



Bjergsø Holding ApS

Humletorvet 27, 3.
1799 København V
CVR No. 34696349

Annual report 2021

The Annual General Meeting adopted the
annual report on 06.07.2022

Kenneth Bundgaard Madsen
Chairman of the General Meeting

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Entity details

Entity

Bjergsø Holding ApS

Humletorvet 27, 3.

1799 København V

Business Registration No.: 34696349

Registered office: København

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Mikkel Bjergsø

Kenneth Bundgaard Madsen

Ditte Kristine Lassen-Kahlke

Executive Board

Mikkel Bjergsø

Kenneth Bundgaard Madsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

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 01.01.2021 - 31.12.2021.

The annual report is presented 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 31.12.2021 and of the results of their operations and the consolidated cash flows 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

Mikkel Bjergsø

Kenneth Bundgaard Madsen

Ditte Kristine Lassen-Kahlke

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 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, 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 31.12.2021 and of the results of their operations and the consolidated cash flows 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 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 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 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 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 consolidated financial statements and the parent 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 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 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 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 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 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 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 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.

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, 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
Key figures					
Revenue	237,065	212,856	293,442	249,234	199,867
Gross profit/loss	56,621	49,639	83,842	78,622	65,221
EBITDA	(32,610)	(38,087)	(10,837)	6,184	16,025
Operating profit/loss	(51,719)	(64,826)	(30,994)	(8,652)	4805
Net financials	1,246	(5,244)	454	(528)	(1,014)
Profit/loss for the year	(52,541)	(72,101)	(30,100)	(11,563)	2,300
Profit for the year excl. minority interests	(50,786)	(69,372)	(28,218)	(9,490)	1,719
Balance sheet total	198,703	190,893	195,149	165,830	166,463
Investments in property, plant and equipment	24,666	14,970	26,088	23,239	19,304
Equity	131,075	139,984	95,883	123,065	136,323
Equity excl. minority interests	132,387	140,177	94,739	122,428	133,315
Average number of employees	239	244	250	198	130

Ratios

Gross margin (%)	23.88	23.32	28.57	31.55	32.63
Net margin (%)	(22.16)	(33.87)	(10.26)	(4.64)	1.15
Return on equity (%)	(37.27)	(59.06)	(25.99)	(7.42)	1.33
Equity ratio (%)	66.63	73.43	48.55	73.83	80.09

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

Gross margin (%):

Gross profit/loss * 100

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Return on equity (%):

Profit/loss for the year excl. minority interests * 100

Average equity excl. minority interests

Equity ratio (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

The Group's activities comprise of the development, manufacturing and sale of high-quality craft beers under the "Mikkeller" and "WarPigs" brands but also through various partnerships such as "Ramen To Biiru", "La Neta" and "Selma". The Group operates both own bars and restaurants as well as partner/licensed establishments (referred to as retail activities). The production of beer takes place at the Group's own breweries and in cooperation with leading breweries primarily in Europe.

The Group has continued its expansion in existing and new markets for wholesale and retail including the opening of 3 own retail locations and 1 partner location. As of 31 December 2021, the Group operates 15 fully owned locations, 27 locations owned in partnerships and 3 licensed locations bringing our total footprint to 45 bars and restaurants worldwide.

Development in activities and finances

In 2021 the Group recorded a total revenue of TDKK 237,065 corresponding to an increase in revenue of 11% compared to 2020. The income statement for the period 01.01.21 - 31.12.21 shows a net loss of TDKK 52,540 and the balance sheet shows a total equity of TDKK 132,387.

The net loss in 2021 is primarily a result of COVID-19 related restrictions and closedowns in the markets where the group operates, which have affected the Group 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.

Despite the difficult market situation the Group has continued investments 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 Group 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 Group 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.
- Investments in new retail establishment in Denmark

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 Group'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 Group has become aware of a number of employees who has had negative and unacceptable experiences during their employment. The Group 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 Group has focused on reconciling with the past by implementing The Mikkeller Reconciliation Program.

