Bregnerød Investeringsselskab ApS

Vassingerødvej 147, 3540 Lynge

CVR no. 31 36 49 49

Annual report 2021

Approved at the Company's annual general meeting on 5 July 2022

Chairman:

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Jan Sørensen

Contents

Statement by Management

The Executive Board have today discussed and approved the annual report of Bregnerød Investeringsselskab ApS for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results for the year and the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 5 July 2022
Executive Board:

Henrik Lyngbye Pedersen	Jan Sørensen

Independent auditor's report

To the shareholder of Bregnerød Investeringsselskab ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Bregnerød Investeringsselskab ApS for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 the Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

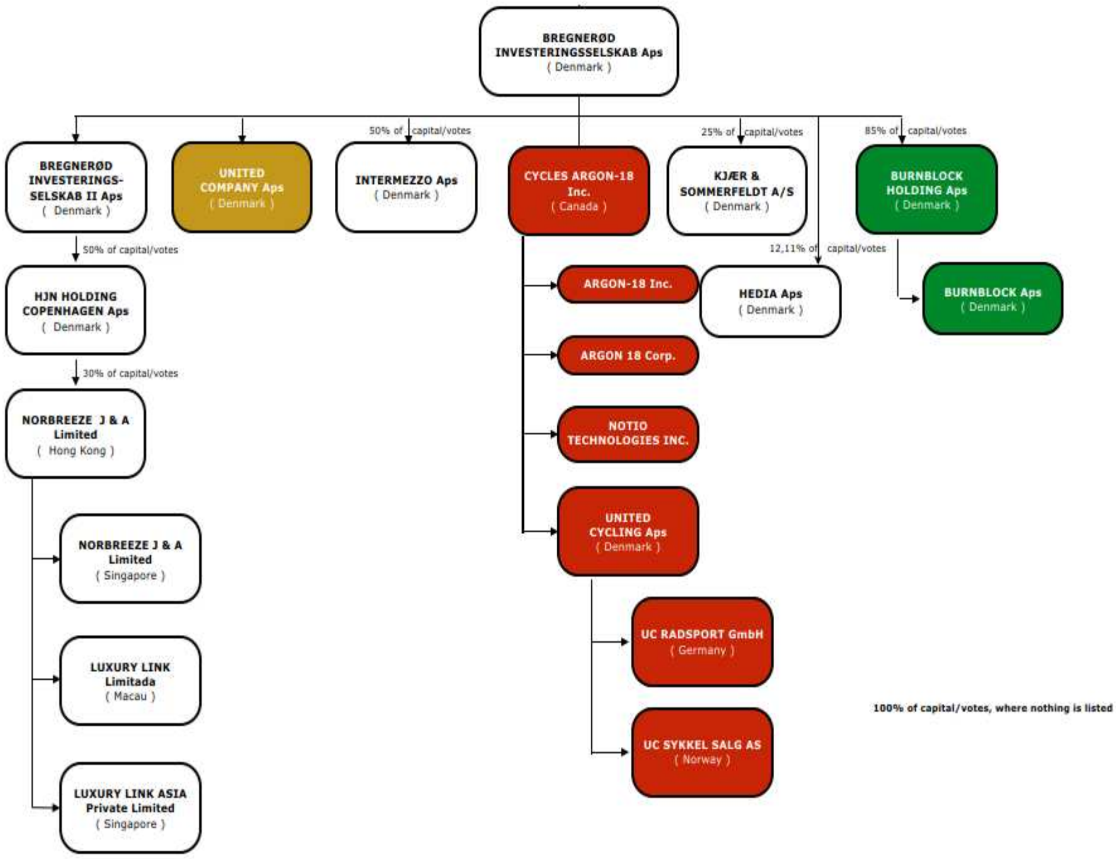
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 5 July 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Weinreich Larsen
State Authorised
Public Accountant
mne42791

