
CM Biomass Partners A/S

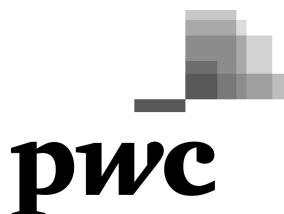
Klubiensvej 22, DK-2150 Nordhavn

Annual Report for 1 January - 31 December 2020

CVR No 32 28 38 53

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/3 2021

Klaus Ewald Madsen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of CM Biomass Partners A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Nordhavn, 22 March 2021

Executive Board

Simon Christensen
Executive Officer

Board of Directors

Torben Herman Christensen
Chairman

Karl Mikael Ullman

Simon Christensen

Sergey Genkin

Independent Auditor's Report

To the Shareholder of CM Biomass Partners A/S

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of CM Biomass Partners A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 22 March 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
statsautoriseret revisor
mne33262

Claus Damhave
statsautoriseret revisor
mne34166

Company Information

The Company

CM Biomass Partners A/S
Klubiensvej 22
DK-2150 Nordhavn

CVR No: 32 28 38 53
Financial period: 1 January - 31 December
Incorporated: 1 July 2009
Financial year: 12nd financial year
Municipality of reg. office: Copenhagen

Board of Directors

Torben Herman Christensen, Chairman
Karl Mikael Ullman
Simon Christensen
Sergey Genkin

Executive Board

Simon Christensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	Group	
	2020	2019
	TEUR	TEUR
Key figures		
Profit/loss		
Revenue	405.509	363.209
Gross profit/loss	23.883	15.789
Profit/loss before financial income and expenses	19.022	12.039
Net financials	-1.812	-1.369
Net profit/loss for the year	13.441	8.251
Balance sheet		
Balance sheet total	100.876	80.138
Equity	37.803	21.744
Cash flows		
Cash flows from:		
- operating activities	6.031	-16.489
- investing activities	-1.413	-1.055
including investment in property, plant and equipment	-642	307
- financing activities	-2.952	17.735
Change in cash and cash equivalents for the year	1.666	191
Number of employees	37	30
Ratios		
Gross margin	5,9%	4,3%
Profit margin	4,7%	3,3%
Return on assets	18,9%	15,0%
Solvency ratio	37,5%	27,1%
Return on equity	45,1%	47,3%

Management's Review

Key activities

The Company carry on trade and commission activities with biomass and carry out directly or indirectly any other activities which, in the opinion of the board of directors, are related thereto.

Development in the year

The income statement of the Group for 2020 shows a profit of EUR 13,440,770, and at 31 December 2020 the balance sheet of the Group shows equity of EUR 37,803,451.

The management considers the net profit for the year to be satisfactory.

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

In 2020, the Company delivered a result that was higher than the expectations stated in the annual report for 2019. The improved result was driven by increase in volumes as well as higher margins.

Special risks - operating risks and financial risks

Foreign exchange risks

A proportion of the Company's sales and purchases are made in other currencies than EUR. The hedging is primarily through forward foreign exchange contracts to hedge expected sales and purchases. There are no speculative currency arrangements.

Targets and expectations for the year ahead

Management has positive expectations for 2021 based on the continuous development of the Company's logistical infrastructure in multiple key markets combined with strengthened supplier and customer relationships. In 2020, the company established two smaller joint venture productions in US, and the outlook for further projects looks promising. Consumption is still growing in industrial as well as premium markets which leaves good opportunities for additional and further sales to existing and new customers. In the upcoming years particularly the Asian market is expected to grow fast.

In 2020, market prices plunged to all time low levels, but the outlook for further demand is good and a normalization of prices in 2021 is likely to happen.

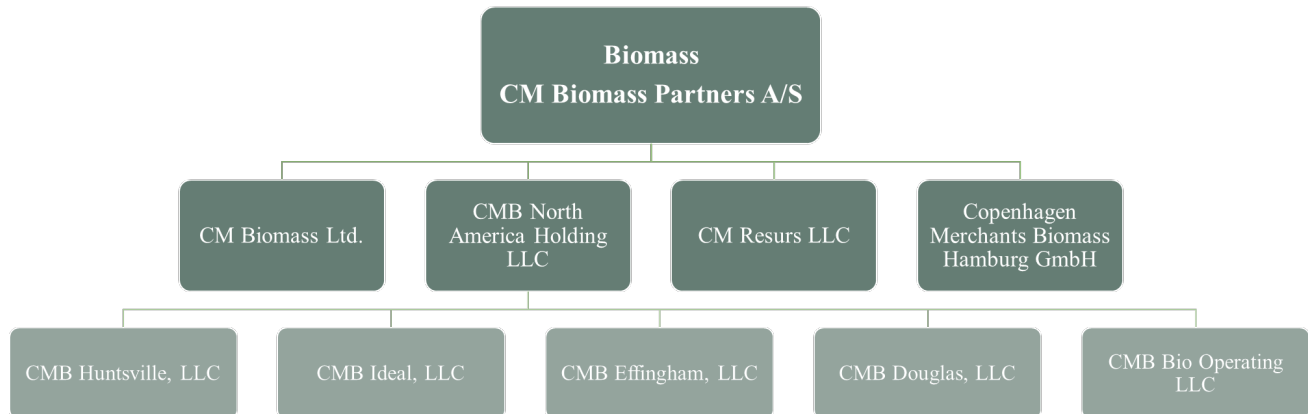
Overall, the company has not been affected by Covid-19 to any significant extent as the impact on supply and demand has been limited to short periods and limited locations.