The Group 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

Guidance for the year was an expected revenue increase of +25% and an EBITDA of between TDKK 0 to 5,000. Management finds the performance to be unsatisfactory. The lower-than-expected performance is related to 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.

In December 2021 the owners have made a capital contribution of DKK 40m to support the continued execution of the Group's strategy plan and to strengthen the Group's capital position coming out of the Covid-19 period which has had a strong negative impact on Group earnings due to lock-downs and restrictions.

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.

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.

Unusual circumstances affecting recognition and measurement

The Group'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. During 2021 the Group has received relieve packages related to Covid-19 of approx. TDKK 6,156, which are one-off extraordinary income, which is not to be expected going forward.

Outlook

The Group'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 Group 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 Group will continuously review brew capacity and select retail opportunities.

The Group expects the operating profit (EBITDA) to be improved in 2022 in the range between negative TDKK 1,000 and positive TDKK 5,000. Key assumptions on external factors behind the outlook is that the Group 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 Groups financial performance.

Knowledge resources

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

The Group continues prioritization of expanding the education- and training opportunities for employees in the Group in order to include extended opportunities for leadership-, management-, diversity & inclusion training. 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, inclusive and safe 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, 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 2022, the Group will continue to invest in the development of existing and new concepts and products. The focus is to expand the number of owned and licensed bars via the "Mikkeller" and "WarPigs" brands primarily in Europe and Asia. An increased footprint and local brand activation is expected to drive significant brand value. Product innovation will continue to be a core part of the Group DNA with research and tests being conducted out of own 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 Group will continue to invest in both product development and brand activation in this category.

Foreign branches

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

Events after the balance sheet date

Although the COVID-19 outbreak and associated restrictions has eased it has continued to impact the Groups 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 Groups wholesale performance overall. Despite the headwind the group continue 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 Group is not yet known but the Management has taken reasonable measures to secure the Group's performance throughout the global crisis.

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

In March 2022 the Group's shareholder have contributed DKK 38m in capital to support the continued execution of the Group's strategy plan and to strengthen the Group's capital position coming out of the Covid-19 period which has had a strong negative impact on Group earnings due to lock-downs and restrictions.

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 2021

	Notes	2021 DKK	2020 DKK
Revenue		237,064,556	212,856,193
Other operating income	2	11,907,352	11,855,205
Cost of sales		(123,395,068)	(113,535,523)
Other external expenses		(68,956,102)	(61,536,735)
Gross profit/loss		56,620,738	49,639,140
Staff costs	3	(89,231,301)	(86,283,521)
Depreciation, amortisation and impairment losses	4	(19,005,862)	(28,181,790)
Writedowns of non-financial current assets		(102,075)	0
Operating profit/loss		(51,718,500)	(64,826,171)
Income from investments in associates		(266,022)	(79,058)
Other financial income	5	2,541,159	530,204
Impairment losses on financial assets		(631,102)	(854,394)
Other financial expenses	6	(663,936)	(4,919,430)
Profit/loss before tax		(50,738,401)	(70,148,849)
Tax on profit/loss for the year	7	(1,802,189)	(1,952,290)
Profit/loss for the year	8	(52,540,590)	(72,101,139)

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Acquired intangible assets		5,221,075	6,839,786
Acquired rights		0	0
Goodwill		322,800	1,666,632
Intangible assets	9	5,543,875	8,506,418
Plant and machinery		8,789,239	7,746,284
Other fixtures and fittings, tools and equipment		14,702,866	14,660,632
Leasehold improvements		29,449,452	31,039,393
Property, plant and equipment	10	52,941,557	53,446,309
Investments in associates		0	314,122
Receivables from associates		0	4,465,337
Deposits		8,161,222	7,615,131
Deferred tax	12	0	225,751
Financial assets	11	8,161,222	12,620,341
Fixed assets		66,646,654	74,573,068

