# Annual Report 2021

21. APRIL 2022
CVR: 57 44 64 12

WATER TECHNOLOGIES

CONTENTS



The annual report has been presented and adopted at the Company’s Annual General Meeting on 21 April 2022

As Chairman of the Meeting:

# STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the management have today discussed and approved the annual report of Krüger A/S for the financial year 1 January – 31 December 2021.

The annual report has been presented in accordance with the International Financial Reporting Standards, as adopted by the EU and additional Danish disclosure requirements according to the Danish Financial Statements Act.

It is our conclusion that the annual report gives a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 as well as of its financial performance and cash flows for the financial year 1 January – 31 December 2021.

It is further our conclusion that the Management's Review provides a true and fair account of the development of the Company's operations and financial matters, of the year's result and of the Company's financial position.

The annual report is recommended for adoption by the Annual General Meeting.

Søborg, 21 April 2022

**Management**

*Leif Bentsen*
*Managing Director*

**Board of Directors**

| | |
|---|---|
| *Arnaud Valleteau De Moulliac*<br>*Chairman* | *Vincent Caillaud*<br>*Board member* |
| *Annabel Mouquet*<br>*Board member* | *Elise Le Vaillant*<br>*Board member* |
| *Marie Elfrom Bardino*<br>*Employee representative* | *Alex Torpenholt Jørgensen*<br>*Employee representative* |
| *Michael Vendrup*<br>*Employee representative* | |

# THE INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDER IN KRÜGER A/S

### OPINION

We have audited the financial statements of Krüger A/S for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements"; section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We are independent of the Company 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.

### STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

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

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

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

### THE MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

► Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

► Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

► Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Copenhagen, 21 April 2022
EY
Godkendt Revisionspartnerselskab
CVR: 30 70 02 28

Søren Skov Larsen
State Authorized Public Accountant
mne26797

Allan Nørgaard
State Authorized Public Accountant
mne35501


# Company details

**Krüger A/S**
Gladsaxevej 363
2860 Søborg
Denmark

CVR: 57 44 64 12
Municipality of Gladsaxe
Phone: +45 3969 0222
Fax: +45 3969 0806
E-mail: kruger@kruger.dk

**Board of Directors**
Arnaud Valleteau De Moulliac, Chairman
Annabel Mouquet
Vincent Caillaud
Elise Le Vaillant
Marie Elfrom Bardino (employee representative)
Alex Torpenholt Jørgensen (employee representative)
Michael Vendrup (employee representative)

**Management**
Leif Bentsen, Managing Director

**Company auditors**
EY Godkendt Revisionspartnerselskab
Dirch Passers Alle 36
2000 Frederiksberg

**Consolidation**
Krüger A/S has branch registrations in Norway, Sweden, Cyprus, Switzerland, Vietnam, Lithuania, the Netherlands and Zambia

Krüger A/S is wholly owned by Veolia Water Technologies S.A., France.

**The ultimate parent company is:**
Veolia Environnement S.A.
30 rue Madeleine Vionnet
93300 Aubervilliers
France

The annual report of Veolia Environnement S.A. may be commissioned from Krüger A/S.

# MANAGEMENT'S REVIEW

| | 2021 (1) MDKK | 2020 (1) MDKK | 2019 (1) MDKK | 2018 (2) MDKK | 2017 (2) MDKK |
|---|---|---|---|---|---|
| **Main figures** | | | | | |
| Net revenue | 439,2 | 435,8 | 600,9 | 541,7 | 755,7 |
| Gross profit | 100,1 | 94,9 | 95,9 | 131,2 | 159,7 |
| Earnings before interest and tax (EBIT) | -13,2 | -29,2 | -18,0 | 20,6 | 16,6 |
| Earnings before tax (EBT) | -16,6 | -40,8 | -56,2 | 13,4 | 8,3 |
| Profit for the year | -16,2 | -40,1 | -46,6 | 2,0 | 5,4 |
| Net financial income | -3,5 | -11,5 | -38,2 | -7,3 | -8,2 |
| Investments in intangible assets | 2,0 | 4,1 | 9,6 | 19,3 | 15,1 |
| Investments in tangible assets | 0,6 | 1,7 | 88,6 | 1,0 | 2,9 |
| Work in progress | 40,4 | 63,6 | 75,7 | 191,5 | 190,6 |
| Receivables from sales and services, incl. intra-group companies and subsidiaries | 59,3 | 56,7 | 73,7 | 89,9 | 72,3 |
| Equity | 66,2 | 82,4 | 108,4 | 109,3 | 108,1 |
| Balance sheet | 322,4 | 362,2 | 392,9 | 419,3 | 479,3 |
| Average number of employees | 347 | 374 | 409 | 455 | 461 |
| **Key figures** | | | | | |
| Gross margin (%) | 22,8 | 21,8 | 16,0 | 24,2 | 21,1 |
| EBIT-margin (%) | -3,0 | -6,7 | -3,0 | 3,8 | 2,2 |
| Return on equity (%) | -21,9 | -42,0 | -42,8 | 1,8 | 5,0 |
| Solvency ratio (%) | 20,5 | 22,8 | 27,6 | 26,1 | 22,5 |

*Reference is made to definitions and concepts under applied accounting policies.*

*1) Figures are adjusted for effects of the implementation of IFRS16 leases.*
*2) Figures are not adjusted for effects of the implementation of IFRS16 leases.*

## Management's Review

### *The Company's primary activities*

Krüger A/S continuously strives to contribute positively to sustainable development with a strong focus on the UN Sustainable Development Goals (SDGs). Our work covers all activities within drinking water, process water, sewerage systems, municipal and industrial wastewater, sludge, soil remediation and aquaculture. Krüger A/S acts as consultant, contractor and technology supplier. Furthermore, Krüger A/S provides service, operating management and digital solutions for optimising the operation of municipal and industrial waterworks and wastewater treatment plants.

Krüger A/S is a subsidiary of Veolia Water Technologies (VWT) in the Veolia Group. Veolia is among the world's leading suppliers of waterworks and wastewater treatment plants to municipalities, regional and federal authorities, industries and consumers. Veolia also offers a complete product range covering all types of equipment and systems, turnkey facilities and operation of facilities. Veolia has offices and projects in more than 60 countries.

Krüger A/S' activities are mainly focused on The Danish market and selected international projects, and also in markets where Krüger A/S' patented technologies and expertise are in demand.

Our international business activities continued to be heavily impacted by the COVID-19 situation and our activities have mostly concentrated on existing contracts booked before 2020.

Krüger A/S has continued its work to incorporate the UN SDGs into its strategy as well as to the communication and value of products and services. The compliance with SDGs secures an increased focus on circular economy and resource constraints and at the same time creates good opportunities for the development of new improved technologies for our clients.

### *Development in activities and markets*

Despite the COVID-19 pandemic and subsequent restrictions, Krüger A/S has continued to position itself as a preferred supplier of water and environmental solutions to municipal and industrial clients.

During the COVID-19 situation, Krüger A/S successfully managed to maintain a smooth direct and virtual communication with our clients. Krüger A/S also accelerated the use of webinars and SoMe activities in order to promote and highlight valuable solutions to our clients.

The SDGs highlight the need to introduce new and improved "greener" technologies for the market. The Danish political climate ambitions for the Danish "Energy- and Climate Neutral Water Sector" have further accelerated the request for projects in the public water sector with strong focus on savings of water and energy, energy production and reduction of greenhouse gases (GHGs) in 2021. Overall, the public utilities have maintained or increased investments to fulfil the new national target for 2030, opening opportunities for Krüger in consulting, equipment deliveries and Design & Build projects for 2022 and the coming years.

Krüger A/S has focused on the aquaculture business, i.e. land-based fish farms including the patented RAS2020-technology. However, sales activities were hampered in 2021 by the Covid-19 pandemic.

Treatment of pharmaceutical residues in wastewater from hospitals and households has been a focus area over the past years and some of these projects were expected in 2021, but have been delayed.

Krüger A/S continued its work for the sewerage utilities' climate adaptation projects to handle present and future effects of climate changes. Krüger has the experience, proven technologies, and advanced control systems to forecast, treat and minimise the damage arising from overflow. We expect to see many opportunities arise from this business area in the future.

Krüger A/S work to secure contracts for the delivery of new drinking water treatment facilities and renovation of existing facilities has continued throughout 2021. There is a growing economic and consumer focus on softening of water, and Krüger holds a very strong position in this area.

Demands are growing since the groundwater quality is compromised. This creates needs for advanced water treatment and upgrading in order to comply with today's standards in terms of water quality and reliability of supply.

Krüger A/S' service business continues to grow and has expanded in areas such as corrosion protection, industrial cleaning for the pharmaceutical industry and service contracts for water treatment plants with both public and private clients.

The request for digitalisation on the Danish market has increased, and through Krüger A/S' digital optimisation solution Hubgrade™, several new features have been developed and implemented to obtain energy neutrality and lower GHG-emissions from wastewater treatment plants. Some international Hubgrade™ solutions were implemented in 2021 and the global market for intelligent digital optimisation solutions such as Hubgrade™ is very promising

### *DEVELOPMENT OF NEW TECHNOLOGIES AND PROCESSES*

Krüger A/S is strongly involved in a large number of innovation activities and projects to improve value and increase sustainability in the consultancy process as well as the solutions delivered to utilities and industries in Denmark and abroad. The projects carried out cover the entire water cycle to sharpen our range of products and services to intensify our business and at the same time stay relevant to the SDGs and all our stakeholders.

