Hamlet Protein A/S

Saturnvej 51
8700 Horsens
CVR No. 16049441

Annual report 2022

The Annual General Meeting adopted the annual report on 28.04.2023

Erik Robert Visser
Chairman of the General Meeting

Contents

Entity details

Entity

Hamlet Protein A/S

Saturnvej 51

8700 Horsens

Business Registration No.: 16049441

Registered office: Horsens

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Sarah Vawda

Adam Dawson

Søren Dan Johansen

Executive Board

Erik Robert Visser

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hamlet Protein A/S for the financial year 01.01.2022 - 31.12.2022.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Horsens, 28.04.2023

Executive Board

Erik Robert Visser

Board of Directors

Sarah Vawda **Adam Dawson**

Søren Dan Johansen

Independent auditor's report

To the shareholders of Hamlet Protein A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Hamlet Protein A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Aarhus, 28.04.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jacob Nørmark
State Authorised Public Accountant
Identification No (MNE) mne30176

Jacob Tækker Nørgaard
State Authorised Public Accountant
Identification No (MNE) mne40049

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	927,012	857,784	774,124	615,870	612,195
Gross profit/loss	61,568	121,829	154,283	121,692	132,665
EBITDA	(27,262)	45,921	70,017	28,965	41,932
Operating profit/loss	(71,194)	(412)	27,755	(29,098)	7,499
Net financials	(26,206)	(9,685)	(23,537)	(15,020)	(8,478)
Profit/loss for the year	(87,791)	(13,126)	1,351	(35,554)	1,272
Balance sheet total	602,781	581,064	629,318	575,774	563,631
Equity	59,374	144,698	152,464	156,603	192,075
Ratios					
Gross margin (%)	6.64	14.20	19.93	19.76	21.67
Net margin (%)	(9.47)	(1.53)	0.17	(5.77)	0.21
Equity ratio (%)	9.85	24.90	24.23	27.20	34.08

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

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

Equity ratio (%):
Equity * 100
Balance sheet total

Primary activities

Operating review Hamlet Protein Group

HAMLET PROTEIN A/S' business strategy is to develop, produce and sell vegetable specialty protein solutions used in high value-add animal feed for young animals. The company services more than 50 countries from its two production facilities in Horsens, Denmark and Findlay, Ohio, USA and its sales office in Qingdao (China).

The subsidiary, HAMLET PROTEIN Inc., is located in Findlay (Ohio), USA, and handles the production, sales, and distribution of products, primarily to North America, Central America and Asia. The subsidiary, Hamlet (Qingdao) Trading Co., Ltd. is located in Qingdao (Shandong Province), China, and handles import, sales and distribution to customers in China.

As the demand for safe and affordable meat products continues to grow in most regions of the world, so does the demand for high quality specialty feed protein. HAMLET PROTEIN's growth is supported by long-term structural mega trends such as population growth, transition from backyard farming towards more industrialized farming practices as well as greater focus on antibiotic free feed practices and feed safety. Especially the North American and Chinese markets have contributed with considerable growth in recent years, driven by the need for continued improvement of farm efficiency, while at the same time reducing or eliminating medication in animal feed. Finally, demand is driven by an increased focus on feed security by reducing the use of animal-based protein diet sources like fishmeal and blood plasma in favor of secure, highly efficient products like HAMLET PROTEIN's soy-based specialty ingredients.

HAMLET PROTEIN draws on extensive knowledge of bioavailability, biotechnology, bioconversion, and the practical application of specialty feed ingredients to meet all these demands. Every year, the company runs a large number of tests in its pilot production plant to verify efficacy and customer value. Many innovation projects are managed in partnership with customers, external research institutes and renowned universities. Together, HAMLET PROTEIN aims to lead the way to generate an increased animal performance through a focus on early life nutrition. Ultimately increased efficiency in animal production leads to a reduced carbon footprint for the industry. HAMLET PROTEIN continuously documents the value-adding performance of HAMLET PROTEIN products in numerous international trials at commercial -and research farms and universities and makes that available to (prospective) customers.