Raw materials and consumables		939,380	1,568,438
Work in progress		1,664,786	1,573,958
Manufactured goods and goods for resale		51,585,664	33,470,588
Prepayments for goods		1,065,611	748,011
Inventories		55,255,441	37,360,995
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Trade receivables		15,326,574	14,263,773
Receivables from associates		4,274,745	0
Other receivables		7,107,293	6,389,511
Prepayments	13	5,086,460	6,424,157
Receivables		31,795,072	27,077,441
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Cash		45,005,524	51,881,418
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Current assets		132,056,037	116,319,854
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Assets		198,702,691	190,892,922
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Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		123,043	116,920
Translation reserve		(2,582,118)	(3,439,080)
Retained earnings		134,846,328	143,499,045
Equity belonging to Parent's shareholders		132,387,253	140,176,885
Equity belonging to minority interests		(1,311,919)	(193,065)
Equity		131,075,334	139,983,820
Deferred tax	12	424,896	0
Other provisions	14	2,100,000	0
Provisions		2,524,896	0
Finance lease liabilities		0	119,201
Payables to owners and management		0	4,534,093
Other payables		5,614,198	2,831,725
Non-current liabilities other than provisions	15	5,614,198	7,485,019
Current portion of non-current liabilities other than provisions	15	216,986	342,092
Bank loans		895,912	370,595
Trade payables		22,699,773	11,403,002
Payables to associates		11,128	0
Tax payable		2,352,452	321,643
Other payables		32,632,064	25,246,736
Deferred income	16	679,948	5,740,015
Current liabilities other than provisions		59,488,263	43,424,083
Liabilities other than provisions		65,102,461	50,909,102
Equity and liabilities		198,702,691	190,892,922
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2021

	Contributed capital DKK	Share premium DKK	Translation reserve DKK	Retained earnings DKK	Equity belonging to Parent's shareholders DKK
Equity beginning of year	116,920	0	(3,439,080)	143,499,045	140,176,885
Increase of capital	6,123	39,359,865	0	0	39,365,988
Transferred from share premium	0	(39,359,865)	0	39,359,865	0
Exchange rate adjustments	0	0	856,962	0	856,962
Value adjustments	0	0	0	0	0
Other entries on equity	0	0	0	2,773,646	2,773,646
Profit/loss for the year	0	0	0	(50,786,228)	(50,786,228)
Equity end of year	123,043	0	(2,582,118)	134,846,328	132,387,253

	Equity belonging to minority interests DKK	Total DKK
Equity beginning of year	(193,065)	139,983,820
Increase of capital	0	39,365,988
Transferred from share premium	0	0
Exchange rate adjustments	0	856,962
Value adjustments	635,508	635,508
Other entries on equity	0	2,773,646
Profit/loss for the year	(1,754,362)	(52,540,590)
Equity end of year	(1,311,919)	131,075,334

Consolidated cash flow statement for 2021

	Notes	2021 DKK	2020 DKK
Operating profit/loss		(51,718,500)	(64,826,171)
Amortisation, depreciation and impairment losses		19,005,862	28,181,790
Other provisions		2,100,000	0
Working capital changes	17	(5,094,879)	10,289,796
Cash flow from ordinary operating activities		(35,707,517)	(26,354,585)
Financial income received		2,541,159	530,204
Financial expenses paid		(663,936)	(6,748,419)
Taxes refunded/(paid)		(405,482)	(2,040,936)
Cash flows from operating activities		(34,235,776)	(34,613,736)
Acquisition etc. of intangible assets		(808,751)	(324,289)
Sale of intangible assets		0	294,582
Acquisition etc. of property, plant and equipment		(11,913,265)	(14,969,826)
Sale of property, plant and equipment		0	5,511,528
Net payment of loans to associates and group enterprises		190,593	3,496,066
Cash flows from investing activities		(12,531,423)	(5,991,939)
Free cash flows generated from operations and investments before financing		(46,767,199)	(40,605,675)