The company expects profits before tax of EUR 14-20 million for 2021.

Management's Review

Statement of corporate social responsibility

CM Biomass Partners A/S structure



Business model

CM Biomass Partners A/S (hereinafter referred to as “CMB”) is a privately owned group of businesses with CM Holding A/S being the majority owner. CMB is a leading independent provider of physical wood pellets and other biomass products, mainly supplied to European utilities and distributors. The Company acts as the main aggregator between (i) manufacturers in North America and Eastern Europe and (ii) European customers, playing a key part in the green transition from fossil fuels. In addition, the Company has recently entered the long-term contracts segment, complemented by own small manufacturing facilities in the US.

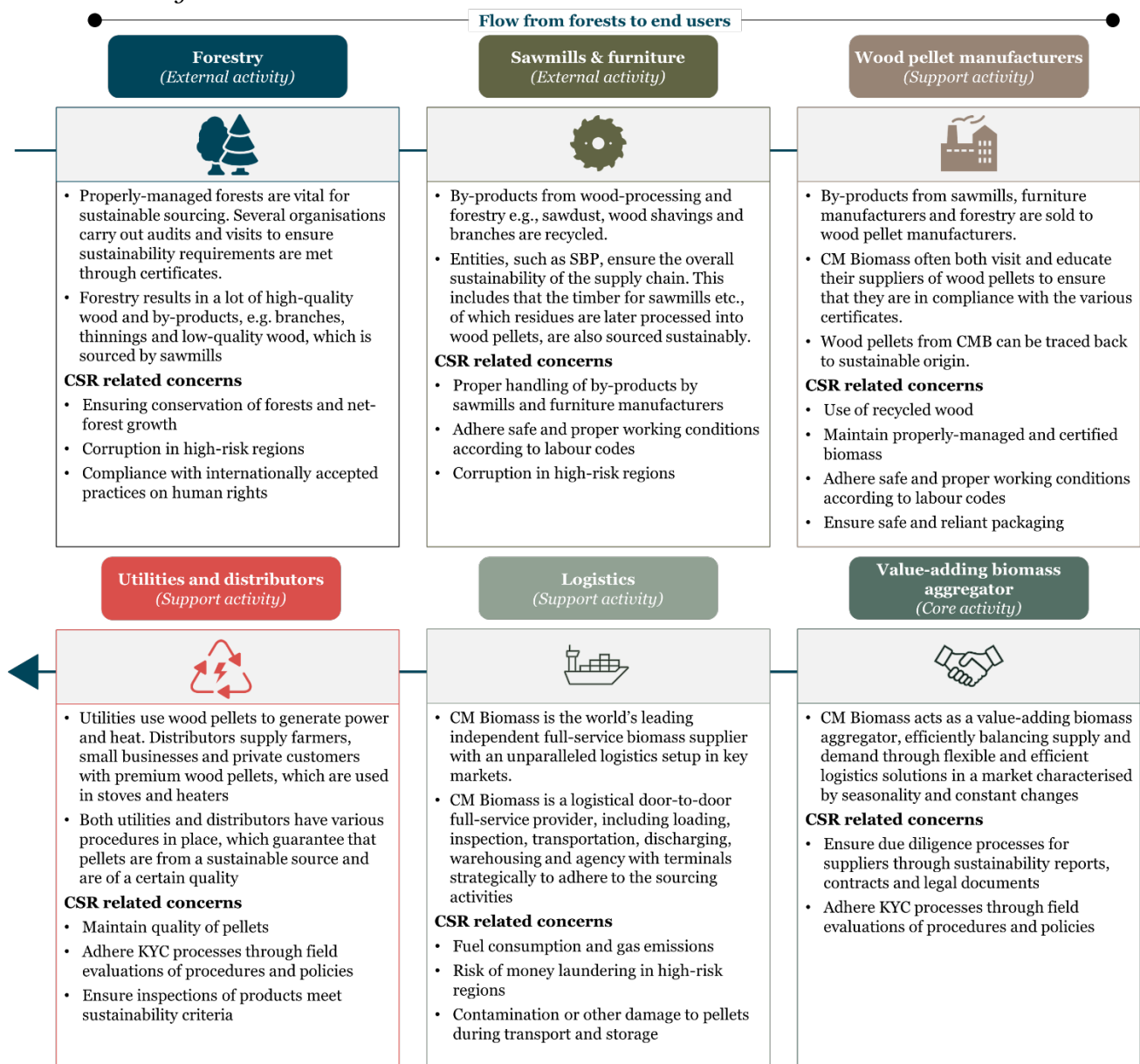
The overarching value of the group is trust, which is enrooted in how we conduct business and make business decisions. Commitment, proactivity, partnership, and integrity are all values based upon trust and are reflected in the way that corporate social responsibility is integrated within the business strategy.

- ❖ CMB is based on **commitment**. Commitment to constantly improve, and commitment to our clients and partners to be reliable by conducting business efficiently and responsibly.
- ❖ CMB is **proactive** and strive to transform our challenges into opportunities. We try to mitigate risks ahead of time and train our employees to act decisively.
- ❖ CMB values great **partnerships** that last, partnerships where we grow together. Therefore, CMB carefully chooses employees, suppliers, and collaborators, while being transparent, in order to create a foundation for mutual trust, unity and loyalty.
- ❖ CMB prioritizes **integrity** over profit. We are professional and honest.