The development projects also serve as a motivation factor for employees and will enable Krüger A/S to retain, develop and attract new employees. To test market relevance all the innovation projects are carried out in cooperation with clients, partners, suppliers and universities and often, public financial support has been secured for the projects.

The 2021 innovation focus was on:

- Digitalisation to increase operating efficiency in all kinds of water treatment
- Testing of different new solutions to manage new pollutants and problematic water qualities, e.g. PFAS, residues of pesticides and medicine.
- Solutions and strategies to minimise damage and risks related to climate change and flooding.
- Optimised use of resources and recovery of critical elements such as phosphorus
- New methods to reduce GHG emissions and develop new green energy sources, e.g. Biofuel and Climate and Resource strategies.

### *FINANCIAL FIGURES*

The gross profit is 23% in 2021 (2020: 21.8%). The Company's sales and administration costs constitute MDKK 113.2 (2020: MDKK 124.1).

There is a continued good utilisation of the Company's resources as one of the focus areas is resource efficiency.

The result in 2021 is affected by the very limited level of international activities. In practice this has meant a total stop to the sale of Aquaculture projects and no activities abroad for soil remediation. In terms of the international activities for the remaining business, these activities have been limited to orders already booked before 2021. The international market is expected to recover in 2022 and it is considered a sustainable investment to maintain the activities despite the lack of revenue in 2021.

Earnings before interest and tax in 2021 amounted a loss of MDKK 13.2 (2020: loss of MDKK 29.2). The result before tax in 2021 amounts to a loss of MDKK 16.6 (2020: loss of MDKK 40.8).

Consequently, the result after tax amounts to a loss of MDKK 16.2 (2020: loss MDKK 40.1). The management views the result as less than satisfactory.

In 2022, turnover is expected to improve compared to 2021 and the result before tax to be positive.

### *ORDER BACKLOG*

Krüger A/S had an order backlog of MDKK 501 by the end of 2021 (2020: MDKK 386). which provides an optimistic starting point for 2022 and underlines the expectations for a positive 2022 result.

### *INCENTIVE PROGRAMS*

Employees in Krüger A/S holding management responsibility are included in incentive programs, where the level is depending on the job position. The criteria for payment of bonus are divided according to fixed principles, which include achievement of financial goals towards EBIT and bookings and qualitative goals, which typically include topics such as strategy development, innovation, the UN SDGs, health & safety and employee satisfaction

## *STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY*

**Our business model**

Our work covers all activities within drinking water, process water, sewerage systems, municipal and industrial wastewater, sludge, soil remediation and aquaculture. Krüger A/S acts as consultant, contractor and technol-ogy supplier. Furthermore, Krüger A/S provides service, operating management and digital solutions for optimis-ing the operation of municipal and industrial waterworks and wastewater treatment plants.

**Human rights**

Through Veolia, Krüger A/S has adopted the UN Global Compact. Veolia is continuously working in compliance with the commitments made under the UN Global Compact. The following links can be accessed to learn more about VE's purpose and strategic work:

https://www.veolia.com/en/eco-transform

https://www.veolia.com/en/veolia-group/our-strategy-impact-2020-2023

Krüger A/S respects internationally recognised human rights, and particularly prioritises a safe and healthy working environment. Maintaining a healthy physical and mental work environment is considered to be the most material human rights risk for Krüger A/S. In 2021, the extent of work-related accidents were above normal level as six accidents with absence have been recorded. The total number of days of absence is 56 days. In 2021, focus has been on accident prevention, including campaigns to secure a "safe job – analysis" before work is initiated. The number of employees experiencing stress continues to be low (less than 2%) and the Company provides flexible working conditions to contribute to the work-life balance. For the future, we expect to continue our work with accident prevention and campaigns.

**Climate and environmental conditions**

Krüger A/S sees an important role in promoting global sustainability and works actively to promote environmental responsibility. Krüger A/S' business foundation is focused on innovative solutions and technologies, which can reduce energy consumption in water treatment, wastewater treatment and sludge treatment facilities. The Company's environmental policy describes in general how these focus areas contribute to counter climate impacts. As a natural consequence of Krüger A/S' core business, environmental responsibility is an integrated part of the strategy and business foundation. Krüger A/S' most material risks related to climate and environment are energy consumption in water treatment, wastewater treatment and sludge treatment facilities in the production process.

Krüger A/S has integrated the SDGs directly into its business strategy. The purpose is to maintain that all activities contribute positively to one or more sustainable goals, as well as to show clients, employees and other stakeholders where the largest contributions from Krüger A/S' activities take place.

The work to communicate this focus to the clients will continue together with the alignment to Veolia's Multifaceted Performance goals (KPIs related to clients, employees, shareholders, planet and society). Krüger A/S' clients are more and more motivated to incorporate one or several SDGs in their projects and thus the SDGs become a key element in Krüger A/S' value proposition and value selling.

As a result of the overall work on SDG's, we achieved a certification offered by Bureau Veritas in Sustainable Development Goals. The audit was made in June and the auditors expressed: "It is very rare that a company in their products and services is hitting directly into several of 17 SDG and 169 targets. Krüger A/S is one of them."

In relation to the Company's operation, the efforts continue to reduce the company's own environmental impact and optimise where possible. We have made it possible for the employees to place their pension savings in fundings with focus on sustainability. More diesel-fueled company cars have been replaced by hybrid or electric cars and recharging points have been established at all office sites.

Apart from the business activities in many parts of the world, Krüger A/S contributes to the Group's foundation, the "Veolia Foundation". The Foundation has three primary focus areas: Protection of the World's natural resources, initiatives targeted at vulnerable populations, as well as relief and development work.

Description and other information as well as a statement including figures and statistics from Veolia are available on this website:

https://www.veolia.com/en/csr-performance-corporate-social-responsibility

https://www.fondation.veolia.com/en

**Social conditions and employee conditions**

Through Veolia and the UN Global Compact, Krüger has access to a central, ethical committee, which ensures that all employees work according to the same ethical guidelines globally – respect, integrity and honesty, compliance to law, local agreements, and social responsibility and respect for the environment.

In this connection, all employees have access to a whistle- blower scheme.

Employees are contributing actively in the hiring process and to a wide extent act as ambassadors. Suggestions for improvements and adjustments often come from employees and are resolved through amicable and constructive dialogues. Krüger A/S has approx.10 different clubs run by the employees and supported by the Company. They are organising all kinds of events and activities to maintain a good social atmosphere in the company and across different business areas. The cooperation with Rotary regarding the establishment of a “Wish Tree” for Christmas has continued and in 2021, 16% of the employees supported this initiative.

The Company’s construction sites pose a risk of accidents, and Krüger A/S has set up safety procedures to protect its employees against accidents, e.g. very detailed procedures for behaviour in connection with site visits, as well as provision of safety equipment. Managers perform site inspections to get the hands-on experience of the employees, and to observe and discuss the need for any improvement of the safety.

In 2021, Krüger A/S maintained the quarterly “PULS” surveys with the aim to closely follow the overall job satisfaction rate. The survey is focused on areas which are known to be of importance for mental health and prevention of negative stress. In addition we measure the eNPS (employee Net Promotor Score) has been included, which shows a good level in the range between 31 and 35. For the future, we expect to continue maintaining the quarterly “PLUS” surveys, to further follow the overall job satisfaction rate.

**Anti-corruption**

Krüger A/S is working on projects globally and in some countries, the employees are at risk of being exposed to corruption-like situations. Krüger A/S has a zero-tolerance policy towards corruption and bribery. Therefore, Krüger A/S has maintained initiatives in 2021 to strengthen the awareness towards good business practice. The Parent Company’s “Code of Conduct” has been distributed to all employees and a brief introduction to the general principles has been given at management meetings, information meetings and through newsletters. Compliance is a permanent item on the agenda at the monthly management meetings and weekly executive management meetings.

In 2021, more than 180 employees participated in a compliance-training program organised by the Parent Company with focus on conflict of interest. For the future, the company will continue to invite employees to a compliance-training program with the focus on conflict of interest etc.

**Data ethics**

Krüger A/S are compliant to data etic rules according §99D, available on our website.

https://www.kruger.dk/legal-notice

## *COVID-19*

COVID-19 has again in 2021 affected the working conditions throughout most of the year. Many different and now well-known measures have been taken to prevent infection among employees at work. During 2021 more than 75 employees were infected with COVID-19, despite the number we have been able to keep the sickness level at 3.6% compared to a normal overall level of 3.1%.Gender distribution within the management

## *GENDER DISTRIBUTION WITHIN THE MANAGEMENT*

The Board of Directors has a defined target, that 25% of the board members, elected by the Annual General Meeting, should be constituted by the under-represented gender. The board consists of two men and two women plus three employee-selected members, two men and one woman. The target is therefore considered to be fulfilled.

In the other layers of management, the gender ratio is as follows: The executive management group consists of two women and two men. The underlying layers of management number 26 managers of which seven are women. It is the Company’s policy not to discriminate towards gender, religion and ethnicity etc. in connection with promotions and recruitments for management positions. It is the Company’s ambition to have a gender composition in the management that reflects the composition of employees. In connection with recruitment of new managers, the aim is to evaluate candidates irrespective of gender during the recruitment process.

In the industry, the total of employees amounts to approx. 75% men and 25% women, which also corresponds to the distribution in Krüger A/S. The distribution of the under-represented gender in the other layers of management is therefore considered acceptable.

### Particular risks

### Uncertainty relating to recognition and measurement

The calculation of contract work in progress will be subject to some uncertainty in respect of the measurement of the stage of completion for projects that form the basis of calculation of the profit. This is due to the stage of completion being determined based on the ratio between the total estimated costs and realised accumulated costs at the balance sheet date. The total, estimated costs at the balance sheet date constitute the best estimate of costs known at the balance sheet date. The uncertainty cannot be quantified.