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2021	2020	2019
Key figures			
Revenue	123,217	103,207	105,003
Gross profit/loss	20,070	11,635	-4,874
Operating profit/loss	-31,294	-35,678	-54,102
Profit/loss from net financials	933	-6,540	-8,377
Profit/loss for the year	-25,331	-39,493	-59,168
Non-current assets	68,693	71,066	66,546
Current assets	74,824	53,095	64,703
Total assets	143,517	124,161	131,249
Amount relating to investments in property, plant and equipment	3,420	9,530	2,610
Equity	-4,803	23,746	-41,965
Non-current liabilities	98,481	74,421	131,672
Current liabilities	49,838	25,994	41,542
Cash flows from operating activities	-43,736	-16,784	-12,753
Cash flows from investing activities	-1,006	-6,008	-20,268
Cash flows from financing activities	35,317	30,333	35,869
Total cash flows	-9,425	7,540	2,848
Financial ratios			
Operating margin (%)	-25.4	-34.6	-51.5
Gross margin (%)	16.3	11.3	-4.6
Current ratio (%)	150.1	204.3	155.8
Equity ratio (%)	2.9	23.5	-22.2
Return on equity (%)	-151.9	-67.9	-1,617.7
Average number of full-time employees	72	71	79

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

Management's review

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss (EBIT) x 100}}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{current liabilities}}$
Equity ratio	$\frac{\text{Equity ex. non-controlling interest at year end x 100}}{\text{Total equity and liabilities at year end}}$
Profit/loss for analytical purposes	Profit/loss less non-controlling interests' share thereof
Return on equity	$\frac{\text{Profit/loss for the year after tax ex. non-controlling interests x 100}}{\text{Average equity ex. non-controlling interests}}$

Principal activities

The main activity of the Group is to design, produce and market bikes and related accessories including technologies and clothing. The Group consist of legal entities in Denmark, Canada, US and Germany.

The main activity of the Parent company is to invest in subsidiaries and to perform management services to support the activities in the investments.

Development in activities and financial matters

The income statement shows a loss of DKK 25.3 million for the Group (2020: a loss of DKK 39.5 million) and a loss of DKK 26.3 million for the Parent Company (2020: a loss of DKK 41.4). The result is considered unsatisfactory but in line with expectations and positively impacted by DKK 4,531 thousand from Covid-19 aid packages. Reference is made to note 3.

The Groups equity on 31 December 2021 is negative with DKK 4.8 million and the balance sheet amounts to DKK 143.5 million.

Financing

The main source of financing for the Parent Company is shareholder loans and mortgage loans from credit institutions. Group entities are primarily financed by loans from Parent Company and through working capital.

At 31 December 2021 the equity is negative with DKK 4.8 million. The equity of the Parent company and Group will be re-established in 2022 by completion of debt conversion. In addition, the Company have obtained a letter of support from its shareholder committing to provide the required financial support to the Company in 2022. On basis hereof the consolidated financial statements and the parent company financial statements of 2021 is prepared on basis of the going concern assumption.

Outlook

Due to the uncertainty towards the continued impact of Covid-19, the conflict in Ukraine and supply chain complications on the global economy the outlook for 2022 is highly unpredictable.

Management expects that the Group for 2022 will incur losses however that these losses will be lower than 2021 and in the range of DKK 10 - 20 million. Management have initiated plans to increase revenue through improvement of sales channels and initiated plans to reduce costs through efficiency projects. On basis of these initiatives Management expects that the Group will be profitable within a few years.

Events after the balance sheet date

The continued impact of Covid-19, the conflict in Ukraine and supply chain complications has negatively impacted the Group in 2022 and these factors are expected to cause short- and middle term recession in the global economy including countries where the Group operates and markets its products.

Management determined that such financial and economic market uncertainty is indicative of conditions that arose subsequent to the financial statements date and therefore, the assets and liabilities of the Group as at December 31, 2021 were not adjusted to reflect the continued impact of Covid-19, the conflict in Ukraine and supply chain complications.

Given the outcome and timeframe to a recovery from the current pandemic, the uncertainty towards the development in the conflict in Ukraine and the recovery of supply chain is highly unpredictable, it is not practicable to estimate and disclose the future impact on the Groups financial position at this time.

Risks

General risks

The Group's main activities is subject to risks related to the general development in the global economy including risk of recession and decline in consumer products.

Financial risks and interest rate risks

The Groups main source of financing is from shareholder loans. At 31 December 2021 payables to the shareholder amounts to DKK 88.3 million. During 2022 new shareholder loans will be granted to support the Group's activities.