Loans raised	525,317	(47,224,041)
Cash capital increase	39,365,988	152,961,362
Cash capital decrease	0	(33,201,272)
Other cash flows from financing activities	0	(117,644)
Cash flows from financing activities	39,891,305	72,418,405
<hr/>		
Increase/decrease in cash and cash equivalents	(6,875,894)	31,812,730
Cash and cash equivalents beginning of year	51,881,418	20,068,688
Cash and cash equivalents end of year	45,005,524	51,881,418
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Cash and cash equivalents at year-end are composed of:		
Cash	45,005,524	51,881,418
Cash and cash equivalents end of year	45,005,524	51,881,418
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Notes to consolidated financial statements

1 Events after the balance sheet date

Although the COVID-19 outbreak and associated restrictions has eased it has continued to impact the Groups 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 Groups wholesale performance overall. Despite the headwind the group continue to see promising growth in selected priority markets. Retail activities has rebounded strongly and is trading on par or above with 2019. The full combined effect for the Group is not yet known but the Management has taken reasonable measures to secure the Group's performance throughout the global crisis.

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

In March 2022 the Group's shareholder have contributed DKK 38m in capital to support the continued execution of the Group's strategy plan and to strengthen the Group's capital position coming out of the Covid-19 period which has had a strong negative impact on Group earnings due to lock-downs and restrictions. Management assess that the Group's financial position and cash resources are sufficient to get through the current market situation 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.

2 Other operating income

The Group has for the financial year received a total compensation of DKK 6,156 thousand from the COVID-19 compensation packages in Denmark.

The compensation comprise compensation of fixed cost of DKK 3,229 thousand in Denmark and compensation of salary of DKK 2,927 thousand in Denmark. The received compensation is recognised under other operating income.

3 Staff costs

	2021	2020
	DKK	DKK
Wages and salaries	82,309,311	78,632,762
Pension costs	3,691,198	3,101,024
Other social security costs	1,047,505	2,071,207
Other staff costs	2,183,287	2,478,528
	89,231,301	86,283,521
Average number of full-time employees	239	244

	Remuneration of manage- ment 2021 DKK	Remuneration of manage- ment 2020 DKK
Total amount for management categories	6,899,492	5,437,947
	6,899,492	5,437,947

The Board of Directors and the Executive Board consists of the same persons.

Average number of employees in pro rate-consolidated enterprises

Average number of employees above contains an average number of employees in prorated consolidated enterprises: 11 in 2021 and 25 in 2020.

4 Depreciation, amortisation and impairment losses

	2021 DKK	2020 DKK
Amortisation of intangible assets	2,490,944	4,023,847
Impairment losses on intangible assets	0	7,353,440
Depreciation on property, plant and equipment	16,551,414	14,788,053
Impairment losses on property, plant and equipment	(36,496)	138,508
Profit/loss from sale of intangible assets and property, plant and equipment	0	1,877,942
	19,005,862	28,181,790

5 Other financial income

	2021 DKK	2020 DKK
Other interest income	1,692,769	35,647
Exchange rate adjustments	846,418	494,557
Other financial income	1,972	0
	2,541,159	530,204

6 Other financial expenses

	2021 DKK	2020 DKK
Financial expenses from associates	0	14,122
Other interest expenses	544,883	2,747,805
Exchange rate adjustments	106,193	1,571,413
Other financial expenses	12,860	586,090
	663,936	4,919,430

7 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Current tax	2,452,836	465,552
Change in deferred tax	(650,647)	1,842,914
Adjustment concerning previous years	0	(356,176)
	1,802,189	1,952,290

8 Proposed distribution of profit/loss

	2021	2020
	DKK	DKK
Retained earnings	(50,786,228)	(69,371,525)
Minority interests' share of profit/loss	(1,754,362)	(2,729,614)
	(52,540,590)	(72,101,139)

9 Intangible assets

	Acquired intangible assets DKK	Acquired rights DKK	Goodwill DKK
Cost beginning of year	10,941,087	0	27,366,217
Additions	808,751	1,600,000	0
Disposals	(2,316,148)	(1,600,000)	0
Cost end of year	9,433,690	0	27,366,217
Amortisation and impairment losses beginning of year	(4,101,301)	0	(25,699,585)
Exchange rate adjustments	1,035,798	0	0
Amortisation for the year	(1,147,112)	0	(1,343,832)
Amortisation and impairment losses end of year	(4,212,615)	0	(27,043,417)
Carrying amount end of year	5,221,075	0	322,800

