,114
Other financial expenses	15,098	73,480
	<u>1,738,281</u>	<u>1,488,594</u>
	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>3. Income tax expense</b>		
Adjustment of tax concerning previous years	-162,128	-88,154
	<u>-162,128</u>	<u>-88,154</u>

## Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK
<b>4. Profit allocation</b>		
Retained earnings	-5,265,651	-6,279,263
	<u>-5,265,651</u>	<u>-6,279,263</u>

## 5. Intangible fixed assets

	Acquired licenses
	DKK
Cost at 1 April	1,500,619
Cost at 31 March	<u>1,500,619</u>
Impairment losses and amortisation at 1 April	1,500,619
Impairment losses and amortisation at 31 March	<u>1,500,619</u>
<b>Carrying amount at 31 March</b>	<u><b>0</b></u>

## 6. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 April	35,147,908	3,206,944
Additions for the year	0	881,851
Cost at 31 March	<u>35,147,908</u>	<u>4,088,795</u>
Impairment losses and depreciation at 1 April	28,572,549	2,951,497
Depreciation for the year	931,417	452,265
Impairment losses and depreciation at 31 March	<u>29,503,966</u>	<u>3,403,762</u>
<b>Carrying amount at 31 March</b>	<u><b>5,643,942</b></u>	<u><b>685,033</b></u>



## Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>7. Inventories</b>		
Inventories - Finished goods and goods for resale	18,986,876	16,821,452
Inventories - Prepayment for goods	92,263	436,522
	<u>19,079,139</u>	<u>17,257,974</u>

## 8. 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.

## 9. Share capital

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

## 10. 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>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>Other payables</b>		
After 5 years	4,103,054	4,109,322
Long-term part	4,103,054	4,109,322
Within 1 year	0	0
Other short-term payables	6,394,111	12,582,236
	<u>10,497,165</u>	<u>16,691,558</u>

# Notes to the Financial Statements

<u>2022/23</u>	<u>2021/22</u>
DKK	DKK

## 11. Cash flow statement - Adjustments

Financial income	-13,717	-24,265
Financial expenses	1,738,281	1,488,594
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,383,682	1,490,231
Tax on profit/loss for the year	-162,128	-88,154
	<u>2,946,118</u>	<u>2,866,406</u>

<u>2022/23</u>	<u>2021/22</u>
DKK	DKK

## 12. Cash flow statement - Change in working capital

Change in inventories	-1,821,165	586,984
Change in receivables	-1,749,963	629,957
Change in trade payables, etc	-4,994,241	1,625,761
	<u>-8,565,369</u>	<u>2,842,702</u>

<u>2022/23</u>	<u>2021/22</u>
DKK	DKK

## 13. 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	5,643,942	6,575,359
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### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	3,088,179	2,386,688
Between 1 and 5 years	2,396,108	1,264,148
	<u>5,484,287</u>	<u>3,650,836</u>

### Other contingent liabilities

Deferred tax asset related to tax losses amounts to DKK 24 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

## 14. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
<b>Controlling interest</b>	
Berner Omnichannel Trading Holding SE, Bernerstrasse 6, 74653 Künzelsau, Germany	Parent company
B.yond SE, 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 Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
B.yond SE	Bernerstrasse 6, 74653 Künzelsau, Germany
Berner Group Holding SE & Co. KG	Bernerstrasse 6, 74653 Künzelsau, Germany

The Group Annual Report of B.yond SE may be obtained at the following address:

Bernerstrasse 6, 74653 Künzelsau, Germany

# Notes to the Financial Statements

## 15. Accounting policies

The Annual Report of BERNER A/S for 2022/23 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.

The Financial Statements for 2022/23 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.

### 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.

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

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. Gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

# Notes to the Financial Statements

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

## Income statement

### Net sales

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.

### Production expenses

Production expenses comprise costs incurred to achieve revenue for the year. Cost comprises goods for resale, 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

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, production expenses and other operating income.

### 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.

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

### 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 gains and losses on the sale of property, plant and equipment.

### Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

### Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

# Notes to the Financial Statements

## Balance sheet

### Intangible fixed 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 year.

### 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 property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by 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 and costs of completion. 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.

### 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.

### 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.

# Notes to the Financial Statements

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

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 receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

## 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.

## Financial Highlights

### Explanation of financial ratios

Return on assets  $\text{Profit before financials} \times 100 / \text{Total assets at year end}$

Solvency ratio  $\text{Equity at year end} \times 100 / \text{Total assets at year end}$