Currency risks

Currency risk corresponds to the fair market value of a financial instrument that fluctuates due to the variation of foreign exchange rates. The Group is primarily exposed to risks related to devaluation of DKK vs USD and CAD exchange rate however the risk is reduced due to the net impact of working capital in USD and CAD.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

Note	DKK'000	Group 2021	Group 2020	Parent 2021	Parent 2020
	Revenue	123,218	103,207	0	0
	Cost of sales	-82,547	-70,706	0	0
3	Other operating income	4,671	5,715	5,938	5,197
	Other operating expenses	0	-660	0	0
	Other external expenses	-25,272	-25,922	-8,664	-10,201
	Gross profit/loss	20,070	11,635	-2,726	-5,004
4	Staff costs	-42,269	-39,222	-931	-841
	Depreciation, amortisation and impairment losses	-9,095	-8,091	-2,161	-2,109
	Profit/loss before net financials	-31,294	-35,678	-5,818	-7,954
	Income from investments in subsidiaries	0	0	-6,031	-25,627
	Income from participating interests	4,789	2,516	5,232	2,452
5	Financial income	5,499	199	8,384	17,380
6	Financial expenses	-4,566	-6,739	-28,099	-27,713
	Profit/loss before tax	-25,572	-39,702	-26,332	-41,461
7	Tax for the year	241	209	0	43
	Profit/loss for the year	-25,331	-39,493	-26,332	-41,418
	Breakdown of the consolidated profit/loss:				
	Shareholders in Bregnerød Investeringsselskab ApS	-25,300	-39,482		
	Non-controlling interests	-31	-11		
		25,331	-39,493		

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	Group 2021	Group 2020	Parent 2021	Parent 2020
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Goodwill	0	0	0	0
	Completed development projects	0	3,256	0	0
	Patents and licenses	483	813	0	0
		483	4,069	0	0
9	**Property, plant and equipment**				
	Land and buildings	32,230	34,089	32,230	34,089
	Leasehold improvements	6,715	6,769	0	30
	Fixtures and fittings, tools and equipment	5,871	4,916	322	448
		44,816	45,775	32,552	34,567
	Other non-current assets				
	Deposits	0	41	3	0
10	Equity investments in group entities	0	0	22,156	28,195
11	Participating interests	13,550	11,260	13,086	10,854
	Other equity investments	9,844	9,921	9,843	9,843
	Receivables from subsidiaries	0	0	454	14,585
		23,394	21,222	45,542	63,477
	Total non-current assets	68,693	71,066	78,094	98,045
	Current assets				
	Inventories				
	Raw materials and consumables	41,107	10,033	0	0
	Finished goods and goods for resale	6,731	10,805	0	0
	Prepayments for goods	401	0	0	0
		48,239	20,838	0	0
	Receivables				
	Trade receivables	18,211	13,830	292	170
	Receivables from subsidiaries	0	0	8,825	5,373
	Receivables from participating interests	459	100	68	100
	Corporate tax receivable	301	986	1,459	0
	Other receivables	2,311	2,581	400	480
12	Prepayments	750	782	376	119
		22,032	18,278	11,420	6,242
	Cash	4,554	13,979	553	2,322
	Total current assets	74,824	53,095	11,973	8,564
	TOTAL ASSETS	143,517	124,161	90,067	106,609

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	Group 2021	Group 2020	Parent 2021	Parent 2020
	EQUITY AND LIABILITIES				
	Equity				
13	Share capital	175	175	175	175
	Exchange rate adjustments	408	193	0	0
	Retained earnings	3,525	28,825	-7,723	18,608
	Bregnerød Investeringsselskab ApS' shareholders' share of equity	4,108	29,193	-7,548	18,783
	Non-controlling interests	-8,911	-5,457	0	0
	Total equity	-4,803	23,746	-7,548	18,783
14	**Non-current liabilities**				
	Mortgage credit institutions	7,707	9,333	7,707	7,983
	Payables to shareholders	88,346	64,353	66,799	58,233
	Long term debt	1,248	0	0	0
	Other payables	1,180	736	0	0
	Total non-current liabilities	98,481	74,421	74,506	66,216
	Current liabilities				
	Current portion of long-term debt	672	857	0	0
	Warranty provision	0	664	0	0
	Credit institutions	13,401	0	0	0
	Mortgage credit institutions	432	592	432	592
	Trade payables	30,064	9,242	568	904
	Payables to subsidiaries	0	0	20,048	19,498
	Corporate tax payable	316	359	0	0
	Joint taxation payable	0	0	1,459	0
	Deposit	0	0	364	362
	Other payables	4,953	14,280	238	254
	Total current liabilities	49,838	25,994	23,109	21,610
	Total liabilities	148,320	100,415	97,615	87,826
	TOTAL EQUITY AND LIABILITIES	143,517	124,161	90,067	106,609

