

Bjergsø Holding ApS
Humletorvet 27, 3.
1799 Copenhagen V
Central Business Registration
No 34696349

Annual report 2019

The Annual General Meeting adopted the annual report on 10.07.2020

Chairman of the General Meeting

Name: Mikkel Borg Bjergsø

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Entity details

Entity

Bjergsø Holding ApS
Humletorvet 27, 3.
1799 Copenhagen V

Central Business Registration No (CVR): 34696349

Registered in: Copenhagen

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Asbjørn Hangaard Joensen

Jacob Gram Alsing

Mikkel Borg Bjergsø

Executive Board

Jacob Gram Alsing

Mikkel Borg Bjergsø

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen C

Lead Client Service Partner: Bjørn Winkler Jakobsen

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Bjergsø Holding ApS for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 10.07.2020

Executive Board

Jacob Gram Alsing

Mikkel Borg Bjergsø

Board of Directors

Asbjørn Hangaard Joensen

Jacob Gram Alsing

Mikkel Borg Bjergsø

Independent auditor's report

To the shareholders of Bjergsø Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Bjergsø Holding ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and these parent 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 consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent'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 consolidated financial statements and the parent 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 Parent'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 10.07.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bjørn Winkler Jakobsen
State-Authorised Public Accountant
Identification No (MNE) mne32127

Hans Tauby
State-Authorised Public Accountant
Identification No (MNE) mne44339

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	293,442	249,234	199,867	153,410	125,873
Gross profit/loss	83,842	78,622	65,221	55,462	52,517
EBITDA	(10,837)	6,184	16,025	21,129	27,173
Operating profit/loss	(30,994)	(8,652)	4,805	12,357	22,738
Net financials	454	(528)	(1,014)	141	1,634
Profit/loss for the year	(30,100)	(11,563)	2,300	7,030	18,644
Profit/loss excl minority interests	(28,218)	(9,490)	1,719	7,030	18,644
Total assets	195,149	165,830	166,463	153,904	89,164
Investments in property, plant and equipment	26,088	23,239	19,304	12,662	22,582
Equity	95,883	123,065	136,323	125,538	61,072
Equity excl minority interests	94,739	122,428	133,315	125,538	61,072
Average numbers of employees	250	198	130	79	59

Ratios

Gross margin (%)	28.6	31.5	32.6	36.2	41.7
Net margin (%)	(10.3)	(4.6)	1.2	4.6	14.8
Return on equity (%)	(26.0)	(7.4)	2.0	8.0	61.0
Equity ratio (%)	48.5	73.8	80.1	81.6	68.5
Revenue per employee	1,173.8	1,258.8	1,537.4	1,941.9	2,133.4

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$	The entity's productivity

Management commentary

Primary activities

The Group's activities comprise of the development, manufacturing and sale of quality beers, wine and spirits under the "Mikkeller" brand as well as owning and operating bar and restaurant establishments (referred to as retail activities). The production takes place in the Group's breweries and in cooperation with leading breweries in Denmark and abroad.

The Group has continued its expansion in existing and new markets for wholesale and retail including the opening of 12 retail locations. In total, the Group operates 49 retail locations at 31 December 2019; hereunder 19 fully owned retail locations, 25 retail locations owned in partnerships and 5 licensed retail locations.

Development in activities and finances

The Group continued its strong revenue growth in 2019 with total revenue of TDKK 293.442 representing 18% growth over the prior year.

The income statement for the period 01.01.19 - 31.12.19 shows a net loss of TDKK 30.100. The balance sheet shows equity of TDKK 94.739.

The net loss in 2019 is primarily a result of significant investment in growth centered around the following areas:

- Ongoing transition of distribution network into more long-term sustainable business partnerships that can form basis for future growth. The effect of these transitions is a temporary slowdown in revenue from wholesale overall. Accordingly, the Group has experienced continued growth in selected focus markets, sales channels and through own retail channels.
- Addition of personnel in the Mikkeller headquarter including sales force, admin and other Mikkeller headquarter functions that will all help positioning Mikkeller for future growth.
- E-commerce where the Group has invested in continued expansion of the digital platforms and customer base expansion for the Group's digital platforms.
- Expanded marketing activities, including but not limited to main sponsorships in the 2019 World Cross Championships in Denmark, that Management believes contribute to growth of overall brand awareness, which the Group can benefit from going forward.
- The launch and investment in retail establishments, including the opening of 10 new establishments in 2019 in Denmark, Madrid, Bangkok, Paris, Helsinki and London and the opening of 2 additional pop-up retail establishments.
- Production capacity increases in both the San Diego brewery and the Baghaven brewery.

