
Taconic Biosciences A/S

Tornbjergvej 40, DK-4623 Lille Skensved

Annual Report for 2022

CVR No. 10 50 45 70

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 25/5 2023

Christopher Vincent
Peri
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Taconic Biosciences A/S for the financial year 1 January - 31 December 2022.

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 at 31 December 2022 of the Company and of the results of the Company operations and cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Lille Skensved, 25 May 2023

Executive Board

Christopher Vincent Peri
CEO

Board of Directors

Nancy Jo Sandy
Chairman

Christopher Vincent Peri

John Stephen Delli Santi

Independent Auditor's report

To the shareholder of Taconic Biosciences A/S

Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Taconic Biosciences A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

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.

Independent Auditor's report

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.
- 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.

Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Non-compliance with the Danish Companies Act

The Company has contrary to the Danish VAT Act reported VAT returns too the Danish Tax Authorities too late, whereby the management may incur liability.

Independent Auditor's report

Hellerup, 25 May 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Rikke Lund-Kühl
State Authorised Public Accountant
mne33507

Annika Søndergaard Nielsen
State Authorised Public Accountant
mne45835

Company information

The Company	Taconic Biosciences A/S Tornbjergvej 40 DK-4623 Lille Skensved Telephone: +45 86841699 Email: taconiceurope@taconic.com Website: www.taconic.dk CVR No: 10 50 45 70 Financial period: 1 January - 31 December Incorporated: 1 November 1986 Financial year: 35th financial year Municipality of reg. office: Køge
Board of Directors	Nancy Jo Sandy, chairman Christopher Vincent Peri John Stephen Delli Santi
Executive board	Christopher Vincent Peri
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	213,803	161,323	178,607	188,798	176,393
Gross profit/loss	69,053	53,011	50,514	58,784	57,289
Profit/loss of ordinary primary operations	2,582	-12,658	-11,075	-5,602	-5,472
Profit/loss before financial income and expenses	2,582	-12,658	-11,076	-5,602	-5,472
Profit/loss of financial income and expenses	-1,223	-773	88	-196	-665
Net profit/loss	1,359	-13,431	-10,986	-5,798	-6,137
Balance sheet					
Balance sheet total	136,628	123,431	137,028	130,502	121,741
Equity	-3,885	-5,244	8,187	19,173	24,971
Cash flows					
Cash flows from:					
- operating activities	-8,436	5,436	5,955	4,335	6,169
- investing activities	-2,370	-7,833	-4,211	-18,836	-15,453
- financing activities	5,819	-1,610	8,295	17,851	5,674
Change in cash and cash equivalents for the year	-4,987	-4,007	10,039	3,350	-3,610
Number of employees	118	120	118	120	121
Ratios					
Gross margin	32.3%	32.9%	28.3%	31.1%	32.5%
Profit margin	1.2%	-7.8%	-6.2%	-3.0%	-3.1%
Return on assets	1.9%	-10.3%	-8.1%	-4.3%	-4.5%
Solvency ratio	-2.8%	-4.2%	6.0%	14.7%	20.5%
Return on equity	-29.8%	-912.7%	-80.3%	-26.3%	-21.9%

Management's review

Key activities

The principal activities of the company are production and sale of laboratory mice and rats for biomedical research purposes. The animals are sold in Denmark and abroad to pharmaceutical companies and academic institutions. In addition, the company breeds laboratory mice on contract.

The company has two production sites in Denmark, as well as a quality control laboratory.

The company is European distributor of laboratory mice and rats from the parent company, Taconic Biosciences, Inc., USA, and for a Japanese research institution.

Finally, the company offers a number of laboratory services related to laboratory animals, including microbiological diagnostics, globally harmonized health standards and more.

Market overview

Over the last couple of years the market for pre-clinical services has evolved in several areas. The well known attrition rate of therapeutic candidates in the drug discovery process has increased the focus on pre-clinical stage testing. This has implied an increase in demand for the company's genetically modified products and contract services for customer owned genetically modified models.

