



## Mikkeller ApS

Humletorvet 27, 3.  
1799 København V  
CVR No. 34602824

## Annual report 2021

The Annual General Meeting adopted the  
annual report on 06.07.2022

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**Kenneth Bundgaard Madsen**  
Chairman of the General Meeting

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# Entity details

## Entity

Mikkeller ApS  
Humletorvet 27, 3.  
1799 København V

Business Registration No.: 34602824  
Registered office: København  
Financial year: 01.01.2021 - 31.12.2021

## Board of Directors

Ditte Kristine Lassen-Kahlke  
Kenneth Bundgaard Madsen  
Mikkel Bjergsø

## Executive Board

Mikkel Bjergsø  
Kenneth Bundgaard Madsen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 Copenhagen S

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Mikkeller ApS for the financial year 01.01.2021 - 31.12.2021.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 06.07.2022

## Executive Board

**Mikkel Bjergsø**

**Kenneth Bundgaard Madsen**

## Board of Directors

**Ditte Kristine Lassen-Kahlke**

**Kenneth Bundgaard Madsen**

**Mikkel Bjergsø**

# Independent auditor's report

## To the shareholders of Mikkeller ApS

### Opinion

We have audited the financial statements of Mikkeller ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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 financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

**Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 06.07.2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Bjørn Winkler Jakobsen**

State Authorised Public Accountant  
Identification No (MNE) mne32127

**Hans Tauby**

State Authorised Public Accountant  
Identification No (MNE) mne44339

# Management commentary

## Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
<b>Key figures</b>					
Gross profit/loss	678	3,626	12,928	17,671	29,501
Operating profit/loss	(23,765)	(16,369)	(6,656)	1,652	9,188
Net financials	137	(3,242)	(215)	1	(301)
Profit/loss for the year	(23,632)	(19,900)	(5,593)	1,182	6,844
Total assets	64,080	46,456	49,719	38,931	46,191
Equity	2,000	2,408	16,308	21,901	30,719
<b>Ratios</b>					
Equity ratio (%)	3.12	5.18	32.80	56.26	66.50

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets



### Primary activities

The Company's activities comprise of the development, manufacturing and sale of high-quality craft beers under the "Mikkeller" brand. The production takes place at in cooperation with leading breweries in Denmark and in Europe.

The Company is a subsidiary of Bjergsø Holding ApS, Copenhagen, CVR no. 34 69 63 49, which prepares consolidated financial statements.

### Development in activities and finances

Despite the difficult market situation, the Company has continued to invest in growth centered around the following areas:

- Ongoing transition of distribution network into more long-term sustainable business partnerships that can form the basis for future growth. The effect of these transitions is a temporary slowdown in revenue from wholesale overall and in some cases inventory write down. The Company experienced continued growth in selected focus markets and sales channels.
- Talent development and recruitment for the Mikkeller headquarter and selected focus markets including sales force, admin and other related functions will help position Mikkeller for future growth.
- E-commerce where the Company has invested in continued expansion of the digital platforms and customer base.
- Expanded marketing activities, including additional investments in trade marketing, paid social advertising and other e-commerce related activities.

Management considers the net loss for the year to be unsatisfactory and heavily impacted by external factors especially related to COVID-19. Based on the investments in future growth and positive trends in focus markets, Management believes this has not negatively affected the company's ability to execute the long-term strategy for continued growth in the coming years. However, 2022 will be impacted by 1-2 months of lockdown in Europe and the United States and 3-6+ months in Japan and China.

During the year the Company has become aware of a number of employees who have had negative and unacceptable experiences during their employment. The Company takes its responsibility very seriously and has made an action plan to make sure the workplace remains safe, positive and inspiring for our team. Further, the Company has focused on reconciliation with the past by implementing The Mikkeller Reconciliation Program.

The Company continues to initiate and participate in global industry cooperation with other industry leaders in order to strengthen the awareness and focus on creating safer work environments in the beer industry by educating the industry in leadership, guest behavior, diversity and inclusion. The cooperation includes industry leaders from fellow breweries and production units globally as well as members of the Brewers Association in the US.

### Profit/loss for the year in relation to expected developments

The income statement for the period 01.01.2021 - 31.12.2021 shows a net loss of DKK 23,632 thousand. Mikkeller ApS has received a contribution from the parent company, Bjergsø Holding ApS, to re-establish the equity as of 31 December 2021. Subsequently, equity amounts to DKK 2,000 thousand.