The transition of distributors globally has led to a loss on debtors of total TDKK 3.755. This loss and other negative effects of the distribution transition has been necessary to allow for a more viable and sustainable growth position in such markets.

Management commentary

The Management constantly assess the performance and value of its retail businesses and in 2019 this led to the decisions to close certain retail establishments. This affected the financial results with a few additional impairments, Cf. subsequent events section "Events after the balance sheet date" below.

Based on the investment costs in future growth and positive trends in focus markets the Management considers the net loss for the year to be satisfactory and in alignment with the Management's expectations. Management believes this has not negatively affected the Group's ability to execute the long term strategy for continued growth in the coming years.

Uncertainty relating to recognition and measurement

After the balance sheet date, the Management has made an updated assessment of collectability of receivables and have not identified any need of write-down as of 31 December 2019. The Management has also assessed the valuation of the closed retail locations, which has led to impairments in 2019.

The recognition and measurement in the financial statements are not subject to any material uncertainty.

Unusual circumstances affecting recognition and measurement

The Group's financial position at 31 December 2019 and the results of its operations for the financial year ended 31 December 2019 are not affected by any unusual matters.

Outlook

Both the wholesale business, including beer sales through distribution networks globally and the retail business, have been significantly affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak.

The Group's outlook for 2020 revenue and result will be negatively affected compared to 2019 even though the Group has been successful in mitigating this negative effect by growing its digital platform activities and sales and the Group has qualified for assistance from government refund programs globally during the COVID-19 outbreak period.

On the retail business, the Group expects that the uncertainty of the global food and beverage scene will result in the Group opening fewer new retail locations in 2020 compared to the expectations prior to the COVID-19 outbreak.

Also see subsequent events section "Events after the balance sheet date" below.

Despite COVID-19 negatively affecting growth, the Group expects to continue to keep growing which may have a negative effect on the Group's result due to further investments in retail establishments and brewery capacity globally.

Management commentary

Particular risks

The Group is subject to usual risks within the wholesale and retail industry including cyclical fluctuations, consumer behavior, sourcing of raw materials, currency exposure, etc.

The Group operates worldwide and is naturally exposed to currency risks, mainly in USD.

Intellectual capital resources

It is essential for the Group's continued growth to attract and maintain talented employees. Through branding, working environment policies, employee benefits, education and development of employees, the Group strives to be an attractive workplace.

Environmental performance

The Group's growth means a continued responsibility to run the businesses in a sustainable way. The Group considers the environmental footprint throughout its various activities and continues to improve efforts. For example, the production of organic beers has continued to become a greater part of the Group's product portfolio in 2019, and the Group will continue to produce more organic beers going forward while always making sure that such initiatives do not compromise quality.

To reduce the carbon footprint, the Group has initiated a carbon neutral program for the Group's restaurants establishments which are now fully implemented in Denmark and California locations.

Research and development activities

The Group is constantly developing its concepts and products to maintain its position as one of the trendsetters in the market. In 2020, the Group will continue to invest in the development of new concepts and products.

Foreign branches

The Group has a foreign branch in United Kingdom and Sweden.

Events after the balance sheet date

The global effect of the COVID-19 outbreak has a significant effect for the Group where all markets except from the digital platform channels are affected negatively. The full negative effect for the Group is not yet known but the Management has taken reasonable measures to secure the Group's performance through this global crisis.

The Group's outlook for 2020 revenue and result will be negatively affected compared to 2019 due to the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak. The Group has to a reasonable extent managed to reduce the effects of this decline in revenue by completing cost savings initiatives and by benefitting from various government support packages.