10 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	16,344,726	27,087,347	59,751,692
Addition through business combinations etc	1,358,822	5,914,352	5,479,478
Exchange rate adjustments	0	421,707	296,780
Additions	2,885,537	3,036,507	5,991,221
Disposals	0	(977,744)	0
Cost end of year	20,589,085	35,482,169	71,519,171
Depreciation and impairment losses beginning of year	(8,598,442)	(12,426,715)	(28,712,299)
Addition through business combinations etc	(714,834)	(3,415,152)	(4,341,460)
Impairment losses for the year	0	(43,835)	(70,886)
Depreciation for the year	(2,486,570)	(5,119,770)	(8,945,074)
Reversal regarding disposals	0	226,169	0
Depreciation and impairment losses end of year	(11,799,846)	(20,779,303)	(42,069,719)
Carrying amount end of year	8,789,239	14,702,866	29,449,452

11 Financial assets

	Investments in associates DKK	Deposits DKK	Deferred tax DKK
Cost beginning of year	601,338	7,615,131	225,751
Additions	0	753,316	0
Disposals	0	(207,225)	(225,751)
Cost end of year	601,338	8,161,222	0
Revaluations beginning of year	(287,216)	0	0
Share of profit/loss for the year	(266,022)	0	0
Investments with negative equity value transferred to provisions	(48,100)	0	0
Revaluations end of year	(601,338)	0	0
Carrying amount end of year	0	8,161,222	0

Associates	Registered in	Ownership %
Warpigs USA Brewing, LLC	Indiana, USA	50.0
Mexican Ranger 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
The Social Beer Shop ApS	Copenhagen, Denmark	50.0

12 Deferred tax

Changes during the year	2021 DKK	2020 DKK
Beginning of year	225,751	1,819,523
Recognised in the income statement	(650,647)	(1,842,914)
Other changes	0	249,142
End of year	(424,896)	225,751

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

Deferred tax assets

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

The management has chosen not to recognize the deferred tax asset which is mainly consisting of carryforward losses due to uncertainty of the usage period.

13 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

14 Other provisions

Other provisions comprise anticipated costs related to ongoing legal cases.

15 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
Other payables	0	0	5,614,198
	216,986	342,092	5,614,198

16 Deferred income

Deferred income comprises revenue relating to subsequent financial years.

17 Changes in working capital

	2021 DKK	2020 DKK
Increase/decrease in inventories	(18,579,446)	6,805,518
Increase/decrease in receivables	(977,850)	2,935,366
Increase/decrease in trade payables etc.	14,462,417	548,912
	(5,094,879)	10,289,796

18 Unrecognised rental and lease commitments

	2021 DKK	2020 DKK
Total liabilities under rental or lease agreements until maturity	37,004,852	45,116,757

19 Contingent liabilities

	2021 DKK
Other contingent liabilities	516,575
Contingent liabilities	516,575

The group 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.

20 Assets charged and collateral

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

21 Subsidiaries

	Registered in	Ownership %
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
Fly High Club ApS	Copenhagen, Denmark	100.0
Mikkeller Meatpacking ApS	Copenhagen, Denmark	100.0
Mikkeller Taipei Ltd	Taipei, Taiwan	51.0
Mikkeller Bar Helsinki OY	Helsinki, Finland	65.0
Mikkeller Bar Korea	Seoul, South Korea	51.0
Sp/f Mikkeller Torshavn	Torshavn, Faroe Islands	50.5
Mikkeller Beer (Shanghai) Co., Ltd.	Shanghai, China	84.0
Mikkeller Japan KK	Tokyo, Japan	70.0
Danish Craft Beer Spain S.L	Madrid, Spain	75.0
Mikkeller Brill Östermalm AB	Stockholm,	80.0