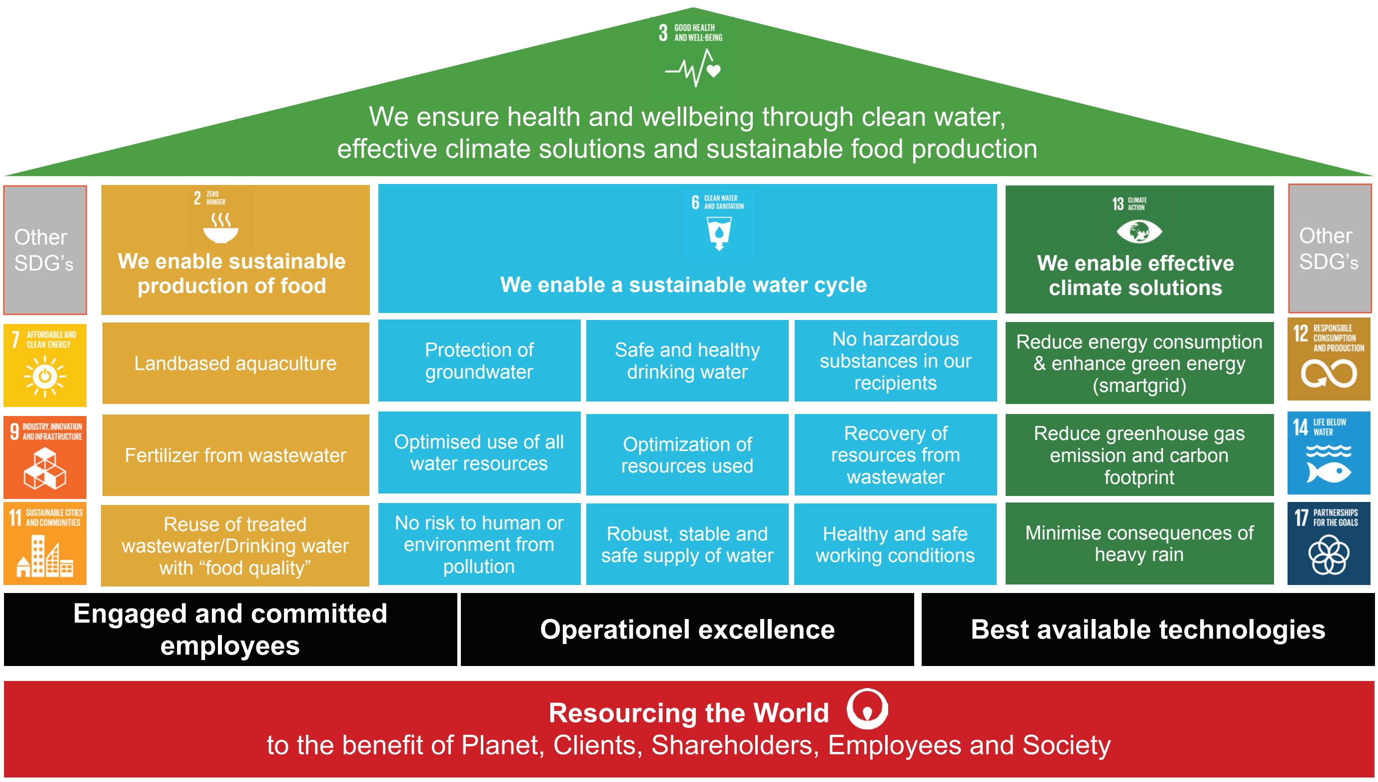
### Operating risks

The most considerable operating risks of Krüger A/S relate to the ability to maintain a strong position on the Danish municipal market, the investment level on this market as well as the ability to secure major orders on the Nordic and international markets. Reference is made to note two for a more detailed description of particular risks

### Intellectual capital resources

In order to maintain Krüger A/S' position in the environmental arena, it is important that the Company is able to provide professional consultancy and supplies within Krüger A/S' core competences. The ability to maintain the position is based on the employees' considerable knowledge and expertise on process engineering.Therefore, Krüger A/S focuses on the ability to attract and retain qualified staff as an important part of the corporate mission.

The employee development in the Company takes place through various schemes, including mutual exchange of expertise and participation in training and development projects.



# FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER

## PROFIT OR LOSS STATEMENT

| *Notes* | | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|---|
| 4, 5 | **Net revenue** | **439.243** | **435.768** |
| 6, 8, 9, 10 | Costs of sales | -339.168 | -340.906 |
| | **Gross profit** | **100.075** | **94.862** |
| 8, 9, 10 | Sales and marketing costs | -60.162 | -63.344 |
| 7, 8, 9, 10 | Administrative costs | -53.070 | -60.767 |
| | **Earnings before interest and taxes (EBIT)** | **-13.157** | **-29.249** |
| 10 | Return on intra-group companies | 0 | 0 |
| 11 | Financial income | 2.950 | 5.641 |
| 12 | Financial expenses | -6.429 | -17.174 |
| | **Earnings before tax (EBT)** | **-16.636** | **-40.782** |
| 13 | Tax for the year | 400 | 720 |
| | **Profit for the year** | **-16.236** | **-40.062** |
| | Other total income | 0 | 0 |
| | **Total income for the year** | **-16.236** | **-40.062** |

## Assets as per 31 December

| *Notes* | | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|---|
| 14 | Goodwill | 13.556 | 13.556 |
| 15 | Intangible assets, software | 34.170 | 40.523 |
| | **Intangible assets** | **47.726** | **54.079** |
| 16 | Plants, machines and equipment | 8.092 | 10.708 |
| 17 | Leasing assets | 85.585 | 98.153 |
| | **Tangible assets** | **93.677** | **108.861** |
| 19 | Deposits | 4.385 | 4.345 |
| 13 | Deferred tax asset | 13.000 | 13.000 |
| | **Financial activities** | **17.385** | **17.345** |
| | **Non current assets, total** | **158.788** | **180.285** |
| 18 | **Inventories** | **13.185** | **9.996** |
| 20 | Receivables from sales and services | 33.810 | 38.945 |
| 21 | Work-in-progress receivables | 40.429 | 63.633 |
| 20 | Trade receivables from Group entities | 25.470 | 17.720 |
| 23 | Trade receivables from Group entities (cash pool) | 28.333 | 7.683 |
| 22 | Other receivables | 4.187 | 28.018 |
| | Prepaid expenses | 1.772 | 3.445 |
| | **Current asset, total** | **134.001** | **159.444** |
| 23 | Cash | 16.428 | 12.438 |
| | **Short-term assets, total** | **163.614** | **181.878** |
| | **Assets, Total** | **322.402** | **362.163** |

## EQUITY AND LIABILITIES AS PER 31 DECEMBER

| *Notes* | | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|---|
| | Share capital | 100.002 | 100.002 |
| | Reserve for R&D activities | 26.653 | 42.887 |
| | Retained earnings | -60.486 | -60.484 |
| | **Equity, total** | **66.169** | **82.405** |
| 25 | Long-term provisions | 13.524 | 15.958 |
| 25 | Other long-term provisions | 21.382 | 21.754 |
| 17 | Leasing liabilities | 68.852 | 81.535 |
| | **Non-current liabilities** | **103.758** | **119.247** |
| 21 | Advance invoicing on projects | 70.412 | 64.350 |
| | Payables for suppliers | 15.682 | 23.420 |
| 24 | Payables for Group entities | 6.307 | 1.038 |
| 24 | Payables for Group entities (cash pool) | 0 | 30 |
| 17 | Current leasing liabilities | 15.817 | 15.531 |
| 25 | Other liabilities | 44.257 | 56.142 |
| | **Current liabilities** | **152.475** | **160.511** |
| | **Liabilities** | **256.233** | **279.758** |
| | **Liabilities, Total** | **322.402** | **362.163** |

## STATEMENT OF CHANGE IN EQUITY

| | Share capital | Reserve for R&D activities | Retained earnings | Total equity |
|---|---|---|---|---|
| | KDKK | KDKK | KDKK | KDKK |
| **Changes in equity 2020** | | | | |
| Equity as per 01.01 | 100.001 | 42.302 | -33.893 | 108.410 |
| Inflow by transfer from the reserves | | | | 0 |
| Total income | | | -40.647 | -40.647 |
| Reserves for R&D activities | | 585 | | 585 |
| Capital increase | 1 | | 14.999 | 15.000 |
| Exchange rate regulation by conversion of foreign entities | | | -943 | -943 |
| **EQUITY as per 31.12.2020** | **100.002** | **42.887** | **-60.484** | **82.405** |
| **Changes in equity 2021** | | | | |
| Total income | | | -16.236 | -16.236 |
| Dividends paid | | | | 0 |
| Reserves R&D activities | | -16.234 | 16.234 | 0 |
| Capital increase | | | | 0 |
| Exchange rate regulation by conversion of foreign entities | | | | 0 |
| **EQUITY as per 31.12.2021** | **100.002** | **26.653** | **-60.486** | **66.169** |

**Share capital**

| | Issued shares | | | |
|---|---|---|---|---|
| | Quantity | | Nominal value | |
| | 2021 | 2020 | 2021 | 2020 |
| | KDKK | KDKK | KDKK | KDKK |
| 1 January | 100.002 | 100.001 | 100.002 | 100.001 |
| 31. December | 100.002 | 100.002 | 100.002 | 100.002 |

The share capital has been paid in full. In 2014, the share capital was increased from DKK 30,000,000 to DKK 100,000,000.