Management commentary

Up until the time of preparing financial reporting, the Management has decided to close a limited number of retail locations as a consequence fluctuating performance which were made difficult to correct in the COVID-19 market conditions and the derived effects hereof. The impairments of the closed locations are included in 2019.

In early 2020, the Group received further investments in the level of DKK 100 million. The additional liquidity has been used partly to (i) repay the then existing credit facility of 47m DKK (as of 31 December 2019) in full (ii) resist the negative consequences from the global COVID-19 outbreak and (iii) most importantly to secure continued investments in expansion and growth initiatives of the Group.

The Management assess that the Group's financial position and cash resources are sufficient to get through the COVID-19 crisis and continue its investments in growth.

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.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue		293,441,961	249,234,118
Other operating income		2,595,953	7,703,755
Cost of sales		(137,315,199)	(117,320,106)
Other external expenses		(74,881,152)	(60,995,919)
Gross profit/loss		83,841,563	78,621,848
Staff costs	2	(94,678,248)	(72,437,521)
Depreciation, amortisation and impairment losses	3	(20,157,265)	(14,836,608)
Operating profit/loss		(30,993,950)	(8,652,281)
Income from investments in associates		378,197	(415,266)
Other financial income	4	1,665,516	552,928
Other financial expenses	5	(1,589,398)	(665,702)
Profit/loss before tax		(30,539,635)	(9,180,321)
Tax on profit/loss for the year	6	440,037	(2,382,656)
Profit/loss for the year	7	(30,099,598)	(11,562,977)

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Acquired intangible assets		8,083,628	6,414,067
Goodwill		11,756,694	13,903,882
Intangible assets	8	19,840,322	20,317,949
Plant and machinery		9,402,357	9,651,290
Other fixtures and fittings, tools and equipment		16,505,211	12,831,046
Leasehold improvements		33,172,486	28,705,590
Property, plant and equipment in progress		3,989,439	653,378
Property, plant and equipment	9	63,069,493	51,841,304
Investments in associates		595,586	51,454
Receivables from associates		7,961,403	0
Deposits		7,098,339	5,475,645
Deferred tax	12	1,819,523	682,666
Fixed asset investments	10	17,474,851	6,209,765
Fixed assets		100,384,666	78,369,018
Raw materials and consumables		1,613,507	742,549
Work in progress		2,000,352	1,758,864
Manufactured goods and goods for resale		39,006,454	27,268,813
Prepayments for goods		1,546,200	1,738,603
Inventories		44,166,513	31,508,829
Trade receivables		17,419,456	17,587,317
Receivables from associates		2,415,014	8,520,779
Other receivables		5,004,326	3,323,732
Receivables from owners and management		2,352,647	674,985
Prepayments	13	3,338,157	3,679,956
Receivables		30,529,600	33,786,769
Cash		20,068,688	22,165,411
Current assets		94,764,801	87,461,009
Assets		195,149,467	165,830,027

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		102,488	102,488
Retained earnings		94,636,165	122,325,648
Equity attributable to the Parent's owners		94,738,653	122,428,136
Share of equity attributable to minority interests		1,144,165	636,576
Equity		95,882,818	123,064,712
Deferred tax	12	0	1,564,039
Provisions		0	1,564,039
Finance lease liabilities		187,413	0
Payables to shareholders and management		9,979,282	9,254,424
Other payables		1,105,638	0
Non-current liabilities other than provisions	14	11,272,333	9,254,424
Current portion of long-term liabilities other than provisions	14	153,109	0
Bank loans		47,594,636	0
Finance lease liabilities		94,934	0
Trade payables		16,514,604	12,235,688
Payables to shareholders and management		100,002	593,407
Income tax payable		2,004,061	1,153,164
Other payables		14,904,114	12,698,729
Deferred income	15	6,628,856	5,265,864
Current liabilities other than provisions		87,994,316	31,946,852
Liabilities other than provisions		99,266,649	41,201,276
Equity and liabilities		195,149,467	165,830,027
Events after the balance sheet date	1		
Associates	11		
Unrecognised rental and lease commitments	17		
Assets charged and collateral	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year	102,488	122,325,648	636,576	123,064,712
Effect of mergers and business combinations	0	0	(798,247)	(798,247)
Increase of capital	0	0	3,187,570	3,187,570
Other entries on equity	0	528,381	0	528,381
Profit/loss for the year	0	(28,217,864)	(1,881,734)	(30,099,598)
Equity end of year	102,488	94,636,165	1,144,165	95,882,818

Other entries on equity are related to negative goodwill in relation to step acquisitions.