Development in activities and finances

Non-financial matters

Quality

Both HAMLET PROTEIN plants in Denmark and USA meet the criteria of the feed safety standard GMP+ and the food safety management standard ISO 22000. Our strict Feed Safety Policy ensures full traceability of both GMO and non-GMO products, allowing any batch of product to be easily traced if need be. Every week, the Company's laboratory teams analyze 200 protein samples, taken around-the-clock from our production lines. These analyses are an important part of our customer service and a guarantee of high product quality. The sector specific knowledge and competences of the employees form an important foundation for HAMLET PROTEIN's leading position in young animal nutrition and are a driver for future business development.

Shareholders

HAMLET PROTEIN is owned by New Nutrition Holding S.àr.l., Luxembourg, which ultimately is owned by Goldman Sachs Group Inc. ("GS Group") and Altor Fund IV Holding AB. The Company's share capital is not divided into share classes, and the Company's articles of association do not stipulate any limits for ownership or voting rights. The Board of Directors regularly assesses whether the Company's capital structure is sound and capable of supporting the Company's growth strategy.

The Board of Directors' duties
The Board of Directors of the Company ensures that the Executive Board complies with the decisions, strategies, and business procedures adopted by the Board of Directors. The Board of Directors meets according to a fixed schedule. In 2022, the Board of Directors held five meetings. For 2023 four meetings have been scheduled.

The Board of Directors does not rely on any subcommittees due to the limited size and complexity of the Group. Accordingly, the entire Board of Directors has focused on significant accounting policies and significant accounting estimates, and transactions with related parties, if any, as well as uncertainties and risks in its financial reporting process. Together with the auditors, the quality of the Company's internal control systems is being assessed on a regular basis, just as the auditors' independence is verified. Areas identified as particularly critical, such as foreign currency policy, procurement policy and insurance matters, are regularly discussed within the Board of Directors.

Group relations
Recommendations for active ownership and corporate governance for private equity funds
Being owned by private equity funds, New Nutrition Holding ApS is subject to the guidelines for active ownership and corporate governance for private equity funds and their controlled enterprises as issued by the Danish Venture Capital and Private Equity Association ("DVCA"). In general, New Nutrition Holding ApS complies with these recommendations apart from the incidents where the Company's management assesses that the disclosure of specific information will be detrimental to the Group's and the Company's competitive situation.

Profit/loss for the year in relation to expected developments

Financial matters
Financial review Hamlet Protein A/S
Highlights 2022 performance:
- Sales volume declined by 20% in 2022. The decline was especially driven by macro-induced headwinds from increased production costs, inflation, interruptions in supply chain and geopolitical unrest. This affected the performance in key markets such as China, Thailand and Denmark, whereas growth was reported in Chile. Despite the volume decline HAMLET PROTEIN A/S managed to reduce the impact on revenue to a 5% decline or 28 mDKK as sales prices were increased to follow throughout the year.
- EBITDA of -59 mDKK in 2022 in a volatile and challenging macro environment with increasing raw material, freight and utility prices that created significant margin pressure.
- Net loss of -88 mDKK mainly driven by increased utility, freight and raw material costs.

Financial review HP Group
In late 2019 a new strategic plan for the HAMLET PROTEIN group was formulated which focused on three main areas: Branding & positioning, commercial acceleration, and entrepreneurial culture. The Group has continued to build on that strategy in 2022.
Highlights 2022 performance:
- Sales volume declined by 10% in 2022 which was 14% below budgeted expectations. The decline was especially driven by macro-induced headwinds from increased production costs, inflation, interruptions in supply chain and geopolitical unrest. This affected the performance in key markets such as China, Thailand and Denmark, whereas growth was reported in Chile. Despite the decline in volume the group managed to increase revenue by 69 mDKK due to an increase in prices.
- EBITDA of -27 mDKK in 2022 in a volatile and challenging macro environment with increasing raw material, freight and utility prices that created significant margin pressure.
- Net loss of -88 mDKK mainly driven by increased utility, freight and raw material costs and one-off costs.