CM Biomass Partners A/S value chain and the related CSR concerns of each link are illustrated below.

Management's Review

Biomass Trading



Market overview

There is a well-established consensus that climate change from global warming is linked to the emission of greenhouse gasses from fossil fuels. The use of sustainable energy sources contributes to secure reliability of energy supply and increases the sustainable energy mix by minimizing the dependence on import of fossil fuels from politically unstable areas.

CMB identifies a significant business prospect and job creation in the industry of green energy technologies. The increased prevalence of biomass energy, including the use of wood processing residues, production, aggregation and delivery of biomass, is expected to entail social and economic development of the involved regions.

Management's Review

CMB engages in development activities to maximize the efficient use of residues by extending the operational experience. Increasing demand for biomass as an energy source leads to innovation in different types of biomass which is servicing a variety of different customers in different markets.

The market position of CMB is considered strong and growing in a growing market which implies that CMB's business prospect is deemed sound and with further potential to increase its activity as well as profitability.

Risks related to CSR

<i>CSR Focus Areas</i>	<i>Identified risks</i>
<i>Environment & Climate</i>	<p>CM Biomass performs onsite visits and use specialists to evaluate the manufacturing and forest management. Furthermore, CMB educates its suppliers to ensure they achieve the required level of compliance with internally recognized sustainability certification standards. However, minor risks are present pertaining to:</p> <ul style="list-style-type: none"> • Potential irregularities related to forest management. • Contamination or other damage to pellets during transport and storage, creating waste. • Green House Gas (GHG) emissions
<i>Human Rights</i>	<p>CM Biomass performs regular checks on adherence to labour codes and conduct field evaluations of procedures and policies. However, in some regions there is a minor risk pertaining to:</p> <ul style="list-style-type: none"> • the right for association and collective bargaining • gender or racial discrimination
<i>Corruption</i>	<p>CM Biomass operates in accordance with corporate values and principles of best business practices, and in line with trade rules and procedures subscribed by the EU and UN.</p> <ul style="list-style-type: none"> • However, CMB and its suppliers operate in many countries, some with relatively high rate of corruption, which constitutes a risk.
<i>Social impact</i>	<ul style="list-style-type: none"> • Accidents can occur when logging wood, at sawmills or other wood processing facilities and at pellet productions. • CMB employees sometimes work long hours and are often working with short deadlines to serve business partners. • The social distancing – as a consequence of the Covid-19 pandemic – also implies risks to employee welfare.
<i>Conclusion</i>	<ul style="list-style-type: none"> • Overall, the CSR risks for CMB's trading activities are mostly unlikely or have minor consequences. The identified risks are common across the industry and depend on the individual countries. CMB carries out company background checks, controls with regard to sanctions, and due diligence to ensure accountable sustainability from suppliers. As a trading company, CMB's CSR efforts are focused on sustainable sourcing, pellet production, business partners and transport.

Management's Review

Policies, activities and results

Environment & Climate

CMB's policy on environment and climate is to incorporate sustainability, efficient use and logistics of raw materials and fuels, in everyday business decisions, e.g., in relation to the choice of business partners, agreements with suppliers and identification of investment opportunities. Furthermore, we decided to integrate selected UN Sustainable Development Goals into CMB's strategy in order to ensure that our sustainability commitment is fully implemented in how we conduct business.

At CMB, sustainability is at the core of our business, with wood pellets made from timber processing and forest residues. In total 98% of our structural biomass business suppliers are certified according to recognized sustainable forest management schemes and the remaining adhering under EU Timber Regulation (EUTR). Presently, all of our non-EU biomass suppliers are certified against internationally recognised sustainable forest management and wood-based biomass verification schemes. In high-risk regions, such as Russia, additional monitoring measures are implemented in order to ensure full compliance with the EUTR.

These certifications ensure legal and sustainable sourcing of wood pellets. In line with sustainable biomass procurement policy, all data needed for the evaluation of GHG emissions are collected and is made available to customers who request such data.

It is CMB's policy to continuously test and research alternative biomass fuels to explore the growing market for CO₂ neutral energy sources. In 2020, CMB continued to work with by products from sunflower, peanuts, olives, bagasse and shea, with the most focus on sunflower husk pellets and peanut hull pellets.

Human Rights

CMB respects human, social, and professional rights, including UN's Universal Declaration of Human Rights, and does not violate them. In addition, our suppliers and our clients shall avoid and address adverse impacts on human and labour rights as listed in International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

As a result, in 2020, as well as all preceding years of CMB, no violations were identified. However, some risks are present throughout the supply chains, especially due to the wide and growing geographical scope of the business, not least in relation to sourcing in Asia. In order to mitigate these risks, CMB will continue to implement additional procedures, where relevant.

Code of Conduct at CMB has always been part of the DNA, however, the increasing expansion of the business, has called upon a formalization of the Code of Conduct, which now has been formulated in a written format.