The net loss in 2021 is primarily a result of COVID-19 related restrictions and closedowns in the markets where the Company operates, which have affected the Company more negatively than anticipated going into the year. The restrictions affected the retail sales as well as wholesales with lockdown and social distancing restrictions

either forcing complete, periodic close-downs or significantly lower levels of activity in bars, restaurants, etc. Guidance for the year was an expected increase in revenue and profits of 30-40%. Management finds the performance to be unsatisfactory. The lower-than-expected performance is related lower than expected performance in key markets and a shift in consumer behavior in craft specialty beer market. Moreover, provisions for expected losses have been considerably higher than expected.

The company is part of the Bjergsø Group, which is a strong and well consolidated group. The company has received declaration of support from the group, which give certainty about the company's capability to continue the operation.

#### **Uncertainty relating to recognition and measurement**

After the balance sheet date, Management has made an updated assessment of collectability of receivables and have not identified any need of write-down as of 31 December 2021. Management has also assessed the valuation of the closed retail locations, which has led to impairments in 2021. The recognition and measurement in the financial statements are not subject to any material uncertainty.

#### **Unusual circumstances affecting recognition and measurement**

The Company's financial position at 31 December 2021 and the results of its operations for the financial year ended 31 December 2021 are not affected by any unusual matters other than the ongoing COVID-19 outbreak and government restrictions regarding public gatherings and restaurant shut-downs.

#### **Outlook**

The Company's outlook for 2022 is expected to be better than for 2021, however Management expects the ongoing high inflation environment to negatively affect financial performance. See subsequent events section "Events after the balance sheet date" below. Despite COVID-19 negatively affecting the results, the Company expects to continue to invest in the future development of Mikkeller including but not limited to a) expanded wholesale distribution, and b) 1-2 new e-com stores outside of Denmark. The Company will continuously review brew capacity and select retail opportunities.

The Company expects net profits to be improved in 2022 in the range between negative TDKK 2,500 and positive TDKK 2,500. Key assumptions on external factors behind the outlook is that the Company will not be negatively affected by further Covid-19 related lock-downs and that the volatile inflationary pressure will not worsen through remainder of the year. Consumer confidence is at very low levels historically and it is yet to be seen if this will result in a recession and/or a major shift in consumer behavior, which can negatively affect the Company's financial performance.

#### **Knowledge resources**

The Company continues focusing and investing in work environment development of all the Company's workplaces in the Mikkeller Group. The Company has begun a group-wide project, which is focusing on developing and maintaining healthy work environments. The project focuses on both the physical and psychological wellbeing of all employees at all the Groups locations.

The Company continues prioritization of expanding the education- and training opportunities for employees in the Company in order to include extended opportunities for leadership-, management-, diversity & inclusion training. It is essential for the Company's continued growth to attract and maintain talented employees. Through branding, working environment policies, employee benefits, education and development of employees, the Company strives to be an attractive, inclusive and safe workplace.

### **Environmental performance**

The Company's growth entails a greater responsibility to run the businesses in a sustainable way. The Company considers the environmental footprint throughout its various activities and continues to improve efforts.

### **Research and development activities**

The Company is constantly developing its concepts and products to maintain its position as one of the trendsetters in the market. In 2022, the Company will continue to invest in the development of existing and new concepts and products. Product innovation will continue to be a core part of the Company's DNA with research and tests being conducted out of own the Company's breweries in the United States and Denmark as well as our key contract partner in Belgium. Nonalcoholic craft beers remain a high priority and the Company will continue to invest in both product development and brand activation in this category.

### **Foreign branches**

Mikkeller has a foreign branches in United Kingdom and in Sweden.

### **Events after the balance sheet date**

Although the COVID-19 outbreak and associated restrictions has eased it has continued to impact the Company's performance in the first half of 2022. Europe and US have generally recovered faster than Asia but increased uncertainty caused by the war in Ukraine, increased prices in the value chain and declining consumer confidence has had a negative effect on the Company's wholesale performance overall. Despite the headwind the Company continues to see promising growth in selected priority markets. Retail activities has re-bounded strongly and is trading on par or above with 2019. The full combined effect for the Company is not yet known but the Management has taken reasonable measures to secure the Company's performance throughout the global crisis.

In the light of the current situation in Ukraine, Management has considered potential impacts on the Company. Based on the development so far, Management expects the Company to be impacted by the volatile inflationary situation but are taking measures in order to secure margins.