1 Accounting policies
2 Events after the balance sheet date
3 Special items
15 Contractual obligations and contingencies, etc.
16 Mortgages and collateral
17 Related parties

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

		Group					
Note	DKK'000	Share capital	Retained earnings	Exchange rate adjustments	Total	Non-controlling interests	Total equity
	Equity at 1 January 2021	175	28,825	193	29,193	-5,457	23,736
	Exchange rate adjustments	0	0	215	215	10	225
	Purchases of minority shares	0	0	0	0	-3,825	-3,825
	Sales of minority shares	0	0	0	0	392	392
18	Transferred; see distribution of profit/loss	0	-25,300	0	-25,300	-31	-25,331
	Equity at 31 December 2021	175	3,525	408	4,108	-8,911	-4,803

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Proposed dividend	Total
		Parent					
	Equity at 1 January 2021	175	0	0	18,609	0	18,783
18	Transferred; see distribution of profit/loss	0	0	0	-26,332	0	-26,332
	Equity at 31 December 2021	175	0	0	-7,723	0	-7,548

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

Note	DKK'000	Group 2021	Group 2020
	Profit/loss before net financials	-31,294	-35,678
	Depreciation and amortisation	9,095	7,324
	Other adjustments of non-cash operating items	540	-2,400
	Cash generated from operations before changes in working capital	-21,659	-30,754
19	Changes in working capital	-19,858	15,230
	Cash generated from operations	-41,517	-15,524
	Interest received	20	199
	Interest paid	-2,882	-944
	Corporation tax received	643	-515
	Cash flows from operating activities	-43,736	-16,784
	Acquisition of intangible assets	-86	0
	Acquisition of property, plant and equipment	-3,420	-9,112
	Disposal of property, plant and equipment	0	1,104
	Acquisition of subsidiaries and activities	0	0
	Acquisition of associates	-500	0
	Dividend received from associates	3,000	2,000
	Disposal of securities	0	0
	Cash flows from investing activities	-1,006	-6,008
	Loan financing:		
	Repayment of non-current liabilities	-5,801	-14,138
	Net variation of credit facility	13,401	0
	Proceeds from incurring mortgage debt	1,062	1,918
	Proceeds from incurring shareholder debt	26,655	42,553
	Shareholders:		
	Distributed dividend	0	0
	Cash flows from financing activities	35,317	30,333
	Cash flows for the year	-9,425	7,540
	Cash and cash equivalents, beginning of year	13,979	6,439
	Cash and cash equivalents, year end	4,554	13,979

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Bregnerød Investeringsselskab ApS for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company Bregnerød Investeringsselskab ApS and subsidiaries controlled by Bregnerød Investeringsselskab ApS.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Significant influence

Entities over whose financial and operating decisions the Group can exercise significant influence are classified as associates. Significant influence is deemed to exist when the Parent Company holds or controls, directly or indirectly, more than 20% of the voting rights of an entity but does not control it.

The existence of potential voting rights that may currently be exercised or converted into voting rights is considered when assessing whether significant influence exists.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

The subsidiaries' financial statement items are included 100% in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries that are not wholly owned are included in the Group's profit/loss and equity, respectively, but are presented separately.

Acquisitions and disposals of non-controlling interests that are still controlled are recognised directly in equity as a transaction between shareholders.

Equity investments in associates are recognised in the consolidated financial statements using the equity method.

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' equity interest.

Goodwill relating to the non-controlling interests' share of the acquiree is thus recognised.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities, associates and equity interests are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign group entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign group entities that are considered part of the total net investment in the group entity are recognised directly in the translation reserve under equity. Correspondingly, foreign exchange gains and losses on loans and derivative financial instruments hedging net investments in foreign group entities are recognised directly in the translation reserve under equity.