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Operating profit/loss		(30,993,950)	(8,652,281)
Amortisation, depreciation and impairment losses		18,033,378	13,937,803
Working capital changes	16	(7,973,531)	(16,720,100)
Cash flow from ordinary operating activities		(20,934,103)	(11,434,578)
Financial income received		1,135,205	552,928
Financial expenses paid		(1,059,087)	(665,702)
Income taxes refunded/(paid)		(1,409,962)	(2,896,731)
Cash flows from operating activities		(22,267,947)	(14,444,083)
Acquisition etc of intangible assets		(5,299,809)	(3,275,516)
Sale of intangible assets		1,258,127	0
Acquisition etc of property, plant and equipment		(26,122,788)	(23,239,146)
Sale of property, plant and equipment		2,049,110	789,571
Acquisition of fixed asset investments		(1,614,758)	(651,629)
Sale of fixed asset investments		11,542	0
Net payment of loans to associates and group enterprises		(165,935)	9,431,464
Cash flows from investing activities		(29,884,511)	(16,945,256)
Loans raised		47,594,636	0
Incurrence of debt to group enterprises		231,453	0
Incurrence of debt to associates		2,917,704	0
Dividend paid		0	(2,876,000)
Cash flows from financing activities		50,743,793	(2,876,000)
Increase/decrease in cash and cash equivalents		(1,408,665)	(34,265,339)
Cash and cash equivalents beginning of year		22,165,411	55,952,513
Currency translation adjustments of cash and cash equivalents		(688,058)	478,237
Cash and cash equivalents end of year		20,068,688	22,165,411

Notes to consolidated financial statements

1. Events after the balance sheet date

The global effect of the COVID-19 outbreak has a significant effect for the Group where all markets except from the digital platform channels are affected negatively. The full negative effect for the Group is not yet known but the Management has taken reasonable measures to secure the Group's performance through this global crisis.

The Group's outlook for 2020 revenue and result will be negatively affected compared to 2019 due to the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak. The Group has to a reasonable extent managed to reduce the effects of this decline in revenue by completing cost savings initiatives and by benefitting from various government support packages.

Up until the time of preparing financial reporting, the Management has decided to close a limited number of retail locations as a consequence fluctuating performance which were made difficult to correct in the COVID-19 market conditions and the derived effects hereof. The impairments of the closed locations are included in 2019.

In early 2020, the Group received further investments in the level of DKK 100 million. The additional liquidity has been used partly to (i) repay the then existing credit facility of 47m DKK (as of 31 December 2019) in full (ii) resist the negative consequences from the global COVID-19 outbreak and (iii) most importantly to secure continued investments in expansion and growth initiatives of the Group.

The Management assess that the Group's financial position and cash resources are sufficient to get through the COVID-19 crisis and continue its investments in growth.

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.

	2019	2018
	DKK	DKK
2. Staff costs		
Wages and salaries	85,412,253	65,706,174
Pension costs	3,040,607	2,550,361
Other social security costs	2,789,993	1,854,575
Other staff costs	3,435,395	2,326,411
	94,678,248	72,437,521
Average number of employees	250	198

Notes to consolidated financial statements

	Remunera- tion of manage- ment 2019 DKK	Remunera- tion of manage- ment 2018 DKK
Total amount for management categories	4,470,000	4,350,000
	4,470,000	4,350,000

Average number of employees in pro rate-consolidated enterprises

Average number of employees above contains an average number of employees in prorated consolidated enterprises: 28 in 2019 and 23 in 2018.