Other than the above, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Income statement for 2021

	Notes	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>678,456</b>	<b>3,626,218</b>
Staff costs	1	(22,351,726)	(17,969,965)
Depreciation, amortisation and impairment losses	2	(2,091,537)	(2,025,643)
<b>Operating profit/loss</b>		<b>(23,764,807)</b>	<b>(16,369,390)</b>
Other financial income	3	1,524,563	4,821
Other financial expenses	4	(1,387,550)	(3,246,687)
<b>Profit/loss before tax</b>		<b>(23,627,794)</b>	<b>(19,611,256)</b>
Tax on profit/loss for the year	5	(4,596)	(289,222)
<b>Profit/loss for the year</b>	6	<b>(23,632,390)</b>	<b>(19,900,478)</b>

# Balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK	2020 DKK
Acquired intangible assets		272,674	0
Goodwill		0	1,021,032
<b>Intangible assets</b>	7	<b>272,674</b>	<b>1,021,032</b>
Other fixtures and fittings, tools and equipment		1,648,883	1,610,038
Leasehold improvements		70,852	385,071
<b>Property, plant and equipment</b>	8	<b>1,719,735</b>	<b>1,995,109</b>
Deposits		640,208	565,963
<b>Financial assets</b>	9	<b>640,208</b>	<b>565,963</b>
<b>Fixed assets</b>		<b>2,632,617</b>	<b>3,582,104</b>
Manufactured goods and goods for resale		36,344,885	22,450,760
<b>Inventories</b>		<b>36,344,885</b>	<b>22,450,760</b>
Trade receivables		8,672,163	9,517,688
Receivables from group enterprises		3,497,876	1,673,762
Receivables from associates		320,363	0
Other receivables		5,211,011	1,603,918
Joint taxation contribution receivable		0	16,936
Prepayments	10	1,531,909	2,038,368
<b>Receivables</b>		<b>19,233,322</b>	<b>14,850,672</b>
<b>Cash</b>		<b>5,869,613</b>	<b>5,572,865</b>
<b>Current assets</b>		<b>61,447,820</b>	<b>42,874,297</b>
<b>Assets</b>		<b>64,080,437</b>	<b>46,456,401</b>

**Equity and liabilities**

	Notes	2021 DKK	2020 DKK
Contributed capital		80,000	80,000
Retained earnings		1,919,994	2,327,680
<b>Equity</b>		<b>1,999,994</b>	<b>2,407,680</b>
Other provisions	11	2,100,000	0
<b>Provisions</b>		<b>2,100,000</b>	<b>0</b>
Lease liabilities		0	119,201
Payables to group enterprises		35,316,619	22,446,490
Other payables		2,436,472	1,647,233
<b>Non-current liabilities other than provisions</b>	12	<b>37,753,091</b>	<b>24,212,924</b>
Current portion of non-current liabilities other than provisions	12	216,986	342,092
Trade payables		9,860,588	2,224,263
Payables to group enterprises		276,942	1,073,328
Payables to associates		11,128	0
Other payables		11,593,452	11,228,365
Deferred income	13	268,256	4,967,749
<b>Current liabilities other than provisions</b>		<b>22,227,352</b>	<b>19,835,797</b>
<b>Liabilities other than provisions</b>		<b>59,980,443</b>	<b>44,048,721</b>
<b>Equity and liabilities</b>		<b>64,080,437</b>	<b>46,456,401</b>
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Group relations	17		

# Statement of changes in equity for 2021

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	80,000	2,327,680	2,407,680
Group contributions etc	0	23,224,704	23,224,704
Profit/loss for the year	0	(23,632,390)	(23,632,390)
<b>Equity end of year</b>	<b>80,000</b>	<b>1,919,994</b>	<b>1,999,994</b>

# Notes

## 1 Staff costs

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	19,915,699	16,075,201
Pension costs	2,029,770	1,630,740
Other social security costs	148,253	132,254
Other staff costs	258,004	131,770
	<b>22,351,726</b>	<b>17,969,965</b>
Average number of full-time employees	44	39

	<b>Remuneration of Management 2021 DKK</b>	<b>Remuneration of Management 2020 DKK</b>
Total amount for management categories	4,273,283	3,633,649
	<b>4,273,283</b>	<b>3,633,649</b>

## 2 Depreciation, amortisation and impairment losses

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	1,107,109	1,227,969
Depreciation of property, plant and equipment	984,428	881,825
Profit/loss from sale of intangible assets and property, plant and equipment	0	(84,151)
	<b>2,091,537</b>	<b>2,025,643</b>

## 3 Other financial income

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Other interest income	1,497,551	4,821
Exchange rate adjustments	27,012	0
	<b>1,524,563</b>	<b>4,821</b>