Corruption & bribery

CMB operates in accordance with corporate values and principles of best business practices, and in line with trade rules and procedures subscribed by the EU and UN. A null tolerance policy is carried out with regards to corruption and bribery, which is communicated clearly to employees as they are instructed in their work. Risk assessment of new suppliers, clients and business partners are conducted by CMB before signing any contracts or making any business transactions. For such assessments CMB makes use of relevant industry contacts including but not limited to its P&I Club and Bimco

Management's Review

Based on risk assessments, selected suppliers are audited internally or with assistance from external consultants or auditors. Anti-corruption procedures and evaluation of internal mitigation measures are a part of CMB's annual sustainability audits. We expect the highest standards of integrity in all business interactions, hence, contractual provisions against corruption and bribery are stipulated for risky areas.

There were no reports of corruption in 2020. However, as CMB's operations continue to expand, the need to avoid corruption and mitigate financial risks will increase. Consequently, CMB has added further resources for internal controlling. Going forward CMB will look for additional measures, including due diligence and KYC (Know Your Customer) processes.

Social Impact & Employee Welfare

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

CMB's Covid-19 pandemic response has been to put in procedures to minimize the dissemination of the disease. Local sites under CMB ownership have carried out actions in accordance with local regulation to minimize the physical interaction between employees and the physical contact to external stakeholders, as much as possible.

Covid-19 has demanded a great amount of flexibility from the employees. The psychological impact on the employees have been varying, with some who have appreciated working from home, some have been frustrated as result of many different reasons e.g., lack of social contact. CMB, and CM Group in general, has continuously sought to adopt measures for employees and externals and keep a high level of virtual meeting and event activity, with the purpose of minimize dissemination and will continue to do so going into 2021.

CMB continues to have a relatively low staff turnover in 2020 at 10,1%, a positive indicator of a good work environment considering the high growth and dynamic market CMB is in. Throughout the financial year several social initiatives have taken place to sustain the good work environment and keep work satisfaction levels high, while complying local safety requirements. Workshops on trust has been a central focus area to reduce the psychological distance, while continuously generate and sustain trust between employees and business partners to increase performance and reduce bureaucracy.

CMB has for years supported students with cases for their theses, student employment and internships. In 2020, CMB had an average of 2 student assistants and 2 student assistants started working full time for CMB post-graduation.

Management's Review

Sustainable Development Goals

In addition to the above policies, activities, and results, CMB has committed itself to work dedicated with UN's Sustainable Development Goals (SDGs). In 2015 UN adopted the 17 SDGs for 2030, which encouraged businesses – among other - to take actions to solve the global climate challenges. Sustainable energy and responsible production are central priority areas for CMB and constitute a natural part of conducting good business. At CMB we contribute with solutions to maximize energy efficiency and ensure commercially sustainable production and consumption.

CMB influences the 17 SDGs directly and indirectly, however, we have identified and zoomed in on two goals where we particularly have the ability and competencies to provide solutions to the challenges.

In 2020 we therefore started to implement SDG #7 Affordable and clean energy and SDG #12 Responsible consumption and production into our business strategy. It is our ambition to extent this framework in 2021 and implement initiatives in our business units to work towards the 5 preliminary targets:

- ❖ 7.2 Increase the share of renewable energy in the global energy mix.
- ❖ 7.3 Improve the global rate of energy efficiency.
- ❖ 12.2 Achieve the sustainable management and efficient use of natural resources.
- ❖ 12.5 Reduce waste generation through prevention, reduction, recycling, and reuse.
- ❖ 12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Going forward in 2021 it is our ambition to work towards more science-based, quantitative, and transparent targets within the SDG framework to track our progress.

Management's Review

Statement on gender composition

At present no Member of the Board of Directors in CM Biomass Partners A/S are women, as the board consists of the founding partners. CMB are attentive to look for new resources that can strengthen the board, regardless of gender.

CM Biomass Partners A/S does not account for the proportion of the underrepresented gender in the company's other management levels, since the company has employed fewer than 50 employees in the financial year.

CM Biomass Partners A/S respects equal treatment unconditionally, however, it should be noted that CMB has a very low employee turnover rate and that changes will not be made with the sole purpose of meeting equal gender composition targets.

Uncertainty relating to recognition and measurement

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

Unusual events

The introduction of the global Covid-19 pandemic in March 2020, which caused societal lockdowns is deemed to have affected employees to a varying degree due to social distancing. Covid-19 also had short term effects on local supply and demand. However, these effects have had an overall neutral impact on the activities and results of the Group for the financial year for 2020. Covid-19 is deemed to be the only extraordinary event.

The consequences of new Covid-19 mutations, where governments globally – in multiple rounds – have imposed societal lockdowns, will continue to impact the world economy going into 2021. However, the introduction of the vaccination is expected to ease of the economic pressure, as less social distancing becomes necessary from spring and summer of 2021.