In 2019, the equity was increased to DKK 100,001,000. In 2020, the equity was increased to DKK 100.002.000

## CASHFLOW STATEMENT

| | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Profit from primary activities | -13.157 | -29.249 |
| Depreciations and impairments on tangible assets | 28.696 | 43.017 |
| Change in working capital, cf. below specification | 19.368 | -16.510 |
| **Cash flows from operations before interest and tax** | **34.907** | **-2.742** |
| Financial income | 2.950 | 5.641 |
| Financial expenses | -6.429 | -17.175 |
| Received corporate income tax | 400 | 720 |
| **Cash flows from operating activities** | **31.828** | **-13.556** |
| Change in intangible assets | -2.573 | -585 |
| Change in tangible assets | -5.976 | -1.593 |
| Sale of tangible assets | 1.389 | 0 |
| **Cash flows from investing activities** | **-7.160** | **-2.178** |
| Share capital contributions from Group entities | 0 | 15.000 |
| **Cash flows from financing activities** | **0** | **15.000** |
| **Cash flows from activities** | **24.668** | **-734** |
| Cash pool as per 01.01 | 7.654 | -18.908 |
| Cash pool as per 31.12 | 28.333 | 7.654 |
| **Change in cash and cash equivalents** | **3.989** | **-27.296** |
| Cash and cash equivalents, at year-end last year | 12.439 | 39.734 |
| **Cash and cash equivalents, at year-end** | **16.428** | **12.438** |

**Change in working capital can be broken down as follows:**

| | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Inventories | -3.189 | -1.046 |
| Receivables from sales and services | 46.092 | 19.210 |
| Other receivables | -40 | 609 |
| Trade account payables | -2.469 | -47.984 |
| Other financial liabilities | -18.592 | 14.531 |
| Change in provisions | -2.434 | -1.830 |
| Change in provisions, foreign countries | 0 | 0 |
| | **19.368** | **-16.510** |

# NOTES

## NOTE 1

### ACCOUNTING POLICIES

The annual report of Krüger A/S for 2021 is presented in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting Class C (large) enterprises cf. the IFRS order issued in accordance with the Danish Financial Statements Act.

The annual report is presented in Danish kroner being the functional currency of the Company.

The Company has adopted IFRS 16 from 2019 and all figures includes all effects hereof.

**Group consolidation**

Newly acquired or newly established enterprises are recognized in the financial statement from the time of acquiring or establishing such enterprises. Time of acquisition is the date on which control of the enterprise is actually achieved.

For divested or wound-up enterprises, the time of divestment is the date on which the control of the enterprise is actually assumed.

The purchase method is applied in the acquisition of new enterprises, under which identifiable assets, liabilities and contingent liabilities of these enterprises are measured at fair value at the acquisition date. Non-current assets acquired for the purpose of resale however, are measured at fair value less anticipated liability for the acquired enterprise. Allowance is made for the tax effect of the restatements.

The cost of an enterprise consists of the fair value of the consideration. If the final determination of the consideration is conditional on one or several future events, these adjustments are included in the cost price at fair value on the date of acquisition. Costs related to group consolidation are recognized directly in the profit for the year when paid.

Positive differences (goodwill) between cost of the enterprise acquired and the fair value of the assets, liabilities and contingent liabilities acquired are recognized as an asset under intangible assets and are tested for impairment at least once a year. If the asset's carrying amount is higher than its recoverable amount, it is written down to this lower recoverable amount.

For negative differences (negative goodwill), the calculated fair values and the calculated cost of the enterprise are reassessed. If the fair value of the assets, liabilities and contingent liabilities acquired still exceed cost after the reassessment, the difference is recognized as income in the income statement.

**Profit or loss from divestment or winding-up of subsidiaries**

Profit or loss from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and carrying amount of the net assets at the time of divestment or winding-up, inclusive of estimated divestment or winding-up expenses. The selling price is measured at fair value of the consideration received.

**Consolidated accounts**

In accordance with clause 10.4 of IFRS, no consolidated accounts have been presented. The annual report for Krüger A/S and its associated companies is part of the consolidated accounts for Veolia Water technologies S.A. and is part of the consolidated accounts for Veolia Environnement S.A.

**Foreign currency translation**

On initial recognition, transactions in currencies different from the Company's functional currency are translated applying the transaction date exchange rate. 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 one in effect at the payment date and the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses.

**Derivative financial instruments**

On initial recognition, derivative financial instruments are measured at fair value at the date of settlement. Directly attributable expenses related to the purchase or issue of the individual financial instrument, (transaction costs) are added to fair value on initial recognition unless the financial asset or the financial liability is measured at fair value with recognition of fair value adjustments in the income statement.

Subsequent to initial recognition, derivative financial instruments are measured at fair value at the balance sheet date. The valuation of the company's foreign exchange contracts at fair value is based on quoted prices for identical assets and liabilities.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognized asset or a recognized liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for efficiently hedging future transactions are recognized directly in equity. When the hedged transactions are realized, the accumulated changes are recognized as part of cost of the relevant transactions.

For derivative financial instruments that do not qualify as hedging instruments, changes in fair value are recognized currently in the income statement as financial income or financial expenses.

**Tax**

Tax for the year, which consists of current tax for the year and changes in deferred tax is recognized in the income statement by the portion attributable to the profit or loss for the year and classified directly as equity by the portion attributable to entries in other total income or directly in equity.

The current tax payable and receivable is recognized in the balance sheet, stated as tax calculated on this period’s taxable income, adjusted for prepaid tax.

When calculating the current tax for the year, the tax rates and tax rules in effect at the balance sheet date are used.

Deferred tax is recognized according to the balance-sheet liability method on all temporary differences between carrying amounts and tax-based values of assets and liabilities.

Deferred tax is measured by using the tax rates and tax rules in the relevant countries, which are expected to apply when the deferred tax is expected to be released as current tax. Changes in deferred tax resulting from changed tax rates or tax rules are recognized in the income statement unless the deferred tax is attributable to items previously recognized in other total income or directly in equity. If so, such changes are also recognized directly in equity.

Deferred tax assets, including the tax base of tax loss carried forward, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. At the balance sheet date, it is assessed whether it is probable that sufficient taxable income will be generated in future for the deferred tax asset to be utilized.

## FINANCIAL STATEMENT

### Revenue

The Company's sales contracts are split into individually identifiable supply obligations, which are included and measured at day value. If a sales contract is including several supply obligations, the total sales value of the sales contract is allocated proportionally to the agreements individual delivery obligations.

Revenue is included, when the control over the individual identifiable delivery obligation is transferred to the client.

The revenue included is measured at day value of the agreed remuneration excl. VAT and charges, which are charged by third party. All kinds of discounts are included in the revenue. The day value corresponds to the agreed price discounted to today, where payment terms exceed 12 months.

The variable part of the total remuneration, for instance rebates, bonuses, etc., is only included in the revenue, when it is reasonable safe that no reversal of payments will take place in subsequent periods, for instance due to lack of goal achievement, etc.

The Company's contracts include typically one delivery obligation, which is included on a current basis in the revenue as the production is carried out, whereby the revenue corresponds to the sales value of the work completed during the year.

The ongoing transfer of control of the work executed is done either because the construction is taking place on the clients property, whereby the property rights and thereby control is transferred to the client as the work is completed, or because the facilities are so special of nature that they cannot, without disproportionate substantial costs, be utilized for other purposes, simultaneously that the client is obligated to facilitate ongoing payments for the work completed including reasonable profits for the work completed.

Recognition is done by input based calculation methods, based on actual costs in proportion to the total expected costs, since this method is evaluated to the best to reflect the ongoing transfer of control.

When the result of a contract cannot be estimated in a reliable way, revenue should only be recognized in proportion to the incurred costs to the extent it is likely that they will be recovered.

Revenue from the sale of goods for resale and manufactured goods is recognized in the income statement when delivery has taken place and risks have passed to the buyer.

Income from construction contracts and provision of services are recognized in revenue as work is performed or as the agreed service is provided to the effect that revenue corresponds to the selling price of the work performed during the financial year (percentage-of-completion method), see below.

Revenue is calculated net of VAT, duties and discounts.

### Cost of sales

Cost of sales comprises expenses incurred to realize revenue. In cost of sales, commercial businesses recognize consumption of goods and manufacturing businesses recognize costs of raw materials, consumables and production staff as well as maintenance, depreciation/amortization and impairment losses relating to property, plant, equipment and intangible assets applied in the manufacturing process.

Provisions for loss on contract work in progress are recognized under cost of sales.

### Sales and marketing costs

Sales and marketing costs includes costs, which incurred during project tender process, marketing of Krüger products and consultancy expertise and amortization and impairment on tangible assets used for marketing purposes. When and if sales and marketing costs are part of the total costs for a project, they will be included in the cost of sales as described above.

### Administrative expenses

Administrative expenses comprise expenses incurred for management and administration of the Company, including expenses for the administrative staff and management, stationery and office supplies as well as depreciation and amortization of and impairment losses on property, plant and equipment used for administration of the Company.

### Financial income and expenses

These items comprise interest income and interest expenses and capital losses and gains as well as depreciation of securities, debts, and transactions in foreign currencies, amortizing of financial assets and liabilities. Furthermore, changes in the derivative financial instruments not classified as hedging contracts are included.

## BALANCE SHEET

### Goodwill

On initial recognition, goodwill is recognized and measured as the difference between cost of the acquired enterprise and the fair value of the acquired assets, liabilities and contingent liabilities.

When goodwill is recognized, the goodwill amount is distributed on the activities generating separate payments (cash-generating units). Determination of cash-generating units complies with the management structure and internal financial management and reporting in the Group.