#### 4 Other financial expenses

	2021 DKK	2020 DKK
Financial expenses from group enterprises	322,309	238,604
Other interest expenses	1,065,241	2,884,063
Fair value adjustments	0	124,020
	<b>1,387,550</b>	<b>3,246,687</b>

#### 5 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Change in deferred tax	0	429,167
Adjustment concerning previous years	0	(123,009)
Refund in joint taxation arrangement	4,596	(16,936)
	<b>4,596</b>	<b>289,222</b>

#### 6 Proposed distribution of profit and loss

	2021 DKK	2020 DKK
Retained earnings	(23,632,390)	(19,900,478)
	<b>(23,632,390)</b>	<b>(19,900,478)</b>

#### 7 Intangible assets

	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	0	10,210,320
Additions	358,751	0
<b>Cost end of year</b>	<b>358,751</b>	<b>10,210,320</b>
Amortisation and impairment losses beginning of year	0	(9,189,288)
Amortisation for the year	(86,077)	(1,021,032)
<b>Amortisation and impairment losses end of year</b>	<b>(86,077)</b>	<b>(10,210,320)</b>
<b>Carrying amount end of year</b>	<b>272,674</b>	<b>0</b>

The goodwill has during the period become fully amortized after having followed a ten-year amortization schedule which management found to be most accurate.

## 8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	2,511,860	1,687,197
Additions	709,054	0
<b>Cost end of year</b>	<b>3,220,914</b>	<b>1,687,197</b>
Depreciation and impairment losses beginning of year	(901,822)	(1,302,126)
Depreciation for the year	(670,209)	(314,219)
<b>Depreciation and impairment losses end of year</b>	<b>(1,572,031)</b>	<b>(1,616,345)</b>
<b>Carrying amount end of year</b>	<b>1,648,883</b>	<b>70,852</b>

## 9 Financial assets

	Deposits DKK
Cost beginning of year	565,963
Additions	74,245
<b>Cost end of year</b>	<b>640,208</b>
<b>Carrying amount end of year</b>	<b>640,208</b>

## 10 Prepayments

Prepayments relates to costs for 2022.

## 11 Other provisions

Other provisions comprise anticipated costs related to ongoing legal cases.

## 12 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK	Due within 12 months 2020 DKK	Due after more than 12 months 2021 DKK
Lease liabilities	216,986	342,092	0
Payables to group enterprises	0	0	35,316,619
Other payables	0	0	2,436,472
	<b>216,986</b>	<b>342,092</b>	<b>37,753,091</b>

Non-current liabilities other than provisions falls due within 5 years.

## 13 Deferred income

Deferred income relates to revenue for 2022 such as events and subscriptions etc.

#### 14 Unrecognised rental and lease commitments

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Liabilities under rental or lease agreements until maturity in total	1,451,510	1,897,828

Unrecognised rental and lease commitments relates to rental agreements and machines which runs until December 2024.

#### 15 Contingent liabilities

Mikkeller ApS is currently involved in legal cases, on which the outcome is uncertain. Management assesses that the cases will not trigger further costs than what has already been provisioned for.

Mikkeller ApS may have a historical exposure of VAT and taxes in certain countries outside Denmark. The company has changed setup and is no longer exposed to that risk.

The Entity participates in a Danish joint taxation arrangement where Bjergsø Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

#### 16 Related parties with controlling interest

The following Entities has controlling interest of the Company due to direct or indirect ownership:

- Craft Brewery Holding ApS, Copenhagen.
- Bjergsø Holding ApS, Copenhagen.

#### 17 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Bjergsø Holding ApS, Copenhagen

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Comparative figures regarding other external costs and staff costs has been restated to reflect the correct split between these. Costs of 697.996DKK has been reclassified from other external costs to staff costs.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, other operating income, cost of raw materials and consumables and external expenses.

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**Cost of sales**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

**Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Staff costs**

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

**Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

**Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

**Balance sheet****Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years.

For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

### **Intellectual property rights etc**

Intellectual property rights etc comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Acquired intellectual property rights	3 years
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Estimated useful lives and residual values are reassessed annually.

Acquired intellectual property rights are written down to the lower of recoverable amount and carrying amount.

### **Property, plant and equipment**

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3 - 5 years
Leasehold improvements	3 - 5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### **Inventories**

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and

costs incurred to execute sale.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

**Joint taxation contributions receivable or payable**

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises bank deposits.

**Other provisions**

Other provisions comprise anticipated costs related to ongoing legal cases.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

**Lease liabilities**

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Deferred income**

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

### **Cash flow statement**

With reference to The Danish Financial Statements act § 86 no. 4 the cash flow statement is prepared for the group of Bjergsø Holding ApS.