Taconic's Denmark facility will continue to work in close connection to the headquarters in the United States and with all global facilities to ensure Taconic retains a leadership position within the animal model industry.

90 % of the Company's revenues represented exports.

Development in the year

The income statement of the Company for 2022 shows a profit of DKK 1,359,450, and at 31 December 2022 the balance sheet of the Company shows negative equity of DKK 3,884,587.

The past year and follow-up on development expectations from last year

During 2022 the Company's revenue increased by 32,5%. The Company's focus on quality and customer service continues to result in annual revenue increases, however the major increase is mainly based on a new agreement to allow distribution of a mouse model in China. During 2022, the Company incurred a smaller profit for the year than planned, mainly due to the lower margin of the new distributor mouse model.

Capital resources

The Company's equity amounts to DKK -3,884,587 at 31 December 2022 and is therefore subject to section 119 of the Danish Companies Act of capital losses

The Company has received a letter of support from Taconic Biosciences Inc. stating that they will provide necessary support to ensure that the Company will be able to meet its obligations. Further, loan extended and additional future loans extends to the Company from Taconic Biosciences Inc. will not be called unless the liquidity position of the Company is adequate to justify such repayment. The support letter is valid until 30 June 2024.

Operating risks

The company is exposed to a certain production risk in form of murine pathogens, which may affect the production. The company has and will continue to implement new breeding technologies, including individually ventilated cages, in order to minimize this risk and also performs extensive health monitoring of animals.

Genetic non-conformance is another risk. The breeding methods are aimed at minimizing this risk, and the animals bred are subject to genetic control. Genetic monitoring has been kept at a high level during 2022 and 2021.

Management's review

Foreign exchange risks

Our products are traded primarily in DKK and EUR and purchases are made in DKK, USD and JPY.

Interest rate risks

Fluctuation in loan interest will have no major impact on net income since the Company has repaid all significant loans in 2022, and the remaining foreign currency transactions are only with IC loans.

Strategy

The strategy for the European Market is consistent with Taconic's corporate strategy. Brand elevation continues to be a priority, with supporting efforts consisting of content marketing, new asset creation, bold messaging, targeted prospecting, and new products that leverage market demand.

Targets and expectations for the year ahead

The company's management has created a better correlation between revenue and capacity, which will continue to be a focus in the future. The company is working on adapting production capacity and continuing to lead the industry in creating the best solutions for customers.

The Company expects to improve its financial results during 2023 through revenue increase, gross margin improvement through an approximate 10% decrease in cost of goods and also through slight decreases in operating expenses and management charges. The new distributor agreement will deliver higher margin starting 2023 and therefore will improve the overall financial situation. The net income expectation is a profit between 20-40 mio. DKK.

Research and development

The Company does not perform research and development but rather relies on the group organization for new products.

External environment

Customers' expectations of quality are continuously rising, and the company expects to continue focusing on quality as a primary part of the strategy. CRISPR continues to be a technology that has changed the landscape of animal model development and drug discovery, Taconic is uniquely positioned among its competitors because it offers both CRISPR and more complex gene modification technologies.

Taconic is also expected to gain from a trend in research towards more specialized, genetically specific, animal models.

Intellectual capital resources

Taconic has built a global reputation for providing customers with the best animal model solutions. A major component of this strategy is the interface between the customer and Taconic. To ensure that the connection with its customers remains strong, Taconic has a strong commitment to both providing strong branding and educational marketing content, while also continuously training the global sales team on its products and services.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Revenue		213,803,360	161,322,578
Expenses for raw materials and consumables		-69,878,628	-35,110,211
Other external expenses		-74,872,028	-73,201,763
Gross profit		69,052,704	53,010,604
Staff expenses	3	-56,926,475	-52,927,095
Depreciation and impairment losses of property, plant and equipment	4	-9,544,055	-12,741,549
Profit/loss before financial income and expenses		2,582,174	-12,658,040
Financial income		167,899	390,849
Financial expenses		-1,390,623	-1,163,723
Profit/loss before tax		1,359,450	-13,430,914
Tax on profit/loss for the year		0	0
Net profit/loss for the year	5	1,359,450	-13,430,914