It is estimated that Covid-19 will continue to have a very limited effect on the Group's business in the medium and long term, as the whole biomass value chain is not immediately considered to be severely affected by the pandemic. The demand may be slightly affected in a negative direction, whereas changing dynamics and supply and demand imbalances of different markets imply arbitrage opportunities for CMB.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group		Parent company	
		2020	2019	2020	2019
		EUR	EUR	EUR	EUR
Revenue	1	405.508.720	363.208.746	405.496.994	362.318.303
Other operating income		38.325	0	0	0
Expenses for raw materials and consumables		-377.041.274	-341.150.166	-377.083.804	-341.635.531
Other external expenses		-4.622.888	-6.269.621	-5.799.429	-5.700.272
Gross profit/loss		23.882.883	15.788.959	22.613.761	14.982.500
Staff expenses	2	-3.962.625	-3.204.382	-3.132.970	-2.514.328
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-897.804	-523.179	-562.541	-501.669
Other operating expenses		0	-22.107	0	0
Profit/loss before financial income and expenses		19.022.454	12.039.291	18.918.250	11.966.503
Income from investments in subsidiaries		0	0	166.810	-107.122
Income from investments in associates		270.352	-124.245	4.561	0
Financial income	4	19.366	8.958	181.695	8.958
Financial expenses	5	-2.101.442	-1.253.285	-2.082.950	-1.241.058
Profit/loss before tax		17.210.730	10.670.719	17.188.366	10.627.281
Tax on profit/loss for the year	6	-3.769.960	-2.420.175	-3.747.596	-2.376.737
Net profit/loss for the year		13.440.770	8.250.544	13.440.770	8.250.544

Balance Sheet 31 December

Assets

	Note	Group		Parent company	
		2020	2019	2020	2019
		EUR	EUR	EUR	EUR
Acquired rights		491.434	0	0	0
Intangible assets	7	491.434	0	0	0
Land and buildings		22.828	0	0	0
Other fixtures and fittings, tools and equipment		1.836.887	1.941.186	1.822.104	1.877.382
Property, plant and equipment	8	1.859.715	1.941.186	1.822.104	1.877.382
Investments in subsidiaries	9	0	0	2.231.134	1.423.081
Investments in associates	10	5.057.396	2.768.474	83.032	0
Receivables from group enterprises	11	0	0	7.430.662	1.859.175
Other investments	11	0	472.879	0	472.879
Deposits	11	2.641.364	32.285	31.354	31.354
Fixed asset investments		7.698.760	3.273.638	9.776.182	3.786.489
Fixed assets		10.049.909	5.214.824	11.598.286	5.663.871
Inventories	12	44.046.634	36.010.649	44.046.634	35.986.696
Trade receivables		36.956.244	32.730.476	36.956.244	32.699.757
Receivables from group enterprises		0	1.265.598	37.086	1.256.235
Other receivables	18	7.420.816	2.131.589	7.411.375	2.103.228
Deferred tax asset	16	11.400	15.685	0	0
Corporation tax		124.797	141.900	124.797	124.031
Prepayments	13	342.755	2.369.875	316.069	2.296.025
Receivables		44.856.012	38.655.123	44.845.571	38.479.276
Cash at bank and in hand		1.923.029	257.490	49.623	41.471
Currents assets		90.825.675	74.923.262	88.941.828	74.507.443
Assets		100.875.584	80.138.086	100.540.114	80.171.314

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2020 EUR	2019 EUR	2020 EUR	2019 EUR
Share capital	14	286.173	286.173	286.173	286.173
Reserve for net revaluation under the equity method		108.640	0	0	0
Reserve for exchange rate adjustments		-189.373	0	-189.611	0
Reserve for hedging transactions		2.958.432	0	2.958.432	0
Retained earnings		34.639.579	21.457.788	34.748.457	21.457.788
Equity		37.803.451	21.743.961	37.803.451	21.743.961
Provision for deferred tax	16	28.353	29.404	28.353	29.404
Provisions relating to investments in group enterprises		21.310	0	21.310	0
Provisions		49.663	29.404	49.663	29.404
Credit institutions		4.773.089	2.140.589	4.558.885	2.140.589
Payables to group enterprises		1.000.000	1.000.000	1.000.000	1.000.000
Other payables		149.571	499.415	91.973	284.557
Long-term debt	17	5.922.660	3.640.004	5.650.858	3.425.146

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2020 EUR	2019 EUR	2020 EUR	2019 EUR
Credit institutions	17	30.803.008	33.777.477	30.784.526	33.777.477
Trade payables		13.684.624	11.946.981	13.684.170	14.233.631
Payables to group enterprises	17	556.931	3.450.985	576.682	1.502.447
Payables to associates		39.738	13.949	39.738	13.949
Corporation tax		859.414	1.102.688	832.661	1.049.533
Other payables	17	11.156.095	4.432.637	11.118.365	4.395.766
Short-term debt		57.099.810	54.724.717	57.036.142	54.972.803
Debt		63.022.470	58.364.721	62.687.000	58.397.949
Liabilities and equity		100.875.584	80.138.086	100.540.114	80.171.314
Subsequent events	24				
Distribution of profit	15				
Contingent assets, liabilities and other financial obligations	21				
Related parties	22				
Fee to auditors appointed at the general meeting	23				
Accounting Policies	25				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for exchange rate adjustments	Reserve for hedging transactions	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Equity at 1 January	286.173	0	0	0	21.457.788	21.743.961
Exchange adjustments relating to foreign entities	0	-238	-189.373	0	0	-189.611
Fair value adjustment of hedging instruments, beginning of year	0	0	0	0	-192.472	-192.472
Fair value adjustment of hedging instruments, end of year	0	0	0	3.792.861	0	3.792.861
Tax on adjustment of hedging instruments for the year	0	0	0	-834.429	42.371	-792.058
Net profit/loss for the year	0	108.878	0	0	13.331.892	13.440.770
Equity at 31 December	286.173	108.640	-189.373	2.958.432	34.639.579	37.803.451