The unprecedented increases in costs of utilities – gas and electricity – severely impacted HAMLET PROTEIN's margin performance, especially on goods produced in its plant in Denmark. Fixed sales prices on long(er) term contracts that were closed in Q4-2021 and Q1-2022 led to a significant margin erosion. In the course of 2022, the Company adjusted its General Terms and Conditions of Sale, to allow price adjustments on new contracts in case of unforeseen fluctuations in production costs, reducing HAMLET PROTEIN's exposure to fluctuations in raw material prices.

A continuous level of supply chain disruptions in 2022 resulted in high container freight costs which challenged the price competitiveness in export markets. A decline in container freight costs was seen towards the end of 2022 and is expected to continue in 2023 to the benefit of HAMLET PROTEIN.

In addition to the pressure from utility price increases, HAMLET PROTEIN also faced extraordinary headwind from other macro-related factors in 2022, including:

• In Q3 2022 the Shanghai port was closed due to Covid restrictions, resulting in a six-week sales stop.
• The war in Ukraine resulted in increased costs of raw materials for animal producers.
• The increased cost of nutrition combined with lower animal numbers, has put pressure on the demand for speciality feed ingredients.
• African Swine Fever (ASF) continued to affect global market dynamics in the swine sector, creating supply chain imbalances due to temporary withdrawals of export permits for pork producers. These effects were seen primarily in European and Asian markets.

2022 earning levels were significantly below historical performance due to extraordinary market circumstances, management expect performance to stabilize in 2023. Management has launched initiatives to reduce the cost base and drive efficiencies in the organization in response to 2022 result.

Outlook

The global trend of increasing demand for high-quality, vegetable-based specialty protein is expected to continue. HAMLET PROTEIN expects a stable volume performance in 2023 with a 5-10% growth, at increased margin levels providing a significantly improved and positive EBITDA between 35-50 mDKK. HAMLET PROTEIN expects growth to come from North and South America, with some volume pressure in Europe and Asia.

Any disruption could come from further spread of African Swine Fever and subsequent export restrictions for HAMLET PROTEIN key markets, volatility in production costs caused by utilities costs, Covid-19 resurgence and related restrictions on supply chain, and developments of geo-political tension in Eastern Europe or between China and the US.

HAMLET PROTEIN expects volatility in the macro environment to continue, even though declining freight costs will support the Company's export ambitions. Through adjusted contracting and price management, the Company expects to deliver its budget.

Use of financial instruments

Particular risks

The pricing of HAMLET PROTEIN's raw materials, utility and finished goods is influenced by the price development on international commodity exchanges, which, together with the price development on substitute goods, will influence the Company's and customers' competitive situation, resulting in uncertainty about forecasted results.

The Company's products are sold to the agricultural sector. The market conditions for these customers are subject to high volatility, meaning that the market situation may change rapidly and be difficult to predict. HAMLET PROTEIN strives to mitigate such conditions by setting up its production, sales and distribution channels as flexibly as possible.

Commodity and foreign currency risk
The Group is predominantly exposed to foreign currency risks in the USD from sales, purchases and financing activities, and the CNY from sales activities. Currency hedging is done mainly on the purchase of soy in USD. When entering into a sales contract an offsetting purchase contract for soy is concluded in order to obtain a stable margin except for sales to markets with a long delivery time where soy is purchased based on a sales forecast.

It is the Groups policy not to have a structured hedging done for the purchase of energy due to which gas and electricity can be purchased at spot price and/or fixed prices.

No hedging of CNY has been done in 2022.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group evaluates its net exposure on a frequent basis and when conducting finance activities.

Financing risk
Currency risks on the investment in the US subsidiary are partly hedged by loans denominated in USD. Loans in Denmark are primarily made in DKK or EUR.

Research and development activities

HAMLET PROTEINS specializes in young animals' nutrition and the Company's strong market position is maintained and expanded via a deep and specific knowledge of the individual species, combined with solid documentation from feeding trials across the world. In 2022, HAMLET PROTEIN incurred research and development costs for products for both new and existing customers. During the year DKK 1.9m has been capitalized on the balance sheet.

Statutory report on corporate social responsibility

HAMLET PROTEIN's business model is to develop, produce and sell vegetable protein solutions used in high value add animal feed for young animals mainly in Europe, North America and Asia. The Company strives to define its corporate social responsibility within the areas of energy and environment, responsible sourcing, human resource issues and compliance with ethical business standards.