	Sweden	
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
Bean Geeks Chocolate ApS	Copenhagen, Denmark	100.00
Kødbyen Brygpub ApS	Copenhagen, Denmark	750.00

Despite several reminders, Management of Bjergsø Holding ApS has not received accounting records for the recognition of the subsidiaries; Mikkeller Beer Co., Ltd (Shanghai), and Mikkeller Bar Korea, as at 31 December 2021. Consequently, Management has assessed that it is not possible to recognise the companies in the consolidated financial statements of 2021 with reference to the Danish Financial Statements Act, S 114. At 31 December 2020, the companies total equity amounted to DKK 2 million which has been written down to DKK 0 in 2021.

Parent income statement for 2021

	Notes	2021 DKK	2020 DKK
Revenue		4,873,652	4,764,386
Other external expenses		(1,215,944)	(3,021,185)
Gross profit/loss		3,657,708	1,743,201
Staff costs	2	(7,459,890)	(7,627,167)
Operating profit/loss		(3,802,182)	(5,883,966)
Income from investments in group enterprises		(48,529,702)	(64,289,070)
Other financial income	3	1,701,336	1,456,105
Other financial expenses	4	(155,680)	(334,485)
Profit/loss before tax		(50,786,228)	(69,051,416)
Tax on profit/loss for the year	5	0	(320,109)
Profit/loss for the year	6	(50,786,228)	(69,371,525)

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Investments in group enterprises		5,121,232	4,539,435
Receivables from group enterprises		106,093,046	115,444,880
Financial assets	7	111,214,278	119,984,315
Fixed assets		111,214,278	119,984,315
Trade receivables		144,668	67,966
Receivables from group enterprises		0	613,681
Other receivables		944,333	339,183
Joint taxation contribution receivable		0	4,885
Prepayments	8	20,782	4,904
Receivables		1,109,783	1,030,619
Cash		21,482,041	22,032,269
Current assets		22,591,824	23,062,888
Assets		133,806,102	143,047,203

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		123,043	116,920
Translation reserve		(2,582,118)	(3,439,080)
Retained earnings		134,846,328	143,499,045
Equity		132,387,253	140,176,885
Trade payables		146,824	723,703
Payables to group enterprises		735,408	1,010,753
Other payables		536,617	1,135,862
Current liabilities other than provisions		1,418,849	2,870,318
Liabilities other than provisions		1,418,849	2,870,318
Equity and liabilities		133,806,102	143,047,203

Events after the balance sheet date	1
Contingent liabilities	9
Assets charged and collateral	10
Related parties with controlling interest	11

Parent statement of changes in equity for 2021

	Contributed capital DKK	Share premium DKK	Translation reserve DKK	Retained earnings DKK	Total DKK
Equity beginning of year	116,920	0	(3,439,080)	143,499,045	140,176,885
Increase of capital	6,123	39,359,865	0	0	39,365,988
Transferred from share premium	0	(39,359,865)	0	39,359,865	0
Exchange rate adjustments	0	0	856,962	0	856,962
Other entries on equity	0	0	0	2,773,646	2,773,646
Profit/loss for the year	0	0	0	(50,786,228)	(50,786,228)
Equity end of year	123,043	0	(2,582,118)	134,846,328	132,387,253

Warrants

The Company has issued warrants to motivate the participants. As of 31 December 2021, the participants has subscribed for a number of warrants, entitling the holders to collectively buy 2,323,347 warrants of a nominal value of DKK 23,233.47 in the Group at a price agreed in advance and on the term set out in appendices 1 to 6 of the articles of association of the Company.

Notes to parent financial statements

1 Events after the balance sheet date

Although the COVID-19 outbreak and associated restrictions has eased it has continued to impact the Groups 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 Groups wholesale performance overall. Despite the headwind the group continue to see promising growth in selected priority markets. Retail activities has rebounded strongly and is trading on par or above with 2019. The full combined effect for the Group is not yet known but the Management has taken reasonable measures to secure the Group's performance throughout the global crisis.