Goodwill is not amortized, but tested at least once a year for impairment.

**Intangible assets**
Acquired intellectual property rights in the form of software are measured at cost less accumulated amortization and impairment losses. Software and other intangible assets are amortized over the estimated useful lives. Acquired intangible assets are written down to the lower of recoverable amount and carrying amount.

Intangible assets are not amortized during construction, but tested once a year for impairment.

The capitalized R&D costs are bound on a separate reserve within the equity.

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

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. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs if the asset is of an age and a condition that is expected after the end of useful life.

Linear depreciation is made based on the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings | 25 years |
| Tools, equipment. fixtures and fittings | 6 – 10 years |
| IT equipment | 3 – 5 years |
| Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reassessed annually.

Depreciation is recognized in the income statement under project costs, sales and marketing costs and administrative costs, respectively.

**Leasing assets**
A leasing asset and a leasing obligation are included in the balance statement, when the company according to a signed agreement regarding a specific identifiable asset, get the leasing asset available for the leasing period, and when the company get rights to more or less all financial advantages from the usage of the identified asset and the right to decide regarding usage of the identified asset.

Leasing obligations are measured at the first recognition at present value of the future leasing payments discounted using a discounting factor.

The leasing asset is measured at first recognition at cost price, which corresponds to the value of the leasing obligation corrected for prepaid leasing payments including add-ons of direct related costs and estimated costs for demolition, renovation or similar and deducted received discounts or other kind of incentive payments from the leasing provider.

Subsequently, the asset is measured at cost price deducted by accumulated depreciations. The leasing asset is depreciated over the shortest of the leasing period and the leasing asset's life span. The depreciations are included linear in the profit loss statement.

The leasing asset is adjusted for changes in the leasing obligation because of changes in the conditions in the leasing agreement or changes in the contracts cash flow according to changes in an index or an interest level.

The leasing asset is depreciated linear over the expected leasing period.

**Investments in affiliates**
Investments in affiliates are measured at cost net of impairment losses. If the cost exceeds the recoverable amount of the investments, they are written down to such lower amount.

**Write-down for impairment of intangible assets and property, plant and equipment as well as investments in subsidiaries**
The carrying amounts of property, plant and equipment and intangible assets with definite useful lives as well as investments in subsidiaries are tested at the balance sheet date for any indication of impairment. If impaired, the recoverable amount of the asset is estimated to determine the need for any write-down for impairment and the extent thereof.

The recoverable amount of goodwill and intangible assets under construction is estimated annually regardless of any indications of impairment.

If the asset does not generate cash independently of other assets, the recoverable amount of the smallest cash-generating unit in which the assets is included is estimated.

The recoverable amount is calculated as the highest value of the asset's or the cash-generating unit's fair value less selling costs and net present value. When the net present value is determined, estimated future cash flows are discounted at present value using a discount rate that reflects current market estimates of the time value of money, as well as the particular risks related to the asset and the cash-generating unit, respectively, and for which no adjustment is made in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit respectively is estimated to be lower than the carrying amount, the carrying amount is written down to recoverable amount. For cash-generating units, write-down is distributed in such way that goodwill amounts are written down first and then any remaining impairment is distributed on the other assets of the unit. However, the individual asset is not written down to an amount that is lower than its fair value net of estimated selling costs.

Impairment losses are recognized in the income statement. In case of any subsequent reversals of impairment losses resulting from change in assumptions of the estimated recoverable amount, the carrying amount of the asset and the cash-generating unit, respectively, is increased to the adjusted estimate of the recoverable amount. However, to no more than the carrying amount which the asset or the cash-generating unit would have had if the write-down for impairment had not been performed.

Reversed impairment losses on intangible and tangible fixed assets are recognized in the income account. However, impairment losses on goodwill are not reversed.

**Inventories**
Inventories are measured at the lower of cost using the method of average and net realizable value when this is the lowest.

Cost of goods for resale, raw materials and consumables consists of purchase price plus landing costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labor costs as well as allocated fixed and variable indirect production costs.

The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Receivables**
Receivables comprise trade receivables, receivables from contract work in progress and other receivables.

Receivables are measured at amortized cost usually equaling nominal value less write-down for bad debts. Write-down for impairment is conducted on an individual level.

**Contract work in progress**
When the outcome of a construction contract is deemed reliable, the construction contract is measured at selling price of the work performed at the balance sheet date (percentage-of-completion method).

The selling price is measured based on the stage of completion at the balance sheet date and the total estimated income from the individual construction contract.

Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources. For some projects where the consumption of resources cannot be applied as a basis, the ratio of completed sub-activities to total activities of the project has been applied instead.

If the outcome of a construction contract cannot be estimated reliably, the contract is measured at construction costs incurred, if recoverable.

Expenses for sales work and for securing contracts are recognized in the income statement when incurred unless they are directly attributable to a specific contract and it is probable when the expenses are incurred that the contract will be concluded.

Provisions are made for loss on work in progress. Provisions include an individual assessment of the estimated loss until the work is completed. When it is probable that total construction costs will exceed total income from a construction contract, the estimated loss is recognized immediately in the income statement.

Invoicing on account for the completed part of the contracts is deducted from the asset item ”Contract work in progress”. Invoicing on account in addition to the completed part of the contracts is recognized under short-term liabilities.

**Accruals**
Accruals included in the assets comprise incurred costs relating to subsequent financial years. Accruals are measured at cost.

**Cash**
Cash and cash equivalents comprise cash, cash pool and short-term securities with insignificant price risk less

short-term bank loans, which are an integral part of the cash management.

**Provisions**
Provisions are recognized when the company has a legal or constructive obligation because of events in this or previous financial years and repayment of the liability is likely to result in a draw on the enterprise's financial resources.

Provisions are measured as the best estimate of costs necessary to settle the obligation on the balance sheet date. Provisions that are estimated to mature after more than one year after the balance sheet date are measured at their present value.

Warranty commitments are commitments to remedy defects and deficiencies in goods sold within the warranty period. Provisions for warranties are recognized in other provisions and measured based on an individual assessment of the known warranty cases at the balance sheet date and the best estimate of the cost of remedying defects and deficiencies errors and defects in the warranty period.

When it is probable that the total costs will exceed the total income from a construction contract, a provision is recognized equaling the total loss estimated from the relevant project.

**Accounts payable**
On initial recognition, accounts payable are measured at fair value less any transaction costs. These are subsequently measured at amortized cost, which usually corresponds to nominal value.

**Other liabilities**
Other liabilities comprise payables to public authorities, payables to employees and other payables to public authorities. Payables to public authorities and to employees are measured to net realizable value.

On initial recognition, financial liabilities are measured at fair value less any transaction costs. These are subsequently measured at amortized costs.

**Ratios**
The rations have been compiled in compliance with ”Recommendations & Ratios 2016” issued by CFA Society Denmark.

$$Gross\ margin\ (\%) = \frac{Gross\ profit\ \ /\ loss\ *100}{Revenue}$$

$$EBITmargin\ (\%) = \frac{EBIT*100}{Revenue}$$

$$Return\ on\ equity\ (\%)$$
$$= \frac{Net\ profit\ \ /\ loss\ for\ the\ year*100}{Average\ share\ of\ equity}$$

$$Solvency\ ratio = \frac{Total\ equity}{Total\ assets}$$

**Cash flow statement**
The cash flow statement of the company is presented using the indirect method and shows cash flows from operating, investing, and financing activities as well as the company’s cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and financial assets as well as acquisition and sale of intangible assets and property, plant and equipment. Cash flows from financing activities comprise changes in the size or composition of the company’s share capital and related costs as well as the raising of loans, instalments on interest-bearing debt, in addition, payment of dividends to shareholders.

Cash and cash equivalents comprise cash, cash pool and short-term securities with insignificant price risk

**Definitions**
EBIT is defined as operating profit.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

## NOTE 2
### Material accounting estimates, assumptions and uncertainties

**Uncertainty relating to recognition and measurement**
In applying the Company's accounting policies outlined in note 1, the management should make assessments and estimates and come up with assumptions for the carrying amount of assets and liabilities that cannot be directly derived from other sources. These estimates and assumptions are based on historical experience and other relevant factors. The actual results can deviate from these estimates.

The estimates made and underlying assumptions are reassessed currently. Changes to the accounting estimates are recognized in the financial period in which the changes take place and future financial periods if the changes affect both the period in which the changes take place and subsequent financial periods.

**Material accounting estimates, assumptions and uncertainties**
Recognition and measurement of assets and liabilities often depend on future events subject to some uncertainty. In this connection, it is necessary to assume courses of events, etc. reflecting the management's assessment of the most probable course of events. In the annual report for 2021, the following assumptions and uncertainties in particular should be noted as they have had considerable impact on the assets and liabilities recognized in the annual report and may require adjustments in subsequent financial years if the courses of events assumed are not realized as expected.

**Contract work in progress**
The calculation of contract work in progress will be subject to some uncertainty as to the measurement of the stage of completion for projects forming the basis for the calculation of the profit. This is due to the stage of completion being determined based on the ratio of total estimated costs to realize accumulated costs at the balance sheet date. The uncertainty cannot be quantified.

Contracts performed by subcontractors are not included in the calculation of the stage of completion as specified in the accounting policies.

**Recoverable amount of goodwill**
Determination of impairment of recognized goodwill amounts requires a calculation of the values in use of the cash-generating units to which the goodwill amounts are allocated. The determination of the value in use requires an estimate of the future cash flows in each cash-generating unit as well as determination of a fair discount rate. The carrying amount of goodwill amounts to DKK 13.6 million at 31 December 2021.