On translation of foreign group entities that are integral entities, monetary items are recognised at the exchange rates at the balance sheet date. Non-monetary items are recognised at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

On the conclusion of sales contracts that consist of several separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods and services are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be estimated reliably and when each individual sales transaction represents a stand-alone value for the buyer. Sales transactions are deemed to have a stand-alone value for the buyer when the transaction is individually identifiable and usually sold separately.

Revenue is measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Revenue from the sale of goods

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer, the income can be measured reliably, and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from the sale of goods where installation is a prerequisite for considering significant risks to have been transferred to the buyer is recognised in revenue when the installation is complete.

Cost of sales

Cost of sales includes the cost of goods used in generating the year’s revenue.

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses include the year’s expenses relating to the Group’s core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Group's employees. Refunds received from public authorities are deducted from staff costs.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company acts as administration company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporation tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current income tax, joint taxation contribution and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development projects, patents and licenses

Development costs comprise expenses, salaries and amortisation charges directly attributable to development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential are evidenced, and where the Group intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well as development costs. Other development costs are recognised in the income statement as incurred.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 20 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Individual components of property, plant and equipment that have different useful lives are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

Buildings	25 years
Installations associated with buildings	10 years
Leasehold improvements	5 years
Fixtures and fittings, tools and equipment	5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of future lease payments. In calculating the present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

Equity investments in subsidiaries and associates in the parent company financial statements

Equity investments in subsidiaries and associates are measured according to the equity method in the parent company financial statements. The Parent Company has chosen to consider the equity method a measurement method.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Net revaluation of equity investments is recognised under equity in the net revaluation reserve according to the equity method to the extent that the carrying amount exceeds cost.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and equity investments in subsidiaries and associates is tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is indication of impairment. Write-down is made to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production overheads. Production overheads comprise costs of material and labour as well as maintenance of and depreciation on production machinery, buildings and equipment as well as costs relating to plant administration and management.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to affect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Parent Company and the Group. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Net revaluation reserve according to the equity method

Net revaluation of equity investments in subsidiaries and associates is recognised at cost in the net revaluation reserve according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Proposed Dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account.

Joint taxation contributions payable and receivable are recognised in the balance sheet as corporation tax receivable or corporation tax payable.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash flow statement

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid. Interest received is classified as cash flows from operating activities.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments. Dividends received regarding securities are also considered investing activities.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are subject to only minor risks of changes in value.

2 Events after the balance sheet date

The continued impact of Covid-19, the conflict in Ukraine and supply chain complications has negatively impacted the Group in 2022 and these factors are expected to cause short- and middle term recession in the global economy including countries where the Group operates and markets its products.

Management determined that such financial and economic market uncertainty is indicative of conditions that arose subsequent to the financial statements date and therefore, the assets and liabilities of the Group as at December 31, 2021 were not adjusted to reflect the continued impact of Covid-19, the conflict in Ukraine and supply chain complications.

Given the outcome and timeframe to a recovery from the current pandemic, the uncertainty towards the development in the conflict in Ukraine and the recovery of supply chain is highly unpredictable, it is not practicable to estimate and disclose the future impact on the Groups financial position at this time

3 Special items

The Groups result for 2021 is positively impacted by DKK 4,531 thousand from subsidy programs related to the COVID-19 pandemic regarding payroll compensation and leasing compensation. The amounts are recorded under other operating income. The Parent Company has not received any aid-packages in 2021.

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DKK'000	Group 2021	Group 2020	Parent 2021	Parent 2020
4 Staff costs				
Wages and salaries	37,286	35,493	900	840
Pensions	1,307	673	0	0
Other social security costs	2,620	2,618	2	0
Other staff costs	1,056	438	29	1
	42,269	39,222	931	841
Average number of full-time employees	72	71	1	1

By reference to section 98b(3), (ii), of the Danish Financial Statement Act, remuneration to Management is not disclosed for 2021.