	2019 DKK	2018 DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	3,993,159	3,577,230
Impairment losses on intangible assets	513,542	0
Depreciation of property, plant and equipment	12,878,535	10,360,573
Impairment losses on property, plant and equipment	648,142	0
Profit/loss from sale of intangible assets and property, plant and equipment	2,123,887	898,805
	20,157,265	14,836,608
	2019 DKK	2018 DKK
4. Other financial income		
Financial income from associates	332,711	0
Other interest income	232,205	408,778
Exchange rate adjustments	1,100,600	144,150
	1,665,516	552,928
	2019 DKK	2018 DKK
5. Other financial expenses		
Financial expenses from associates	87,999	72,412
Other interest expenses	971,088	554,661
Exchange rate adjustments	530,311	38,629
	1,589,398	665,702

Notes to consolidated financial statements

	2019 DKK	2018 DKK
6. Tax on profit/loss for the year		
Current tax	2,069,477	1,864,179
Change in deferred tax	(2,700,896)	518,477
Adjustment concerning previous years	191,382	0
	(440,037)	2,382,656
	2019 DKK	2018 DKK
7. Proposed distribution of profit/loss		
Retained earnings	(28,217,864)	(9,490,192)
Minority interests' share of profit/loss	(1,881,734)	(2,072,785)
	(30,099,598)	(11,562,977)
	Acquired intangible assets DKK	Goodwill DKK
8. Intangible assets		
Cost beginning of year	8,325,514	26,809,272
Exchange rate adjustments	(24,458)	0
Additions	4,742,864	556,945
Disposals	(1,261,083)	0
Cost end of year	11,782,837	27,366,217
Amortisation and impairment losses beginning of year	(1,911,447)	(12,905,390)
Exchange rate adjustments	11,850	0
Impairment losses for the year	(513,542)	0
Amortisation for the year	(1,289,026)	(2,704,133)
Reversal regarding disposals	2,956	0
Amortisation and impairment losses end of year	(3,699,209)	(15,609,523)
Carrying amount end of year	8,083,628	11,756,694

Goodwill

Management estimates the goodwill to have a long-term useful life, given that the goodwill is tied to markets where the Company has a strong market position and where investments are continuously made to address the market potential. Consequently, Management considers the earnings profile to be of a longer duration. Based on the above, Management has assessed that an amortisation period for the goodwill of 10 years would be the most accurate. Moreover, Management will reassess the useful life annually to reflect the current market position and earnings profile.

Notes to consolidated financial statements

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
9. Property, plant and equipment				
Cost beginning of year	14,268,013	20,373,722	43,226,415	653,378
Exchange rate adjustments	354,962	12,628	514,518	153
Transfers	838,542	(1,908,840)	1,582,315	(477,317)
Additions	1,547,427	9,168,929	11,558,507	3,813,225
Disposals	(803,126)	(2,359,717)	(674,447)	0
Cost end of year	16,205,818	25,286,722	56,207,308	3,989,439
Depreciation and impairment losses beginning of year	(4,616,723)	(7,542,676)	(14,520,825)	0
Exchange rate adjustments	(145,900)	5,615	(60,788)	0
Transfers	(169,235)	754,967	(585,732)	0
Impairment losses for the year	0	(64,640)	(583,502)	0
Depreciation for the year	(2,263,923)	(3,188,740)	(7,425,872)	0
Reversal regarding disposals	392,320	1,253,963	141,897	0
Depreciation and impairment losses end of year	(6,803,461)	(8,781,511)	(23,034,822)	0
Carrying amount end of year	9,402,357	16,505,211	33,172,486	3,989,439

Notes to consolidated financial statements

	Investments in associates DKK	Receivables from associates DKK	Deposits DKK	Deferred tax DKK
10. Fixed asset investments				
Cost beginning of year	574,587	0	5,475,645	682,666
Disposals on divestments etc	(100,000)	0	0	0
Exchange rate adjustments	0	0	19,478	0
Additions	0	7,961,403	1,614,758	1,136,857
Disposals	0	0	(11,542)	0
Cost end of year	474,587	7,961,403	7,098,339	1,819,523
Revaluations beginning of year	(523,133)	0	0	0
Disposals on divestments etc	380,118	0	0	0
Adjustments on equity	165,934	0	0	0
Share of profit/loss for the year	98,080	0	0	0
Revaluations end of year	120,999	0	0	0
Carrying amount end of year	595,586	7,961,403	7,098,339	1,819,523