See note 14 for a further description of the discount rates applied.

**Accounting estimates by implementation of IFRS16**
Several of the Company's leasing agreements will expire within the next five accounting years. In these cases, a number of years has been added to reach at least five years from 2021. Leasing agreements, which have a longer duration than five years have been included with the full leasing period.

Discounting factor of 0.95 % has been applied on basis of market conditions of this kind of agreements (2020: 0.95%).

**Recoverable amount of deferred tax assets**
Deferred tax assets are recognized to that extent, where it is likely, that in a reasonable future tax profit will be realized, from which the tax deficit can be deducted. Calculation of the amount of the deferred tax asset is based upon an estimate of the timing and the amount of the future profits.

**Provisions**
Provisions are different to other liabilities as there is some uncertainty related to the timing and the amount of the provision to be calculated. Thus, provisions are recognized when there is either a legal obligation or a commitment. The computation of the amount is based upon management estimates, experience from other similar projects and the best estimate of total project costs known at the balance sheet date.

## NOTE 3
The COVID-19 pandemic is considered an unusual event, which has impacted Krügers results again in 2021. In 2022, the COVID-19 is on the decline due to vaccienes etc. and therefore the 2022 expectation is for a more normal year.

## NOTE 4

| Geographical split of revenue | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Denmark | 341.584 | 332.142 |
| International | 97.659 | 103.626 |
| | **439.243** | **435.768** |

| Activities | | |
|---|---|---|
| Consultancy | 132.830 | 129.888 |
| Projects | 217.616 | 216.083 |
| Service | 88.797 | 89.797 |
| **Total** | **439.243** | **435.768** |

## NOTE 5

| Revenue | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Sales of goods | 156.597 | 153.204 |
| Delivery of services | 65.030 | 66.481 |
| Income from construction contracts | 217.616 | 216.083 |
| | **439.243** | **435.768** |

## NOTE 6

| Cost of sales | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Costs of goods sold | 169.701 | 144.485 |
| Depreciation, amortization and impairment | 15.707 | 41.494 |
| Various cost of sales | 153.760 | 154.927 |
| | **339.168** | **340.906** |

## NOTE 7

| Fees to auditors appointed by the General Assembly | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Statutory audit | 573 | 410 |
| Other audit fees | 0 | 38 |
| | **573** | **448** |

## NOTE 8

| Staff costs | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Salaries and wages | 235.428 | 246.017 |
| Contribution to pension schemes, cf. Note 8 | 13.338 | 16.304 |
| Other costs related to social security | 2.232 | 4.020 |
| | **250.998** | **266.341** |
| Staff costs can be broken down as follows: | | |
| Cost of sales | 153.456 | 155.472 |
| Sales and marketing costs | 53.939 | 58.190 |
| Administrative costs | 43.603 | 52.678 |
| | **250.998** | **266.341** |
| Average number of employees | **347** | **374** |

**Remuneration for management**

Members of the management* and Board of Directors**, including other executives are remunerated as follows:

| Management and other executives*** | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Salaries and wages**** | 7.628 | 8.637 |
| Pensions, based on contribution | 481 | 574 |
| | **8.109** | **9.211** |

* In accordance with item 3. §98.3 of the Danish Financial Statements Act separate information about remuneration of the management has been omitted.

** There is no remuneration for the Board of Directors.

*** Members of the management and other executives in the group are covered by special bonus schemes that depend on individually established performance targets.

**** Direct labor is a short-term liability.

## NOTE 9

**Pension schemes**

The Company takes only part in contribution-based pension-schemes.
Thus, the Company pays continuously to an independent pension company, and therefore, has no risk as to the future amount to be paid to the employee.

## Note 10
**Depreciation, amortization and impairment**

| | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Amortization, intangible assets | 6.495 | 5.930 |
| Depreciation, tangible assets | 2.681 | 2.965 |
| Depreciation, leased assets | 16.811 | 33.880 |
| Profit and loss, sale of intangible assets | 2.710 | 242 |
| | **28.697** | **43.017** |

| | | |
|---|---|---|
| Depreciation, amortization and impairment can be broken down as follows: | | |
| Cost of sales | 15.707 | 41.498 |
| Sales and marketing costs | 412 | 18 |
| Administrative costs | 12.578 | 1.501 |
| | **28.697** | **43.017** |

## Note 11
**Financial income**

| | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Interest on bank deposits | 0 | 21 |
| Interest from intra-group companies | 79 | 33 |
| Foreign exchange rate adjustment gains and other financial income | 2.871 | 5.587 |
| | **2.950** | **5.641** |

## Note 12
**Financial expenses**

| | 2.021<br>KDKK | 2.020<br>KDKK |
|---|---|---|
| Interest from debt etc. | 152 | 38 |
| Interest from intra-group companies | 0 | 122 |
| Interest from debt on leasing | 166 | 0 |
| Foreign exchange rate adjustment losses and other financial expenses | 6.111 | 17.014 |
| | **6.429** | **17.174** |

## NOTE 13

**Tax on profit for the year**

| | 2021 KDKK | | 2020 KDKK | |
|---|---|---|---|---|
| Tax on taxable income for the year | 400 | | 720 | |
| Change in deferred tax | 0 | | 0 | |
| **Tax on profit for the year** | **400** | | **720** | |
| **Computed 22% (22% in 2016)** | **2021 KDKK** | | **2020 KDKK** | |
| Corporate income tax from the profit for the year of continuing activities | -3.348 | 22,0% | -8.972 | 22,0% |
| Taxation impact of: | | | | |
| Actually paid corporate income tax | -400 | 2,4% | -720 | 1,8% |
| Change in deferred tax | 0 | 0,0% | 0 | 0,0% |
| **Actual taxation percentage** | **2,4%** | | **1,8%** | |

The Company is engaged in various shared contracts abroad and during the year, there have been movements in the provision set aside for payment of foreign tax for these shared contracts.

| **Deferred tax** | **2021 KDKK** | **2020 KDKK** |
|---|---|---|
| Deferred tax asset as per 01.01 | -13.000 | -13.000 |
| Changes during the year | 0 | 0 |
| **Deferred tax asset as per 31.12** | **-13.000** | **-13.000** |

The net tax asset can be broken down as follows:

| | | |
|---|---|---|
| Intangible assets | 10.500 | 11.099 |
| Tangible assets | 16.846 | -4.505 |
| Receivables | 0 | -9 |
| Liabilities | -21.654 | -4.942 |
| Taxable deficits | -18.692 | -14.643 |
| **Net deferred tax asset** | **-13.000** | **-13.000** |

A deferred tax asset of further DKK 10.4 million (9.5 MDKK in 2020) has not been included in the balance, since it is considered unlikely that this amount will be utilized within the next five accounting years.

## NOTE 14

| Goodwill | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Acquisition cost as per 01.01 | 13.556 | 13.556 |
| **Acquisition cost as per 31.12** | **13.556** | **13.556** |
| **Book value as per 31.12** | **13.556** | **13.556** |

Goodwill arising in connection with the acquisition is allocated on the time of acquisition to the cash-generating units, which are expected to achieve financial benefits from the merger of these companies.
The carrying amount of goodwill before impairment losses is distributed as follows by the cash-generating units:

| | | |
|---|---|---|
| **Krüger Aquacare** | **13.556** | **13.556** |

Goodwill is tested for impairment at least once a year and more frequently in the event of indications of impairment.

The recoverable amounts of the individual cash-generating units to which the goodwill amounts have been allocated, are calculated based on the unit's present value. The most material uncertainties relate to the determination of discount factors and growth rates. The discount factors determined reflect the market assessments of the time settlement of discount rates and expected growth rate. The fixed discount rates reflect the market's fair value of the time based value of money expressed as a risk-free interest rate and the specific risks attached to the cash-generating unit.

Likewise, a significant increase in the applied WACC will not result in impairments.

Discount factors are determined based on the estimated weighted average cost of capital (WACC) determined by the Veolia Group and approved by the management. The assessment of the recovery value for goodwill concerning the business unit Krüger Aquacare is subject to a discounting factor before tax of 5.2 (2020: 5.2) and a 3-year budget period.

Other significant parameters applied at the calculation of the recovery value are:

| | EBIT in terminal period | Inflation corresponding to expected growth in terminal period | Discount factor after tax | Discount factor before tax |
|---|---|---|---|---|
| **2021** | | | | |
| Krüger Aquacare (%) | 17,8 | 1,2 | 4,1 | 5,2 |
| **2020** | | | | |
| Krüger Aquacare (%) | 10,5 | 1,2 | 4,1 | 5,2 |

**Sensitivity analysis**

In 2021, the management has concluded that probable changes in the basic assumptions will not lead to a situation where the presented value of goodwill will exceed the recovery value for goodwill.