DKK'000	Group 2021	Group 2020	Parent 2021	Parent 2020
5 Financial income				
Interest income from subsidiaries & participating	16	0	2,918	2,078
Reversal of impairment of group receivables	0	0	0	13,216
Other financial income	5,483	199	5,467	2,086
	5,499	199	8,385	17,380
6 Financial expenses				
Interest expenses to subsidiaries	0	0	593	201
Interest expenses to shareholder	1,896	2,948	1,896	2,948
Impairment of receivables from subsidiaries	0	0	25,446	23,957
Other interest expenses	2,670	3,791	164	607
	4.566	6,739	28,099	27,713
7 Tax for the year				
Current tax for the year	-48	0	0	0
Tax adjustments, prior year	289	209	0	43
	241	209	0	43

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

8 Intangible assets

DKK'000	Group Completed development projects	Patents and licenses	Goodwill	Total
Cost at 1 January 2021	7,048	3,882	58,792	69,722
Additions	86	0	0	86
Disposals	0	0	0	0
Exchange rate adjustments	565	72	0	637
Cost at 31 December 2021	7,699	3,954	58,792	70,445
Amortisation and impairment losses at 1 January 2021	3,792	3,069	58,792	65,653
Disposals	0	0	0	0
Amortisation	3,230	603	0	3,833
Exchange rate adjustments	677	-201	0	476
Amortisation and impairment losses at 31 December 2021	7,699	3,471	58,792	69,962
Carrying amount at 31 December 2021	0	483	0	483
Amortised over	3 years	3-20 years	5 years	

Completed development projects

Completed development projects include development and test of sensor technology for optimizing biking performance.

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9 Property, plant and equipment

	Group			
DKK'000	Land and buildings	Leasehold improve-ments	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2021	40,676	7,099	12,134	59,909
Additions	145	146	3,129	3,420
Disposals	0	0	-188	-188
Exchange rate adjustments	0	584	878	1,462
Cost at 31 December 2021	40,821	7,830	15,953	64,604
Depreciation and impairment losses at 1 January 2021	6,587	330	7,218	14,135
Depreciation	2,004	746	2,512	5,262
Disposals	0	0	-188	-188
Exchange rate adjustments	0	39	540	579
Depreciation and impairment losses at 31 December 2021	8,591	1,115	10,082	19,788
Carrying amount at 31 December 2021	32,320	6,715	5,871	44,816
Property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	0	1,091	1,091
Depreciated over	10-25 years	5 years	5 years	

	Parent			
DKK'000	Land and buildings	Leasehold improve-ments	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2021	40,676	95	633	41,403
Additions	145	0	0	145
Disposals	0	0	0	0
Cost at 31 December 2021	40,821	95	633	41,548
Depreciation and impairment losses at 1 January 2021	6,587	65	185	6,836
Depreciation	2,004	30	127	2,161
Disposals	0	0	0	0
Depreciation and impairment losses at 31 December 2021	8,591	95	312	8,998
Carrying amount at 31 December 2021	32,230	0	322	32,551
Property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	0	0	0
Depreciated over	10-25 years	5 years	5 years	

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DKK'000	Parent 2021	Parent 2020
10 Equity investments in subsidiaries		
Cost at 1 January	205,363	173,498
Additions	1	32,098
Disposals	-1,129	-233
Cost at 31 December	204,235	205,363
Value adjustments at 1 January	-177,168	-151,541
Disposals	1,119	0
Profit/loss for the year	-6,030	-25,627
Value adjustments at 31 December	-182,079	-177,168
Carrying amount at 31 December	22,156	28,195

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
Bregnerød Investeringsselskab II ApS, Copenhagen, Denmark	100%	447	20,011
United Company ApS, Lynge, Denmark	100%	-140	2,144
Argon 18 Europe ApS, Lynge, Denmark	100%	-7,299	-953
Burnblock Holding ApS, Copenhagen, Denmark	75%	-125	-36,430
Burnblock ApS, Copenhagen, Denmark	75%	1,482	2,954
Cycles Argon-18 Inc., Montreal, Canada	100%	-26,688	-70,391

All subsidiaries are considered separate entities.