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

In March 2022 the Group's shareholder have contributed DKK 38m in capital to support the continued execution of the Group's strategy plan and to strengthen the Group's capital position coming out of the Covid-19 period which has had a strong negative impact on Group earnings due to lock-downs and restrictions. Management assess that the Group's financial position and cash resources are sufficient to get through the current market situation 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.

2 Staff costs

	2021	2020
	DKK	DKK
Wages and salaries	6,901,103	6,877,304
Pension costs	538,500	724,950
Other social security costs	20,287	24,913
	7,459,890	7,627,167
Average number of full-time employees	5	5
	Remuneration of Manage- ment 2021 DKK	Remuneration of Manage- ment 2020 DKK
Total amount for management categories	6,899,492	5,437,947
	6,899,492	5,437,947

The Board of Directors and the Executive Board consists of the same persons.

3 Other financial income

	2021	2020
	DKK	DKK
Financial income from group enterprises	1,701,336	1,453,852
Other interest income	0	2,253
	1,701,336	1,456,105

4 Other financial expenses

	2021	2020
	DKK	DKK
Other interest expenses	49,487	259,431
Exchange rate adjustments	106,193	75,054
	155,680	334,485

5 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Change in deferred tax	0	323,271
Adjustment concerning previous years	0	1,723
Refund in joint taxation arrangement	0	(4,885)
	0	320,109

6 Proposed distribution of profit and loss

	2021	2020
	DKK	DKK
Retained earnings	(50,786,228)	(69,371,525)
	(50,786,228)	(69,371,525)

7 Financial assets

	Investments in group enterprises DKK	Receivables from group enterprises DKK
Cost beginning of year	20,287,459	180,505,845
Additions	0	43,492,420
Disposals	0	(13,363,361)
Cost end of year	20,287,459	210,634,904
Adjustments on equity	8,773,646	0
Revaluations end of year	8,773,646	0
Impairment losses beginning of year	(15,748,024)	(65,060,965)
Exchange rate adjustments	856,960	0
Share of profit/loss for the year	(47,599,865)	0
Adjustment of intra-group profits	(929,837)	0
Impairment losses for the year	0	(39,480,893)
Investments with negative equity value depreciated over receivables	39,480,893	0
Impairment losses end of year	(23,939,873)	(104,541,858)
Carrying amount end of year	5,121,232	106,093,046

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

Despite several reminders, Management of Bjergsø Holding ApS has not received accounting records for the recognition of the subsidiaries; Mikkeller Beer Co., Ltd. (Shanghai), Mikkeller Bar Korea and Mikkeller Bangkok Co. Ltd., as at 31 December 2021. Consequently, Management has assessed that it is not possible to recognise the companies at equity value in the parent financial statements of 2021 with reference to the Danish Financial Statements Act, S 114. At 31 December 2020, the companies total equity amounted to DKK 2 million which has been written down to DKK 0 in 2021.

8 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

9 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.

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 2021.

10 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.

11 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 prepared 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.

Despite several reminders, Management of Bjergsø Holding ApS has not received accounting records for the recognition of the subsidiaries; Mikkeller Beer Co., Ltd (Shanghai), and Mikkeller Bar Korea, as at 31 December 2021. Consequently, Management has assessed that it is not possible to recognise the companies in the consolidated financial statements of 2021 with reference to the Danish Financial Statements Act, S 114. At 31 December 2020, the companies total equity amounted to DKK 2 million which has been written down to DKK 0 in 2021.

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 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.

Writedowns of non-financial current assets

Writedowns of current assets other than current financial assets comprise writedowns in addition to ordinary writedowns.

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.

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.

Impairment losses on financial assets

Impairment losses on financial assets comprises impairment losses on financial assets which are not measured at fair value on a current basis.

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

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

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.

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.

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group's involvement in the relevant entities.

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.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, 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 cash in hand and bank deposits.

Minority interests

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

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 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.

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.

Tax payable or receivable

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.