## **NOTE 15**
**Intangible assets, software**

| | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Acquisition costs as per 01.01 | 69.382 | 66.223 |
| Additions | 1.467 | 3.528 |
| Transfer to other asset class | 0 | -72 |
| Disposals | -3.648 | -297 |
| **Acquisition costs as per 31.12** | **67.201** | **69.382** |
| Amortizations and impairments as per 01.01 | -29.444 | -23.573 |
| Disposals | 1.803 | 59 |
| Amortizations for the year | -6.495 | -5.930 |
| Amortizations and impairments as per 31.12 | **-34.136** | **-29.444** |
| Under development | 1.105 | 585 |
| **Net book value as per 31.12** | **34.170** | **40.523** |

The management has concluded there is no need for impairment

## NOTE 16

| Tangible assets | Land and buildings | Plants, machines and equipment | Total |
|---|---|---|---|
| | KDKK | KDKK | KDKK |
| **2021** | | | |
| Acquisition costs as per 01.01 | 4.864 | 25.226 | 30.090 |
| Additions | 0 | 585 | 585 |
| Disposals | 0 | -1.038 | -1.038 |
| **Acquisition costs as per 31.12** | **4.864** | **24.773** | **29.637** |
| Depreciations and impairments as per 01.01 | -4.864 | -14.518 | -19.382 |
| Depreciations regarding outflows for the year | 0 | 518 | 518 |
| Depreciation for the year | 0 | -2.681 | -2.681 |
| **Depreciations and impairments as per 31.12** | **-4.864** | **-16.681** | **-21.545** |
| **Net book value as per 31.12** | **0** | **8.092** | **8.092** |
| **2020** | | | |
| Acquisition costs as per 01.01 | 4.864 | 35.044 | 39.908 |
| Additions | 0 | 1.666 | 1.666 |
| Disposals | 0 | -11.484 | -11.484 |
| **Acquisition costs as per 31.12** | **4.864** | **25.226** | **30.090** |
| Depreciations and impairments as per 01.01 | -4.746 | -22.960 | -27.706 |
| Depreciations regarding outflow for the year | 0 | 11.288 | 11.288 |
| Depreciations for the year | -118 | -2.846 | -2.964 |
| **Depreciations and impairments as per 31.12** | **-4.864** | **-14.518** | **-19.382** |
| **Net book value as per 31.12** | **0** | **10.708** | **10.708** |

Depreciations for the year are included in the cost of sales and in administrative costs in the income statement. The management has concluded that there is no need for impairments.

## NOTE 17

| Leasing assets | Property and warehouse | Machines and Equipment | Recognized in the balance sheet |
| --- | --- | --- | --- |
| | KDKK | KDKK | KDKK |
| **Balance January 1st, 2021** | 88.793 | 9.361 | 98.154 |
| Additions | 1.319 | 4.657 | 5.976 |
| Disposals | -1.582 | -152 | -1.734 |
| Depreciations for the year | -12.149 | -4.662 | -16.811 |
| **Balance December 31st, 2021** | **76.381** | **9.204** | **85.585** |

| | Property and warehouse | Machines and Equipment | Recognized in the balance sheet |
| --- | --- | --- | --- |
| | KDKK | KDKK | KDKK |
| **Balance January 1st, 2020** | 58.302 | 6.896 | 65.198 |
| Additions | 43.036 | 7.336 | 50.372 |
| Depreciations for the year | -12.545 | -4.871 | -17.417 |
| **Balance December 31st, 2020** | **88.793** | **9.361** | **98.154** |

| Leasing liabilities | Leasing | Interest | Recognized in the balance sheet |
| --- | --- | --- | --- |
| | KDKK | KDKK | KDKK |
| **2021** | | | |
| 0-1 year | 15.817 | -146 | 15.817 |
| 1-5 years | 36.648 | -379 | 36.648 |
| > 5 year | 32.217 | -124 | 32.204 |
| | **84.682** | **-649** | **84.669** |

| | Leasing | Interest | Recognized in the balance sheet |
| --- | --- | --- | --- |
| | KDKK | KDKK | KDKK |
| **2020** | | | |
| 0-1 year | 15.536 | -5 | 15.531 |
| 1-5 years | 8.147 | -16 | 8.131 |
| > 5 year | 73.616 | -212 | 73.404 |
| | **97.299** | **-233** | **97.066** |

## NOTE 18

| Inventories | 2021 | 2020 |
|---|---|---|
| | KDKK | KDKK |
| Goods for resale | 13.185 | 9.996 |
| **Inventories as per 31.12** | **13.185** | **9.996** |
| **Obsolescence on inventories represents** | **0** | **-1.083** |

## NOTE 19

| Deposits | 2021 | 2020 |
|---|---|---|
| | KDKK | KDKK |
| Cost price as per 01.01 | 4.345 | 4.954 |
| Additions | 41 | 73 |
| Disposals | -1 | -682 |
| **Cost price as per 31.12** | **4.385** | **4.345** |
| **Bank value as per 31.12** | **4.385** | **4.345** |

## NOTE 20

**Trade receivables from sales of goods and services**

| | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Trade receivables from sales of goods and services | 10.035 | 15.411 |
| Trade receivables from construction contracts | 49.245 | 41.254 |
| | **59.280** | **56.665** |

An individual assessment of each debtor's ability to pay has been applied. Write-downs for impairment are made at estimated net realization value. The recievebles consist of both recievebles from sales and services and from Inter-company.

The total value of the impairment of our risk of "loss at completion" is applied for each project and reduced in Other Receivables.

| **Provisions account** | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Balance as per 01.01 | 1.422 | 800 |
| Observed losses for the year | 1.111 | 1.111 |
| Reversed provisions | -311 | -800 |
| Provisions for covering losses for the year | 0 | 311 |
| **Balance as per 31.12** | **2.222** | **1.422** |
| **Overdue non-impaired receivables** | | |
| Overdue with one month | 294 | 19.965 |
| Overdue within one month and three months | 225 | 1.400 |
| Overdue within three months and six months | 364 | 143 |
| Overdue over six months | 171 | 2.449 |
| | **1.054** | **23.957** |
| **Overdue Intercompany receivables** | | |
| Overdue with one month | 1.717 | 1.693 |
| Overdue within one month and three months | 290 | 0 |
| Overdue within three months and six months | 313 | 354 |
| Overdue over six months | 1.377 | 1.631 |
| | **3.697** | **3.678** |

**Break down of non-impaired, not overdue receivables:**

| | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| The private sector | 5.363 | 7.548 |
| The public sector | 28.447 | 11.114 |
| | **33.810** | **18.662** |

The maximum credit risk linked to receivables from sales, corresponds to their book value, respectively.

## NOTE 21

**Contract work in progress**

| | 2021<br>KDKK | 2020<br>KDKK |
|---|---|---|
| Produced revenue, work in progress | 1.784.122 | 29.850 |
| Invoiced revenue | -1.814.105 | -30.567 |
| **Receivables and short-term liabilities** | **-29.983** | **-717** |

Net value of contract work in progress is included within the balance sheet as follows:

| | | |
|---|---|---|
| Contract work in progress | 40.429 | 63.633 |
| Advance invoicing on projects | -70.412 | -64.350 |
| **Receivables and short-term liabilities** | **-29.983** | **-717** |

The credit risk on contract work in progress is limited.
The Company often requires bank guarantees upon
entering into of construction contracts.

## NOTE 22
**Other receivables**

| | 2021 KDKK | 2020 KDKK |
|---|---|---|
| Various receivables | 4.173 | 27.775 |
| Derivative financial instruments | 14 | 243 |
| | **4.187** | **28.018** |

Other receivables are not subject to special credit risks and no write-downs for impairment thereof have been recognized. None of the receivables are overdue.

Derivative financial instruments relate to forward contracts for securing cash flows from the Company's ordinary operating activities.

## NOTE 23
**Cash, cash equivalents and cash pools**

The Company's cash and cash equivalents primarily consist of a cash pool with the parent company and deposits with well-reputed banks. Cash and cash equivalents are not considered to be subject to any special credit risk. Bank deposits and parent cash pool carry a floating interest rate. Parent cash pool bears an interest of LIBOR 1 month or EONIA.

## NOTE 24
**Payables for intra-group companies**

| | 2021 KDKK | 2020 KDKK |
|---|---|---|
| Payables for intra-group companies | 6.307 | 1.038 |
| Payables for intra-group companies, cash pool | 0 | 30 |
| | **6.307** | **1.068** |
| It is included in the balance sheet as follows: | | |
| Long-term provisions | 0 | 0 |
| Short-term provisions | 6.307 | 1.068 |
| | **6.307** | **1.068** |
| Payables are due for payment as follows: | | |
| Within 1 year from balance sheet day | 6.307 | 1.068 |
| Above 1 year from balance sheet day | 0 | 0 |
| | **6.307** | **1.068** |

## NOTE 25

| Long term provisions | 2021 | 2020 |
|---|---|---|
| | KDKK | KDKK |
| Warranty provisions as per 01.01 | 11.242 | 12.614 |
| Applied during the year | 0 | 0 |
| Provisions made during the year | 8.773 | 7.219 |
| Reversed during the year | -8.900 | -8.591 |
| **Warranty provisions as per 31.12** | **11.115** | **11.242** |
| Other long-term provisions as per 01.01 | 4.716 | 3.036 |
| Applied during the year | -2.605 | -611 |
| Provisions made during the year | 534 | 235 |
| Reclass Loss At Completion | 0 | 2.057 |
| Reversed during the year | -1.103 | 0 |
| **Other provisions as per 31.12** | **1.542** | **4.716** |
| Loss on long-term contracts as per 01.01 | 0 | 2.138 |
| Applied during the year | 280 | -3.499 |
| Provisions made during the year | 587 | 1.361 |
| Reversed during the year | 0 | 0 |
| **Loss on long-term contracts as per 31.12** | **867** | **0** |
| **Total long term provisions** | **13.524** | **15.958** |

| Other long-term provisions | 2021 | 2020 |
|---|---|---|
| | KDKK | KDKK |
| Other long-term provisions, per 01.01 | 21.754 | 8.181 |
| Applied during the year | -372 | 0 |
| Provisions made during the year, holiday allowance | 0 | 13.573 |
| **Other long-term provision, per 31.12** | **21.382** | **21.754** |
| **Long term provisions as per 31.12** | **34.905** | **37.712** |
| Provisions are recognized in the balance sheet as follows: | | |
| Long-term provisions | 34.905 | 37.712 |
| Short-term provisions | 0 | 0 |

Warranty commitments concern projects handed over with a maximum of 5 years' warranty. These commitments have been calculated based on previous years' experience. Expenses are expected to be incurred during the warranty period. Loss on long-term contracts concerns probable losses on ongoing long-term contracts, where the agreed selling prices do not exceed the expected cost for the total long-term contract.

