Klüber Lubrication Nordic A/S

Literbuen 9, 2740 Skovlunde

CVR no. 10 86 53 28

Annual report 2020

Approved at the Company's annual general meeting on 28 June 2021

Chair of the meeting:

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Christian Berner

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Klüber Lubrication Nordic A/S for the financial year 1 January - 31 December 2020.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Skovlunde, 28 June 2021
Executive Board:

Robert Karlmark
CEO

Board of Directors:

Jörn Bechert Chair	Robert Karlmark	Christian Berner

Independent auditor's report

To the shareholder of Klüber Lubrication Nordic A/S

Opinion

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

We have audited the Financial Statements of Klüber Lubrication Nordic A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

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

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

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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.

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 form of 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 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 Statement Act. We did not identify any material misstatement of the Management's review.

Hellerup, 28 June 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Management's review

Company details

Name	Klüber Lubrication Nordic A/S
Address, Postal code, City	Literbuen 9, 2740 Skovlunde
CVR no.	10 86 53 28
Established	7 February 1969
Registered office	Ballerup
Financial year	1 January - 31 December
Telephone	+45 70 23 42 77
Telefax	+45 70 23 40 00
Board of Directors	Jörn Bechert, Chair Robert Karlmark Christian Berner
Executive Board	Robert Karlmark, CEO

Management commentary

Business review

The objective of the Company is to carry out trade, industry and related activities.

The Company's principal activities consist of sales of special lubricants in Denmark, Norway, Sweden and Finland. The Company has branches in Norway, Sweden and Finland.

Financial review

The income statement for 2020 shows a profit of DKK 15,373,512 against a profit of DKK 18,983,452 last year, and the balance sheet at 31 December 2020 shows equity of DKK 23,153,887. The global economic crisis caused by the Covid-19 pandemic had a relative limited impact on our sales in 2020 in Nordic and we expect the same result in 2021.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2020	2019
	Gross profit	45,913,873	50,318,458
2	Staff costs	-23,081,006	-22,918,308
	Depreciation and impairment of property, plant and equipment	-2,631,733	-2,860,068
	Profit before net financials	20,201,134	24,540,082
3	Financial expenses	-539,502	-174,178
	Profit before tax	19,661,632	24,365,904
4	Tax for the year	-4,288,120	-5,382,452
	Profit for the year	15,373,512	18,983,452

Recommended appropriation of profit		
Proposed dividend recognised under equity	20,153,408	14,203,565
Retained earnings/accumulated loss	-4,779,896	4,779,887
	15,373,512	18,983,452

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	ASSETS		
	Fixed assets		
5	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	221,074	244,004
	Right-of-Use Assets	2,376,980	4,527,659
	Prepayments for property, plant and equipment	64,231	72,096
		2,662,285	4,843,759
	Investments		
	Other receivables	235,678	235,678
		235,678	235,678
	Total fixed assets	2,897,963	5,079,437
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	2,324,452	3,464,100
		2,324,452	3,464,100
	Receivables		
	Trade receivables	11,228,176	12,457,856
	Receivables from group entities	27,094,766	20,750,525
	Other receivables	297,016	263,504
	Prepayments	344,699	392,380
		38,964,657	33,864,265
	Total non-fixed assets	41,289,109	37,328,365
	TOTAL ASSETS	44,187,072	42,407,802

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	2,600,000	2,600,000
	Retained earnings	400,479	5,180,375
	Dividend proposed	20,153,408	14,203,565
	Total equity	23,153,887	21,983,940
	Provisions		
	Other provisions	513,546	0
	Total provisions	513,546	0
	Liabilities other than provisions		
7	Non-current liabilities other than provisions		
	Lease liabilities	990,501	2,262,318
	Other payables	0	126,808
		990,501	2,389,126
	Current liabilities other than provisions		
	Lease liabilities	1,537,294	2,345,301
	Trade payables	1,066,358	1,357,170
	Payables to group entities	6,001,261	3,830,569
	Corporation tax payable	3,868,776	2,749,022
	Other payables	7,055,449	7,752,674
		19,529,138	18,034,736
		20,519,639	20,423,862
	TOTAL EQUITY AND LIABILITIES	44,187,072	42,407,802

1 Accounting policies
8 Contractual obligations and contingencies, etc.
9 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed	Total
Equity at 1 January 2020	2,600,000	5,180,375	14,203,565	21,983,940
Transfer through appropriation of profit	0	-4,779,896	20,153,408	15,373,512
Dividend distributed	0	0	-14,203,565	-14,203,565
Equity at 31 December 2020	2,600,000	400,479	20,153,408	23,153,887

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Klüber Lubrication Nordic A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Public grants

Public grants to cover expenses are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only where they are not expected to be repaid.

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

The Company is in the business of selling lubricants to various industries.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

(i) Variable consideration
If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company does not provide customers with the right to return goods within a specified period of time.

• Rights of return
The company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

(ii) Significant financing component
The company applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Costs of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross margin'.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises amortisation/depreciation and impairment of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-5 years
Right-of-Use Assets	3-5 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Leases

The Company has chosen IFRS 16 as interpretation for classification and recognition of leases.

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Motor vehicles and other equipment 3 to 5 years
- Buildings 5 years

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-current assets.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Lease liabilities
At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Impairment of fixed assets

Property, plant and equipment and Right-of-use assets are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Payables to credit institutions

Payables to credit institutions is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, payables to credit institutions is measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other payables

Other payables are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2020	2019
2	Staff costs		
	Wages/salaries	17,306,177	16,835,791
	Pensions	2,657,885	2,777,441
	Other social security costs	2,981,482	3,238,667
	Other staff costs	135,462	66,409
		23,081,006	22,918,308
	Average number of full-time employees	33	35

3	Financial expenses		
	Interest expenses, group entities	3,546	6,472
	Exchange adjustments	511,894	134,503
	Other financial expenses	24,062	33,203
		539,502	174,178

	DKK	2020	2019
4	Tax for the year		
	Estimated tax charge for the year	4,292,976	5,395,880
	Deferred tax adjustments in the year	-4,856	-13,428
		4,288,120	5,382,452

5 Property, plant and equipment

DKK	Fixtures and fittings, other plant and equipment	Right-of-Use Assets	Prepayments for property, plant and equipment	Total
Cost at 1 January 2020	1,787,355	7,142,123	72,096	9,001,574
Additions	8,528	376,862	64,231	449,621
Disposals	0	-1,067,888	0	-1,067,888
Change in accounting policies	72,096	0	-72,096	0
Cost at 31 December 2020	1,867,979	6,451,097	64,231	8,383,307
Impairment losses and depreciation at 1 January 2020	1,543,351	2,614,464	0	4,157,815
Depreciation	103,554	2,527,541	0	2,631,095
Reversal of accumulated depreciation and impairment of assets disposed	0	-1,067,888	0	-1,067,888
Impairment losses and depreciation at 31 December 2020	1,646,905	4,074,117	0	5,721,022
Carrying amount at 31 December 2020	221,074	2,376,980	64,231	2,662,285

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2020	2019
6 Share capital		
Analysis of the share capital:		
2,600 shares of DKK 1,000.00 nominal value each	2,600,000	2,600,000
	2,600,000	2,600,000

The Company's share capital has remained DKK 2,600,000 over the past 5 years.

7 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

8 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with EagleBurgmann KE A/S, which acts as management company, and is subject to limited and secondary liability together with other jointly taxed group entities for payment of income taxes for the income year 2014 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

9 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Freudenberg SE	Weinheim, Germany	www.freudenberg.com