	Registered in	Equity interest %
11. Associates		
Warpigs USA Brewing, LLC	Indiana, USA	50.0
Mexican Ranger ApS	Copenhagen, Denmark	50.0
Kødbyen Brygpub ApS	Copenhagen, Denmark	50.0
Open Faced ApS	Copenhagen, Denmark	49.0
Bean Geeks Chocolate ApS	Copenhagen, Denmark	50.0
Wine Mail ApS	Copenhagen, Denmark	50.0
Mikkeller Bangkok Co., Ltd.	Bangkok, Thailand	49.0

Associates for which the Parent holds a controlling interest of exactly 50% are recognised in the consolidated financial statements with a pro-rata share line-by-line.

Notes to consolidated financial statements

	2019 DKK
12. Deferred tax	
Changes during the year	
Beginning of year	(881,373)
Recognised in the income statement	2,700,896
End of year	1,819,523

Deferred tax relates to differences between book values and tax values of fixed assets and tax loss carry forward.

13. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

	Due within 12 months 2019 DKK	Due after more than 12 months 2019 DKK
14. Liabilities other than provisions		
Finance lease liabilities	153,109	187,413
Payables to shareholders and management	0	9,979,282
Other payables	0	1,105,638
	153,109	11,272,333

Non-current liabilities fall due within 5 years.

15. Short-term deferred income

Deferred income comprises revenue relating to subsequent financial years.

	2019 DKK	2018 DKK
16. Change in working capital		
Increase/decrease in inventories	(12,657,684)	(10,625,943)
Increase/decrease in receivables	(4,704,234)	(10,428,729)
Increase/decrease in trade payables etc	9,388,387	4,334,572
	(7,973,531)	(16,720,100)

	2019 DKK	2018 DKK
17. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	44,764,808	26,666,000

18. Assets charged and collateral

Bank debt is secured by unlimited floating charge in the Company.

Notes to consolidated financial statements

	<u>Registered in</u>	<u>Equity inte- rest %</u>
19. Subsidiaries		
Craft Brewery Holding ApS	Copenhagen, Denmark	100.0
Mikkeller ApS	Copenhagen, Denmark	100.0
StellaPolly Craft Beer ApS	Copenhagen, Denmark	100.0
Stella Polly Inc.	San Diego, USA	100.0
Mikkeller US Holding Inc.	Delaware, USA	100.0
Craft Beer Bar Holding ApS	Copenhagen, Denmark	100.0
Ramen Copenhagen ApS	Copenhagen, Denmark	75.3
Viktoriagade Bar ApS	Copenhagen, Denmark	100.0
Stefansgade Bar ApS	Copenhagen, Denmark	100.0
Viktoriagade Smørrebrød ApS	Copenhagen, Denmark	100.0
Refshaleøen Barrel Room ApS	Copenhagen, Denmark	100.0
Jægergårdsgade Bar ApS	Copenhagen, Denmark	100.0
Mikkellerbar Årsdale ApS	Copenhagen, Denmark	100.0
Mile High Club ApS	Copenhagen, Denmark	100.0
Mikeller Meatpacking ApS	Copenhagen, Denmark	100.0
Mikkeller Taipei Ltd	Taipei, Taiwan	51.0
Mikkeller Bar Warsaw sp. Z.o.o.	Warsaw, Poland	51.0
Mikkeller Bar Korea	Seoul, South Korea	51.0
Sp/f Mikkeller Torshavn	Torshavn, Faroe Islands	50.5
Mikkeller Romania SRL	Bucharest, Romania	51.0
Mikkeller Japan KK	Tokyo, Japan	70.0
Danish Craft Beer Spain S.L	Madrid, Spain	75.0
Mikkeller Brill Östermalm AB	Stockholm, Sweden	80.0
Mikkeller Craft Beer Germany GmbH	Berlin, Germany	90.0
TheGoodOIDays Limited	London, United Kingdom	80.0
You are a funny man AS	Oslo, Norway	100.0
Mikkeller Bar Paris SAS	Paris, France	100.0