## NOTE 26

| InterCompany transactions | 2021 KDKK | 2020 KDKK |
|---|---|---|
| Revenue from interco companies | 39.359 | 54.382 |
| Purchase from interco companies | -14.661 | -35.213 |
| | | |
| Payables for Group entities | -6.307 | -1.068 |
| Trade receivables from Group entities | 25.470 | 17.720 |
| Trade receivables from Group entities, Cashpool | 28.333 | 7.683 |
| | | |
| Fee to Veolia - Management fees and trademark expenses | -20.931 | -19.961 |
| Recharge of services to other Veolia companies - Accounting, IT, Contract management & Sales support and Cargo insurance. | 8.848 | 12.202 |

Intercompany transactions are setteled within Veolia group rules.

## NOTE 27

### Financial risks and financial instruments

**Policy on management of currency risks and financial risks**

Because of its operations and investments, Krüger A/S is exposed towards financial risks. The financial risks consist of risk in changes in interest, currency, cash and credit. The Company pursues a Board-approved financial policy operating with low risk profile so that currency exposure, interest rate exposure and credit risks only arise based on commercial relations and conditions. It is the Company's policy not to engage actively in speculation.

The Company's use of derivative financial instruments is controlled by a written policy adopted by the Board of Directors and through internal business processes, determining among other things maximum amounts permitted and financial instruments to be applied.

**Financial risks**

The financial assets carrying interest are primarily deposits in national financial institutes or at Veolia Group Treasury Department in France. The financial liabilities' carrying interest are primarily debt to Group Treasury Department.

The Company's overall financial risk on interest is managed by Veolia Group Treasury and is not considered to expose a risk.

**Currency exposure**

Krüger A/S is exposed to changes in currency rates due to company purchases and sales as well as receivables and payables with a nominal currency that differs from the Company's basic currency.

These other currencies are mainly PLN, NOK, SEK, USD, ZMW and EUR.

The major part of the Company's fixed costs is paid in DKK. The management assesses that there is a certain risk in relation to changes in currency rates, especially in PLN, NOK, SEK, ZMW and USD. In accordance with the currency policy prepared by the management and adopted by the parent company, risks on commercial contracts are hedged by means of financial instruments at the time of contract award at the latest.

Currency risks on fixed assets investments and other liabilities are not hedged, as these risks are not considered material.

**Derivative financial instruments**

The Company has entered into some forward contracts that do not comply with the financial criteria for hedge accounting and consequently these contracts are treated as trade portfolio with fair value adjustments in the profit and loss statement.

Valuation of its foreign exchange contracts at fair value occurs after the quoted prices for identical assets or liabilities.

**Cash and cash equivalents risk**

It is the policy of the Company to have the highest level of flexibility related to cash and cash equivalents as well as unused credit facilities.

The purpose of cash management is to ensure that the Company at all times have access to the necessary financial resources and are capable to pay all invoices when due.

The major part of financial risks exposed to the Company is managed by Group Treasury through a number of accounts in separate currencies. Further, the Company has an on-going cooperation with Nordea Bank, where the credit facilities are limited by amounts.

The Company has positive liquidity and the financial liabilities are therefore short term.

The Company has not this year or in previous years violated any of its financial liabilities.

**Credit risk**

Krüger A/S' financial assets are managed and approved by Veolia Group Treasury.

The Company's policy for assuming credit risks implies that all major customers and co-operators are rated on a current basis as largely all big risk projects are operated with maximum accruals.

The Company does not have any significant credit risk relating to one customer or cooperative partner.

Payments on significant contracts are hedged via letters of credit or similar terms.

In special cases, insurance policies are taken out against unauthorized drawing on bank guarantees.

All financial instruments are established at Veolia Group Treasury.

**Currency hedging contracts**

The open currency hedging contracts in form of foreign exchange contracts can be specified as follows, with currency purchase contracts having been stated at a negative contractual value, and with the fair value amount computed according to level 2:

| Foreign currency contract | | Maturity (months) | Contractual value | Fair value |
|---|---|---|---|---|
| | | | KDKK | KDKK |
| Forward contract | NOK / DKK | 1 - 12 months | 7.852 | 7.956 |
| Forward contract | USD / DKK | 1 - 12 months | 0 | 0 |
| Forward contract | SEK / DKK | 1 - 12 months | 0 | 0 |
| Forward contract | EUR / DKK | 1 - 12 months | -9.598 | -9.600 |
| Forward contract | PLN/ DKK | 1 - 12 months | 0 | 0 |
| Forward contract | EUR / DKK | 13 - 24 months | -1.474 | -1.477 |
| Forward contract | NOK / DKK | 13 - 24 months | 8.995 | 9.105 |
| Forward contract | EUR / DKK | 25 - 36 months | -324 | -326 |
| **2021** | | | **5.451** | **5.658** |
| Forward contract | NOK / DKK | 1 - 12 months | 0 | 0 |
| Forward contract | USD / DKK | 1 - 12 months | -7.363 | -6.758 |
| Forward contract | SEK / DKK | 1 - 12 months | -1.404 | -1.464 |
| Forward contract | EUR / DKK | 1 - 12 months | 9.237 | 9.187 |
| Forward contract | PLN/ DKK | 1 - 12 months | 0 | 0 |
| Forward contract | USD / DKK | 13 - 24 months | 0 | 0 |
| Forward contract | SEK / DKK | 13 - 24 months | 0 | 0 |
| Forward contract | EUR / DKK | 13 - 24 months | 0 | 0 |
| **2020** | | | **470** | **965** |

**Cash and cash equivalent**

Krüger has experienced an increase in the liquid contingency from 12 MDKK. in 2020 to 16 MDKK.in 2021.

This is due to the group cashpooling system.

| Cash reserves | 2021 | 2020 |
|---|---|---|
| | KDKK | KDKK |
| Cash in bank and in hand including deposits | 16.429 | 12.438 |
| Unused credit facilities | 50.000 | 50.000 |
| | **66.429** | **62.438** |

**Financial risks and financial instruments, continued**

| **Financial liabilities** | **Contract value** | | **Fair value** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **KDKK** | **KDKK** | **KDKK** | **KDKK** |
| Advance invoicing on projects | - | - | - | - |
| Trade payables | 15.682 | 23.420 | 15.682 | 23.420 |
| Accounts payable in favour of intra-group companies | 6.307 | 1.068 | 6.307 | 1.068 |
| Accounts payable in favour of subsidiaries | 0 | 0 | 0 | 0 |
| Tax payable | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 222 | 629 | 222 | 629 |
| **Total as per 31.12** | **22.211** | **25.117** | **22.211** | **25.117** |

Basis for the analysis of maturity of the liabilities is the undiscounted cash flow, including estimates of interest payments. Financial liabilities either do not carry any interest or are due on demand, so consequently, the figures for contractual value are the same as for fair value.

| **Gearing ratio** | **2021** | **2020** |
|---|---|---|
| | **KDKK** | **KDKK** |
| Other long-term liabilities | 103.758 | 119.247 |
| Short-term liabilities | 146.168 | 159.444 |
| Short-term liabilities to intra-group companies, cashpool | 6.307 | 1.068 |
| Tax payable | | 0 |
| Cash in bank and in hand including deposits | -16.429 | -12.439 |
| | **239.804** | **267.319** |
| Equity | **66.169** | **82.405** |
| **Gearing ratio** | **3,72** | **3,40** |

**Capital structure**

The management concurrently assesses whether the Company's capital structure is in accordance with the Company's and the shareholders' interests. The goal is to ensure a capital structure that supports long-term financial growth and at the same time maximizes the return for the Company's shareholders by optimizing the equity debt ratio. The Company's main strategy remains unchanged compared to last years.

The Company's capital structure comprises financial liabilities, cash and equity.

The Company's review of the capital structure includes an assessment of the Company's capital expenses and risks in connection with the individual types of capital.

## NOTE 28

**Information as to shareholders**

Veolia Water Technologies S.A. France, holds 100% of the total share capital.

## NOTE 29

**Contingent liabilities and financial liabilities**

Bank and insurance guarantees have been provided with respect to work-in-progress and accruals for customers for MDKK 142 (2020: MDKK 107).

Apart from the above, the Company has issued parent company guarantee for subsidiaries to selected customers and suppliers for MDKK 0 (2020: MDKK 0).

Krüger A/S is a part to a few ongoing lawsuits. The management has concluded that the outcome of these lawsuits will not influence the Company's financial position apart from receivables and liabilities recognized in the balance sheet at 31 December 2021.

## NOTE 30

**Events after the statement of financial position date**

The COVID-19 pandemic is declining with vaccines etc,, and it is the management's evaluation that our business is more or less normal.

There has been an extensive inflation increase in 2022, and prices have risen everywhere. Management are taking precautions and does not expect it to affect our results.

## NOTE 31

**New and revised standards as well as interpretative aid not yet in operation**

The IASB has issued a number of new standards and amendments not yet in effect or adopted by the EU and therefore not relevant for the preparation of the 2021 financial statements. Krüger A/S expects to implement these standards when they take effect. None of the new standards issued are currently expected to have any significant impact on the financial statements when implemented.

Resourcing the world

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