Environmental performance
Energy and impact on the external environment
The HAMLET PROTEIN production process requires energy, and the Company acknowledges that energy production involves an environmental impact related to carbon dioxide emissions. Ever since we designed our production process in the early 1990s, we have focused on optimizing our use of energy and water and on reducing waste. This means that the plant in Denmark is certified according to the ISO 50001:2011 energy management system standard. The plant in US is built on the same level of technology. Apart from steam consisting of water and carbon dioxide, our emission is close to zero hence, the risk of directly polluting the external environment is negligible.

In both factories, considerable investments have been made in thermal incineration plants reducing energy consumption per produced ton of finished goods by more than 10%.

In Denmark, the Company has worked intensively to further reduce energy consumption via condensation and recycling of excess heat. As a direct result of these efforts, HAMLET PROTEIN has entered into a partnership agreement with Horsens' district heating (Fjernvarme Horsens) to convert waste energy into heating. Since its inauguration in 2020, the plant has been providing annual heating to approximately 3,300 households in the Horsens area and reduces energy waste at HAMLET PROTEIN to the lowest degree possible. Management believes that these efforts have contributed to minimizing our environmental impact.

Responsible sourcing
HAMLET PROTEIN believes that human rights should be observed and respected in all aspects. The Company's predominant raw material is soybean meal, which is acquired from producers in South America, Europe and North America. HAMLET PROTEIN is aware that there is a potential risk of lacking compliance with human rights in the production chain in South America. The risk, however, is mitigated by the Company's policy for responsible sourcing of raw materials.

HAMLET PROTEIN's objective is to be leading within product quality and product integrity, and the Company constantly strives to strengthen its supply chain towards sustainability yet at the same time balancing the need for an effective and reliable flow of raw materials to our production units.

It is HAMLET PROTEIN's policy only to buy from soy producers that demonstrates social and environmental responsibility. As such raw materials are purchased from the world's leading soy producers in North and South America and Europe. The Company pays a surcharge to reach its goals as evidenced by certifications since 2005. HAMLET PROTEIN solely buys soy from suppliers who are approved according to its quality management system before goods are delivered.

The Company's US supply comes from internationally recognized suppliers; either members of NOPA (National Oilseed
processors Association) or related members.

In South America, the following conditions need to be met in order to allow purchases being made:
• The supplier is not involved in or supports the use of child labor, forced labor, discrimination or harassment.
• The supplier supports voluntary unionism of employees and the right to negotiate collective agreements for all employees.
• The supplier does not buy soy from land in the Amazon Biome cleared after 24 July 2006.
• The supplier does not buy soy grown from land where natives' residences have been removed after May 2009, except if in accordance with national legislation.
• The supplier supports the use of pesticides in accordance with local legislation, the Stockholm Convention, and the Rotterdam Convention.

Alternatively, HAMLET PROTEIN requires that soybean meal suppliers are certified according to the ProTerra Standard or committed to the Soy Moratorium or in any other way are able to document that they live up to the Basel Criteria (4th edition 16.02.2005). The Company's goal is that a minimum of 90% of its SBM supply complies with these requirements. In recent years, the Company has met and exceeded this minimum threshold, a trend that continued into 2022 and also expected to continue in 2023.

As new and improved soy certification programs become available, HAMLET PROTEIN will consider implementing these programs in our standard basis for sourcing.

Compliance
HAMLET PROTEIN is committed to doing business in a fair and ethical way. The risk of failing to do so is unrelated to HAMLET PROTEIN's specific business model but merely a general risk of doing business in all parts of the world. Specific risk areas for HAMLET PROTEIN includes bribery in connection with government approvals and licenses for manufacturing and cross border trade, selling to unethical individuals or dealing with companies or individuals subject to international sanctions.

HAMLET PROTEIN has revised its compliance policies to reflect best practices regarding Anti-Bribery and Corruption, Economic Sanctions and Anti-Money Laundering compliance, and we are committed to ensuring we conduct our business ethically and in line with these principles. The Anti-Corruption and Economic Sanctions Compliance Policy sets forth the policy of the Group to ensure compliance with all potentially applicable laws and conventions. The Policy applies to everyone working for the Company and any other member of the Group worldwide regardless of location, role, or level of seniority. Third parties acting on behalf of the Group, such as agents, consultants, partners, or distributors must also comply with the spirit of this Policy and all applicable laws.