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue		6,120,422	6,089,130
Other external expenses		<u>(2,191,793)</u>	<u>(929,420)</u>
Gross profit/loss		3,928,629	5,159,710
Staff costs	2	<u>(6,267,039)</u>	<u>(6,161,770)</u>
Operating profit/loss		(2,338,410)	(1,002,060)
Income from investments in group enterprises		(26,882,550)	(6,555,703)
Income from investments in associates		0	(268,273)
Other financial income	3	1,003,474	27,071
Other financial expenses	4	<u>(374,691)</u>	<u>(57,601)</u>
Profit/loss before tax		(28,592,177)	(7,856,566)
Tax on profit/loss for the year	5	<u>374,313</u>	<u>227,000</u>
Profit/loss for the year	6	<u>(28,217,864)</u>	<u>(7,629,566)</u>

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Investments in group enterprises		8,881,788	35,235,957
Receivables from group enterprises		132,977,542	0
Deferred tax		323,271	0
Fixed asset investments	7	<u>142,182,601</u>	<u>35,235,957</u>
Fixed assets		<u>142,182,601</u>	<u>35,235,957</u>
Trade receivables		426,687	285,592
Receivables from group enterprises		524,806	86,820,574
Other receivables		198,251	802,908
Joint taxation contribution receivable		462,462	1,898,000
Prepayments	8	2,802	0
Receivables		<u>1,615,008</u>	<u>89,807,074</u>
Cash		<u>692,235</u>	<u>665,054</u>
Current assets		<u>2,307,243</u>	<u>90,472,128</u>
Assets		<u>144,489,844</u>	<u>125,708,085</u>

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital	9	102,488	102,488
Reserve for net revaluation according to the equity method		0	14,948,498
Retained earnings		94,636,164	107,377,151
Equity		94,738,652	122,428,137
Bank loans		47,425,015	8,751
Trade payables		98,362	25,000
Income tax payable		0	132,000
Joint taxation contribution payable		411,124	1,539,000
Other payables		1,816,691	1,575,197
Current liabilities other than provisions		49,751,192	3,279,948
Liabilities other than provisions		49,751,192	3,279,948
Equity and liabilities		144,489,844	125,708,085
Events after the balance sheet date	1		
Contingent liabilities	10		
Assets charged and collateral	11		
Related parties with controlling interest	12		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	102,488	14,948,498	107,377,151	122,428,137
Exchange rate adjustments	0	1,065,797	0	1,065,797
Other entries on equity	0	0	(537,418)	(537,418)
Profit/loss for the year	0	(16,014,295)	(12,203,569)	(28,217,864)
Equity end of year	102,488	0	94,636,164	94,738,652

Warrants

On 31 May 2016, the company issued warrants for subscription of A-shares for up to nominally DKK 5.079,15 to certain senior employees of the company on the terms as set out in Exhibit 1 of the articles of association of the company. As a consequence hereof the general meeting of shareholders did at the same time approve the pertaining increase of the company's capital at one or more times with a total maximum nominal amount of DKK 5.079,15.

On 18 September 2018 the company issued additional warrants for subscription of A-shares for up to nominally DKK 1.918,41 of which 54.812 warrants are issued to certain senior employees in the company on the terms set out in Exhibit 2 of the articles of association and 137.029 warrants are issued to certain senior employees in the company on the terms as set out in Exhibit 3 of the articles of association. As a consequence hereof the general meeting of shareholders did at the same time approve the pertaining increase of the company's capital at one or more times with a total maximum nominal amount of DKK 1.918,41.

Notes to parent financial statements

1. Events after the balance sheet date

The global effect of the COVID-19 outbreak has a significant effect for the Group where all markets except from the digital platform channels are affected negatively. The full negative effect for the Group is not yet known but the Management has taken reasonable measures to secure the Group's performance through this global crisis.

The Group's outlook for 2020 revenue and result will be negatively affected compared to 2019 due to the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak. The Group has to a reasonable extent managed to reduce the effects of this decline in revenue by completing cost savings initiatives and by benefitting from various government support packages.

Up until the time of preparing financial reporting, the Management has decided to close a limited number of retail locations as a consequence fluctuating performance which were made difficult to correct in the COVID-19 market conditions and the derived effects hereof. The impairments of the closed locations are included in 2019.