Parent company

Equity at 1 January	286.173	0	0	0	21.457.788	21.743.961
Exchange adjustments relating to foreign entities	0	0	-189.611	0	0	-189.611
Fair value adjustment of hedging instruments, beginning of year	0	0	0	0	-192.472	-192.472
Fair value adjustment of hedging instruments, end of year	0	0	0	3.792.861	0	3.792.861
Tax on adjustment of hedging instruments for the year	0	0	0	-834.429	42.371	-792.058
Net profit/loss for the year	0	0	0	0	13.440.770	13.440.770
Equity at 31 December	286.173	0	-189.611	2.958.432	34.748.457	37.803.451

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2020 EUR	2019 EUR
Net profit/loss for the year		13.440.770	8.250.544
Adjustments	19	6.408.882	4.555.000
Change in working capital	20	-10.135.424	-25.675.462
Cash flows from operating activities before financial income and expenses		9.714.228	-12.869.918
Financial income		19.367	8.958
Financial expenses		-2.101.444	-1.253.286
Cash flows from ordinary activities		7.632.151	-14.114.246
Corporation tax paid		-1.601.545	-2.375.078
Cash flows from operating activities		6.030.606	-16.489.324
Purchase of intangible assets		-771.296	0
Purchase of property, plant and equipment		-641.792	307.063
Fixed asset investments made etc		0	-1.362.194
Cash flows from investing activities		-1.413.088	-1.055.131
Repayment of loans from credit institutions		-341.969	0
Raising of loans from credit institutions		0	17.393.824
Raising of deposits		-2.610.010	0
Cash capital increase		0	341.655
Cash flows from financing activities		-2.951.979	17.735.479
Change in cash and cash equivalents		1.665.539	191.024
Cash and cash equivalents at 1 January		257.490	66.466
Cash and cash equivalents at 31 December		1.923.029	257.490
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1.923.029	257.490
Cash and cash equivalents at 31 December		1.923.029	257.490

Notes to the Financial Statements

1 Revenue	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Geographical segments				
Revenue, Denmark	101.651.373	83.854.252	101.651.373	83.854.252
Revenue, outside Denmark	303.857.347	279.354.494	303.845.621	278.464.051
	405.508.720	363.208.746	405.496.994	362.318.303

The Group is not considered to have different activity segments

2 Staff expenses				
Wages and salaries	3.761.156	2.996.457	2.998.475	2.306.403
Pensions	60.935	34.097	60.935	34.097
Other staff expenses	140.534	173.828	73.560	173.828
	3.962.625	3.204.382	3.132.970	2.514.328
Average number of employees	37	30	16	12

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

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	279.862	0	0	0
Depreciation of property, plant and equipment	613.863	526.811	558.462	505.301
Gain and loss on disposal	4.079	-3.632	4.079	-3.632
	897.804	523.179	562.541	501.669

Notes to the Financial Statements

	Group		Parent company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
4 Financial income				
Interest received from group enterprises	0	0	172.129	8.958
Other financial income	19.366	8.958	9.566	0
	19.366	8.958	181.695	8.958
5 Financial expenses				
Interest paid to group enterprises	350.668	250.256	350.668	250.256
Other financial expenses	1.073.928	877.479	1.055.436	865.252
Exchange adjustments, expenses	676.846	125.550	676.846	125.550
	2.101.442	1.253.285	2.082.950	1.241.058
6 Tax on profit/loss for the year				
Current tax for the year	4.578.725	2.332.544	4.551.361	2.288.742
Deferred tax for the year	-6.051	73.474	-1.051	73.838
Adjustment of tax concerning previous years	-10.656	10.905	-10.656	10.905
	4.562.018	2.416.923	4.539.654	2.373.485
which breaks down as follows:				
Tax on profit/loss for the year	3.769.960	2.420.175	3.747.596	2.376.737
Tax on changes in equity	792.058	-3.252	792.058	-3.252
	4.562.018	2.416.923	4.539.654	2.373.485

Notes to the Financial Statements

7 Intangible assets

Group

	<u>Acquired rights</u> EUR
Cost at 1 January	0
Additions for the year	<u>771.296</u>
Cost at 31 December	<u>771.296</u>
Impairment losses and amortisation at 1 January	0
Amortisation for the year	<u>279.862</u>
Impairment losses and amortisation at 31 December	<u>279.862</u>
Carrying amount at 31 December	<u>491.434</u>
Amortised over	

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment
	EUR	EUR
Cost at 1 January	67.244	2.820.346
Additions for the year	30.709	611.083
Disposals for the year	0	-157.069
Cost at 31 December	<u>97.953</u>	<u>3.274.360</u>
Impairment losses and depreciation at 1 January	38.954	938.388
Depreciation for the year	36.171	559.781
Reversal of impairment and depreciation of sold assets	0	-60.696
Impairment losses and depreciation at 31 December	<u>75.125</u>	<u>1.437.473</u>
Carrying amount at 31 December	<u>22.828</u>	<u>1.836.887</u>
Depreciated over	<u>5 years</u>	<u>5 years</u>

Notes to the Financial Statements

8 Property, plant and equipment (continued)

Parent company

	Other fixtures and fittings, tools and equipment
	EUR
Cost at 1 January	3.086.069
Additions for the year	599.361
Disposals for the year	-156.316
Kostpris at 31 December	<u>3.529.114</u>
Impairment losses and depreciation at 1 January	1.208.687
Depreciation for the year	558.462
Reversal of impairment and depreciation of sold assets	-60.139
Impairment losses and depreciation at 31 December	<u>1.707.010</u>
Carrying amount at 31 December	<u>1.822.104</u>
Depreciated over	<u>5 years</u>