Balance sheet 31 December

Assets

	Note	2022 DKK	2021 DKK
Land and buildings		53,835,421	53,859,792
Other fixtures and fittings, tools and equipment		18,370,364	21,656,157
Property, plant and equipment in progress		2,777,574	7,091,385
Property, plant and equipment	6	<u>74,983,359</u>	<u>82,607,334</u>
Fixed assets		<u>74,983,359</u>	<u>82,607,334</u>
Inventories	7	<u>4,516,750</u>	<u>2,602,880</u>
Trade receivables		40,438,477	20,488,537
Receivables from group enterprises		4,884,876	1,455,609
Other receivables		870,624	372,187
Prepayments		90,540	74,471
Receivables		<u>46,284,517</u>	<u>22,390,804</u>
Cash at bank and in hand		<u>10,842,877</u>	<u>15,829,597</u>
Current assets		<u>61,644,144</u>	<u>40,823,281</u>
Assets		<u>136,627,503</u>	<u>123,430,615</u>

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		DKK	DKK
Share capital		2,100,000	2,100,000
Retained earnings		-5,984,587	-7,344,037
Equity		-3,884,587	-5,244,037
Mortgage loans		0	363,027
Payables to group enterprises		87,937,341	88,366,171
Other payables		4,636,434	4,525,044
Long-term debt	8	92,573,775	93,254,242
Mortgage loans		0	512,416
Trade payables		13,033,878	10,185,317
Payables to group enterprises		25,552,685	15,000,000
Other payables	8	9,125,299	9,350,761
Deferred income	9	226,453	371,916
Short-term debt		47,938,315	35,420,410
Debt		140,512,090	128,674,652
Liabilities and equity		136,627,503	123,430,615
Going concern	1		
Subsequent events	2		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of changes in equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	2,100,000	-7,344,037	-5,244,037
Net profit/loss for the year	0	1,359,450	1,359,450
Equity at 31 December	2,100,000	-5,984,587	-3,884,587

Cash flow statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Result of the year		1,359,450	-13,430,914
Adjustments	10	11,216,855	13,300,854
Change in working capital	11	-19,789,289	6,339,302
Cash flow from operations before financial items		-7,212,984	6,209,242
Financial income		167,899	390,849
Financial expenses		-1,390,624	-1,163,723
Cash flows from ordinary activities		-8,435,709	5,436,368
Cash flows from operating activities		-8,435,709	5,436,368
Purchase of property, plant and equipment		-3,870,156	-8,798,560
Sale of property, plant and equipment		1,500,000	965,126
Cash flows from investing activities		-2,370,156	-7,833,434
Repayment of mortgage loans		-875,443	-731,807
Repayment of payables to group enterprises		6,694,588	-878,226
Cash flows from financing activities		5,819,145	-1,610,033
Change in cash and cash equivalents		-4,986,720	-4,007,099
Cash and cash equivalents at 1 January		15,829,597	19,836,696
Cash and cash equivalents at 31 December		10,842,877	15,829,597
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10,842,877	15,829,597
Cash and cash equivalents at 31 December		10,842,877	15,829,597

Notes to the Financial Statements

1. Going concern

The Company's equity amounts to DKK -3,884,587 at 31 December 2022 and is therefore subject to section 119 of the Danish Companies Act of capital losses. We have been informed that the management works continuously with improvement and optimization of the Company's operations and financial performance and that it is the management's expectation that the Company will re-establish the share capital from its own profits.

The Company has received a letter of support from Taconic Biosciences Inc. stating that they will provide necessary support to ensure that the Company will be able to meet its obligations. Further, loan extended and additional future loans extends to the Company from Taconic Biosciences Inc. will not be called unless the liquidity position of the Company is adequate to justify such repayment. The support letter is valid until 30 June 2024.

2. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

3. Staff Expenses

	2022	2021
	DKK	DKK
Wages and salaries	50,922,804	48,174,751
Pensions	4,017,537	3,744,097
Other social security expenses	1,986,134	1,008,247
	<u>56,926,475</u>	<u>52,927,095</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	118	120
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4. Depreciation and impairment losses of property, plant and equipment

	2022	2021
	DKK	DKK
Depreciation of property, plant and equipment	10,144,055	10,447,502
Impairment of tangible assets	-600,000	2,294,047
	<u>9,544,055</u>	<u>12,741,549</u>

Notes to the Financial Statements

	2022	2021
	DKK	DKK
5. Profit allocation		
Retained earnings	1,359,450	-13,430,914
	<u>1,359,450</u>	<u>-13,430,914</u>

6. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK
Cost at 1 January	93,056,477	58,136,163	7,091,385
Additions for the year	0	0	4,020,080
Disposals for the year	-5,803,774	0	0
Transfers for the year	4,716,268	3,617,623	-8,333,891
Cost at 31 December	<u>91,968,971</u>	<u>61,753,786</u>	<u>2,777,574</u>
Impairment losses and depreciation at 1 January	39,196,685	36,480,006	0
Depreciation for the year	3,240,639	6,903,416	0
Impairment and depreciation of sold assets for the year	-4,303,774	0	0
Impairment losses and depreciation at 31 December	<u>38,133,550</u>	<u>43,383,422</u>	<u>0</u>
Carrying amount at 31 December	<u>53,835,421</u>	<u>18,370,364</u>	<u>2,777,574</u>
Amortised over	<u>25 years</u>	<u>3-7 years</u>	

	2022	2021
	DKK	DKK
7. Inventories		
Raw materials and consumables	2,380,141	1,605,057
Animals	2,136,609	997,823
	<u>4,516,750</u>	<u>2,602,880</u>

Notes to the Financial Statements

8. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2022</u>	<u>2021</u>
	DKK	DKK
Mortgage loans		
After 5 years	0	0
Between 1 and 5 years	0	363,027
Long-term part	0	363,027
Within 1 year	0	512,416
	<u>0</u>	<u>875,443</u>
Payables to group enterprises		
After 5 years	0	48,366,171
Between 1 and 5 years	87,937,341	40,000,000
Long-term part	<u>87,937,341</u>	<u>88,366,171</u>
Within 1 year	0	0
Other short-term debt to group enterprises	25,552,685	15,000,000
Short-term part	<u>25,552,685</u>	<u>15,000,000</u>
	<u>113,490,026</u>	<u>103,366,171</u>
Other payables		
After 5 years	4,636,434	4,525,044
Long-term part	4,636,434	4,525,044
Within 1 year	0	0
Other short-term payables	9,125,299	9,350,761
	<u>13,761,733</u>	<u>13,875,805</u>

9. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

2022	2021
DKK	DKK

10. Cash flow statement - Adjustments

Financial income	-167,899	-390,849
Financial expenses	1,390,623	1,163,723
Depreciation, amortisation and impairment losses, including losses and gains on sales	9,994,131	12,741,549
Other adjustments	0	-213,569
	<u>11,216,855</u>	<u>13,300,854</u>

2022	2021
DKK	DKK

11. Cash flow statement - Change in working capital

Change in inventories	-1,913,870	805,601
Change in receivables	-20,464,446	5,545,435
Change in trade payables, etc	2,589,027	-11,734
	<u>-19,789,289</u>	<u>6,339,302</u>

2022	2021
DKK	DKK

12. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	178,333	303,535
Between 1 and 5 years	226,272	258,049
	<u>404,605</u>	<u>561,584</u>

Other contingent liabilities

The Company has a non-recognised tax asset showing DKK 8,360k.

Notes to the Financial Statements

13. Related parties

	<u>Basis</u>
Controlling interest	
ACP Canopy Holdings, Inc., USA	Ultimate parent
Taconic Biosciences Inc., USA	Smallest parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Taconic Biosciences A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	25 years
Other fixtures and fittings, tools and equipment	3-7 years

Land is not depreciated.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of animals comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of property, plant and equipment.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit before financials} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit before financials} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$