In early 2020, the Group received further investments in the level of DKK 100 million. The additional liquidity has been used partly to (i) repay the then existing credit facility of 47m DKK (as of 31 December 2019) in full (ii) resist the negative consequences from the global COVID-19 outbreak and (iii) most importantly to secure continued investments in expansion and growth initiatives of the Group.

The Management assess that the Group's financial position and cash resources are sufficient to get through the COVID-19 crisis and continue its investments in growth.

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.

	2019 DKK	2018 DKK
2. Staff costs		
Wages and salaries	5,518,520	5,438,857
Pension costs	722,980	695,787
Other social security costs	25,539	27,126
	6,267,039	6,161,770
Average number of employees	5	5

Notes to parent financial statements

	Remunera- tion of manage- ment 2019 DKK	Remunera- tion of manage- ment 2018 DKK
Total amount for management categories	4,470,000	4,350,000
	4,470,000	4,350,000
	2019 DKK	2018 DKK
3. Other financial income		
Financial income arising from group enterprises	979,314	0
Other interest income	2,511	2,914
Exchange rate adjustments	21,649	24,157
	1,003,474	27,071
	2019 DKK	2018 DKK
4. Other financial expenses		
Other interest expenses	362,057	39,302
Exchange rate adjustments	12,634	18,299
	374,691	57,601
	2019 DKK	2018 DKK
5. Tax on profit/loss for the year		
Change in deferred tax	(323,271)	0
Adjustment concerning previous years	296	0
Refund in joint taxation arrangement	(51,338)	(227,000)
	(374,313)	(227,000)
	2019 DKK	2018 DKK
6. Proposed distribution of profit/loss		
Retained earnings	(28,217,864)	(7,629,566)
	(28,217,864)	(7,629,566)

Notes to parent financial statements

	Invest- ments in group enterprises DKK	Receivables from group enterprises DKK	Deferred tax DKK
7. Fixed asset investments			
Cost beginning of year	20,287,459	0	0
Additions	0	132,977,542	323,271
Cost end of year	20,287,459	132,977,542	323,271
Revaluations beginning of year	14,948,498	0	0
Exchange rate adjustments	1,065,797	0	0
Adjustments on equity	(537,417)	0	0
Share of profit/loss for the year	(24,626,101)	0	0
Adjustment of intra-group profits	(2,256,448)	0	0
Revaluations end of year	(11,405,671)	0	0
Carrying amount end of year	8,881,788	132,977,542	323,271

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

8. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

	Number	Par value DKK	Nominal value DKK
9. Contributed capital			
Class A shares	8,000,000	0.01	80,000
Class B shares	2,248,827	0.01	22,488
	10,248,827		102,488

10. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 these entities.

Notes to parent financial statements

The Entity has issued a letter of support to the subsidiaries by which the Parent is irrevocably obligated to support the subsidiary in fulfilling its obligations until 31 December 2020.

11. Assets charged and collateral

Bank debt is secured by unlimited floating charge in the Company.

Collateral provided for group enterprises

The Entity has provided a guarantee whereby the guarantor assumes primary liability for group enterprises and joint ventures' payables to credit institutions. The guarantee is unlimited.

12. Related parties with controlling interest

The Company has not traded with, granted loans to, pledged collateral, provided recourse guarantees to or undertaken guarantee obligations for the Board of Directors, the Executive Board or the shareholder or any non-group enterprises in which the parties concerned have interests.

Accounting policies

Reporting class

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

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

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of

Accounting policies

income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made 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 as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Accounting policies

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets 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, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities 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.

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. 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.

No residual value is used in the calculation of amortisations.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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 rights	3-10 years
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Estimated useful lives and residual values are reassessed annually. No residual value is used in the calculation of amortisations.

Accounting policies

Property, plant and equipment

Plant and machinery as well as leasehold improvements, 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:

Plant and machinery	7-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-40 years

Estimated useful lives and residual values are reassessed annually. No residual value is used in the calculation of amortisations.

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

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

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. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity values plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

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

Cost of raw materials, 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.

Prepayments

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

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Finance lease liabilities

Lease commitments 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 commitments 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.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred income

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.