Notes to the Financial Statements

	Parent company	
	2020	2019
	EUR	EUR
9 Investments in subsidiaries		
Cost at 1 January	1.430.877	68.683
Additions for the year	840.824	1.362.194
Transfers for the year	-206	0
Cost at 31 December	<u>2.271.495</u>	<u>1.430.877</u>
Value adjustments at 1 January	-242.646	-146.674
Exchange adjustment	-189.373	11.150
Net profit/loss for the year	166.810	-107.122
Transfers for the year	32.563	0
Value adjustments at 31 December	<u>-232.646</u>	<u>-242.646</u>
Equity investments with negative net asset value amortised over receivables	<u>170.975</u>	<u>234.850</u>
Equity investments with negative net asset value transferred to provisions	<u>21.310</u>	<u>0</u>
Carrying amount at 31 December	<u>2.231.134</u>	<u>1.423.081</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
		0%
CM Biomass Ltd. St. Petersburg	St. Petersburg	100%
CM Biomass Hamburg GmbH	Hamburg	100%
CMB North America Holding LLC	Delaware	100%
CMB North America Holding LLC	Delaware	100%
CMB Bio Operating LLC	Texas	100%
CMB Douglas LLC	Texas	100%
CMB Effingham LLC	Texas	100%
CMB Ideal LLC	Texas	100%
CMB Huntsville LLC	Texas	100%

Notes to the Financial Statements

	Group		Parent company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
10 Investments in associates				
Cost at 1 January	2.892.620	0	0	0
Additions for the year	2.055.930	2.892.620	111.066	0
Transfers for the year	206	0	206	0
Cost at 31 December	4.948.756	2.892.620	111.272	0
Value adjustments at 1 January	-124.146	0	0	0
Exchange adjustment	-238	38	-238	0
Net profit/loss for the year	265.587	-124.184	4.561	0
Transfers for the year	-32.563	0	-32.563	0
Value adjustments at 31 December	108.640	-124.146	-28.240	0
Carrying amount at 31 December	5.057.396	2.768.474	83.032	0

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
CM Resource Ltd.	Novorossijsk	50%
Douglas Pellets LLC	Georgia	50%
Effingham Pellets LLC	South Carolina	50%
Ideal Pellets LLC	Georgia	50%
Huntsville Pellets LLC	Texas	50%

CM Resource Ltd. is a foreign associate to CM Biomass Partners A/S. All other foreign associates listed above, are associates to the Group.

Notes to the Financial Statements

11 Other fixed asset investments

	Group		Parent company		
	Other investments	Deposits	Receivables from group enterprises	Other investments	Deposits
	EUR	EUR	EUR	EUR	EUR
Cost at 1 January	472.879	32.285	1.859.175	472.879	31.354
Additions for the year	0	2.609.079	5.571.487	0	0
Disposals for the year	-472.879	0	0	-472.879	0
Cost at 31 December	0	2.641.364	7.430.662	0	31.354
Carrying amount at 31 December	0	2.641.364	7.430.662	0	31.354

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
12 Inventories				
Finished goods and goods for resale	41.303.203	33.891.526	41.303.203	33.867.573
Prepayments for goods	2.743.431	2.119.123	2.743.431	2.119.123
	44.046.634	36.010.649	44.046.634	35.986.696

13 Prepayments

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

Notes to the Financial Statements

14 Equity

The share capital consists of 2,133,333 shares of a nominal value of EUR 1. No shares carry any special rights.

The share capital has developed as follows:

	2020	2019	2018	2017	2016
	EUR	EUR	EUR	EUR	EUR
Share capital at 1 January	286.173	278.749	268.291	268.291	268.291
Capital increase	0	7.424	10.458	0	0
Share capital at 31 December	286.173	286.173	278.749	268.291	268.291

15 Distribution of profit

Reserve for net revaluation under the equity method

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Reserve for net revaluation under the equity method	108.878	0	0	0
Retained earnings	13.331.892	8.250.544	13.440.770	8.250.544
	13.440.770	8.250.544	13.440.770	8.250.544

Notes to the Financial Statements

	Group		Parent company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
16 Provision for deferred tax				
Provision for deferred tax at 1 January	13.719	-44.434	29.404	-44.434
Amounts recognised in the income statement for the year	3.234	58.153	-1.051	73.838
Provision for deferred tax at 31 December	16.953	13.719	28.353	29.404
Fixed assets	0	13.719	-79.000	29.404
Tax loss carry-forward	16.953	0	107.353	0
Transferred to deferred tax asset	11.400	15.685	0	0
	28.353	29.404	28.353	29.404
Deferred tax asset				
The deferred tax asset relates to losses in subsidiaries.				
Calculated tax asset	11.400	15.685	0	0
Carrying amount	11.400	15.685	0	0

The recognized tax asset consist of tax losses carried forward. In the coming years, the Group expects to realize the recognized deferred tax asset, on the basis of which recognition has been made per December 31, 2020.