DKK'000	Group 2021	Group 2020	Parent 2021	Parent 2020
11 Participating interests				
Cost at 1 January	24,010	24,010	5,874	5,874
Additions	500	0	0	0
Transferred to subsidiaries	0	0	0	0
Cost at 31 December	24,510	24,010	5,874	5,874
Value adjustments at 1 January	-12,750	-13,171	4,979	4,528
Distributed dividend	-3,000	-2,000	-3,000	-2,000
Profit/loss for the year	4,790	2,421	5,233	2,452
Transferred to subsidiaries	0	0	0	0
Value adjustments at 31 December	-10,960	-12,750	7,212	4,980
Carrying amount at 31 December	13,550	11,260	13,086	10,854

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
Intermezzo ApS, Copenhagen, Denmark	50%	3	168
Kjær & Sommerfeldt A/S, Copenhagen, Denmark	25%	20,926	52,009
HJN Holding Copenhagen ApS	45%	-62	811
Trail Food Company ApS	50%	-890	109

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12 **Prepayments**

Prepayments include accrual of expenses relating to subsequent financial years.

13 **Share capital**

The share capital comprises:

175,002 class A shares of DKK 1 each
The share capital has remained DKK 175 thousand over the past five years.

The Company held no treasury shares at the balance sheet date. No treasury shares were acquired or sold in the financial year.

14 **Non-current liabilities**

Of the long-term liabilities, DKK 5,865 thousand falls due for payment after more than five years after the balance sheet date. These relate to payables to credit institutions.

15 **Contractual obligations and contingencies, etc.**

Contingent liabilities

The Group is party to a few pending legal actions. In Management's opinion, the outcome of these legal actions will not affect the Group's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2021.

The Parent Company is jointly taxed with the Danish subsidiaries. As administration company, the Company has unlimited joint and several liability, together with the subsidiary, for payment of Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. The jointly taxed entities' total known net liability in respect of corporation taxes and withholding taxes payable on dividend, interest and royalties amounted to DKK 0 thousand at 31 December 2021. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc., may entail that the entities' liability will increase. The Group as a whole is not liable to any third parties.

The Group's Danish entities are jointly and severally liable for joint VAT registration.

Operating lease commitments

The Group's entities have entered into operating leases with a remaining term of 60 months. The remaining nominal lease commitment totals DKK 11,449 thousand.

16 **Mortgages and collateral**

Land and buildings with a carrying amount of DKK 32,320 thousand at 31 December 2021 have been provided as collateral for debt to mortgage credit institutions of DKK 8,139 thousand

The Parent Company have issued letter of support to its subsidiaries Burnblock Holding ApS, Argon 18 Europe ApS and Cycles Argon 18 Inc. for commitments up to and including 31 December 2022. The letter of support issued to Cycles Argon 18 Inc. is limited to five million Canadian dollars.

The Parent Company have issued security to its subsidiary United Company ApS bank accounts for commitments up to and including 31st December 2022.

17 **Related parties**

Bregnerød Investeringsselskab ApS' related parties comprise the following:

Control

Henrik Lyngbye Pedersen holds 100% of the share capital in the Company.

Consolidated financial statements and parent company financial statements 1 January – 31 December

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17 Related parties (continued)

Related party transactions

DKK'000	2021	2020
Group		
Receivables from associates	459	100
Parent		
Sale of goods and services to subsidiaries	5,932	5,192
Sale of goods and services to participating interests	6	5
Purchase of goods and services from subsidiaries	1,781	1,740
Interest expenses to shareholder	1,896	2,948
Interest income from subsidiaries	1,358	2,078
Interest expenses to subsidiaries	593	587
Receivables from subsidiaries	8,825	5,373
Receivables from participating interests	68	100
Payables to shareholder	66,799	58,233
Payables to subsidiaries	20,048	19,498

Apart from obtained shareholder loan including interest, no other transactions were carried out with shareholders during the year.

	Parent	
DKK'000	2021	2020
18 Distribution of profit/loss		
Proposed distribution of profit/loss	-26,332	-41,418
Dividend proposed for the year	0	0
Transferred to equity reserves	0	0
	-26,332	-41,418

	Group	
DKK'000	2021	2020
19 Changes in working capital		
Changes in inventories	-27,401	13,990
Changes in receivables	-4,397	5,734
Changes in trade and other payables	11,940	-4,494
	19,858	15,230

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Jan Sørensen
Direktion
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Jan Sørensen
Dirigent
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Henrik Lyngbye Pedersen
Direktion
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