Notes to the Financial Statements

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Credit institutions				
After 5 years	1.404.667	0	1.404.667	0
Between 1 and 5 years	3.368.422	2.140.589	3.154.218	2.140.589
Long-term part	<u>4.773.089</u>	<u>2.140.589</u>	<u>4.558.885</u>	<u>2.140.589</u>
Within 1 year	0	805.808	0	805.808
Other short-term debt to credit institutions	30.803.008	32.971.669	30.784.526	32.971.669
Short-term part	<u>30.803.008</u>	<u>33.777.477</u>	<u>30.784.526</u>	<u>33.777.477</u>
	<u>35.576.097</u>	<u>35.918.066</u>	<u>35.343.411</u>	<u>35.918.066</u>
Payables to group enterprises				
Between 1 and 5 years	1.000.000	1.000.000	1.000.000	1.000.000
Long-term part	<u>1.000.000</u>	<u>1.000.000</u>	<u>1.000.000</u>	<u>1.000.000</u>
Other short-term debt to group enterprises	556.931	3.450.985	576.682	1.502.447
	<u>1.556.931</u>	<u>4.450.985</u>	<u>1.576.682</u>	<u>2.502.447</u>
Other payables				
Between 1 and 5 years	149.571	499.415	91.973	284.557
Long-term part	<u>149.571</u>	<u>499.415</u>	<u>91.973</u>	<u>284.557</u>
Within 1 year	0	99.697	0	99.697
Other short-term payables	11.156.095	4.332.940	11.118.365	4.296.069
Short-term part	<u>11.156.095</u>	<u>4.432.637</u>	<u>11.118.365</u>	<u>4.395.766</u>
	<u>11.305.666</u>	<u>4.932.052</u>	<u>11.210.338</u>	<u>4.680.323</u>

Notes to the Financial Statements

18 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Assets	3.792.589	192.472	3.792.859	192.472

Forward exchange contracts have been concluded to hedge future sale of goods in foreign currencies. At the balance sheet date, the fair value of the forward exchange contracts amounts to TEUR 3.792.

19 Cash flow statement - adjustments

	Group	
	2020	2019
	EUR	EUR
Financial income	-19.366	-8.958
Financial expenses	2.101.442	1.253.285
Depreciation, amortisation and impairment losses, including losses and gains on sales	897.805	523.178
Income from investments in associates	-270.352	124.245
Tax on profit/loss for the year	3.769.960	2.420.175
Other adjustments	-70.607	243.075
	6.408.882	4.555.000

20 Cash flow statement - change in working capital

Change in inventories	-8.177.950	-20.436.643
Change in receivables	-5.511.795	-14.683.316
Change in trade payables, etc	-46.068	9.459.279
Fair value adjustments of hedging instruments	3.600.389	-14.782
	-10.135.424	-25.675.462

Notes to the Financial Statements

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR

21 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	2.884.965	1.883.397	2.884.965	1.883.397
Between 1 and 5 years	4.956.271	619.147	4.956.271	619.147
	7.841.236	2.502.544	7.841.236	2.502.544

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Torben Herman Christensen Holding A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Company is jointly and severally liable without restriction for commitment with bank in the subsidiary, CM Biomass Hamburg GmbH.

22 Related parties

	Basis
Controlling interest	
Torben Herman Christensen	Ultimate principal shareholder
Torben Herman Christensen Holding A/S	Ultimate parent company
CM Holding A/S	Parent company

Notes to the Financial Statements

22 Related parties (continued)

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Apart from intercompany transactions and usual management remuneration during the year there have been no transactions with the Board of Directors, Executive Board, executives, major shareholders affiliates or other related parties.

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>
Torben Herman Christensen Holding A/S	Klubiensvej 22, 2150 Nordhavn
CM Holding A/S	Klubiensvej 22, 2150 Nordhavn

23 Fee to auditors appointed at the general meeting

In accordance with section 96(3) of the Danish Financial Statements Act, fees paid the auditors appointed at the annual generalmeeting has been omitted as it is included in the consolidated financial statements of CM Holding A/S.

24 Subsequent events

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

Notes to the Financial Statements

25 Accounting Policies

The Annual Report of CM Biomass Partners A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The consolidated financial statements are presented for the first time for the financial year 2020 and include comparative figures for the financial year 2019.

The Consolidated and Parent Company Financial Statements for 2020 are presented in EUR.

Changes in accounting policies

The Company's accounting policy has been changed in 2020 to reflect the amendments made to the Danish Financial Act. The change has resulted in reclassification between equity reserves. The change has not affected the net result for the year or the equity at year end.

The accounting principles applied for the annual report are in all other matters consistent with those applied last year.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, CM Biomass Partners A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

Notes to the Financial Statements

25 Accounting Policies (continued)

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Euro is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Notes to the Financial Statements

25 Accounting Policies (continued)

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair value of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in “reserve for fair value of hedging instr.” under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Revenue

Information on business segments and geographical segments based on the Group’s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as administration, etc.

Notes to the Financial Statements

25 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with the Group's other Danish companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Acquired rights are measured at the lower of cost less accumulated amortisation and recoverable amount. Acquired rights are amortised over 10 years.

Notes to the Financial Statements

25 Accounting Policies (continued)

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:

Other buildings	5	years
Other fixtures and fittings, tools and equipment	5	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at EUR 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

25 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments, which consist of listed shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Other fixed asset investments

Other fixed asset investments consist of long-term receivables and deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

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.

Prepayments

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

25 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

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".

Notes to the Financial Statements

25 Accounting Policies (continued)

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$