In addition, HAMLET PROTEIN provides a whistleblowing opportunity for all employees to report suspicions of misconduct. The Company encourages employees to raise their concern if they suspect serious misconduct that should be prevented or corrected. If they feel they cannot be open with their information, they can raise their concern anonymously, by using a communication channel managed by a third-party.

HAMLET PROTEIN has not received any external reports or complaints, nor any (anonymous) complaints from employees about incidents of unethical behavior in 2022 and the Company continues its commitment to highest standard of business ethics in 2023.

Organisation and employees
One of HAMLET PROTEIN's strategic drivers is to attract and retain qualified and motivated employees. The Company provides its employees with a safe and healthy workplace and follows procedures intended to safeguard all employees, avoid workplace accidents, and maintain compliance. However, as for any other company, working at HAMLET PROTEIN involves a minimal level of risks such as work accidents in operations and stress.

To maintain and improve our safety standards, HAMLET PROTEIN focuses on avoiding occupational accidents; security in the Company's facilities is a top priority. Safety Committees that are committed to workplace safety, and who regularly follow up and document workplace accidents. Industrial accidents are measured on "the number of hours absent due to industrial accidents per million working hours".

To ensure and improve the general working environment, HAMLET PROTEIN follows up on staff turnover, capability development and absence due to sickness. The Company continuously works with a number of activities to help promote an attractive and motivating working environment. HAMLET PROTEIN is dedicated to the recruitment and integration of new employees and focuses on maintaining and developing employees' personal and professional skills. The annual performance review is an important element of these efforts.

HAMLET PROTEIN measures short term and long-term absence due to sickness. In 2022, long-term absence in the Company was 1.9% (last year 0.72%) and short-term absence due to sickness was 2.37% (last year 1.22%), which is below our objective of 2.5%. The aim for 2023 is to remain below the objective of 2.5%.

Statutory report on the underrepresented gender

New Nutrition Holding ApS' supreme governing body, the Board of Directors, consists at year-end of one female and two male members. The unchanged goal is to have at least one female board member. This goal can be considered as ambitious in an industry in which the recruitment base primarily consists of men.

HAMLET PROTEIN is an equal opportunity employer and aims at maintaining and reaching the gender ratio objective for each management group, however the Company will always employ the person who is best qualified for the job. HAMLET PROTEIN strives, whenever possible, to have at least one candidate from the underrepresented gender represented among three final candidates for a management position. The Company has assessed barriers and challenges in relation to the underrepresented gender in other management levels, e.g., how job ads, recruitment, training and development of employees is being approached and how the Company communicates in relation to opportunities internally. Both male and female employees are encouraged to apply for internally advertised positions and to develop their skills and careers. At the present time the Company does not have specific data for tracking available.

Statutory report on data ethics policy

With the support of external experts, HAMLET PROTEIN has implemented a framework for complying with the General Data Protection Regulation that meets the required standards. The Company is assessing whether there is a need for a data ethics policy.

Events after the balance sheet date

A refinancing of Hamlet Protein´s senior debt facilities was completed in March 2023 to secure Hamlet Protein´s operational liquidity to pursue futher growth. No other events after the balance sheet date have occured which effects the financial statement of 2022.

Consolidated income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue	1	927,012	857,784
Cost of sales		(767,448)	(666,163)
Other external expenses		(97,996)	(69,792)
Gross profit/loss		**61,568**	**121,829**
Staff costs	2	(88,830)	(75,908)
Depreciation, amortisation and impairment losses	3	(43,932)	(46,333)
Operating profit/loss		**(71,194)**	**(412)**
Other financial income	4	28	4,370
Other financial expenses	5	(26,234)	(14,055)
Profit/loss before tax		**(97,400)**	**(10,097)**
Tax on profit/loss for the year	6	9,609	(3,029)
Profit/loss for the year	7	**(87,791)**	**(13,126)**

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	9	13,025	17,610
Acquired intangible assets		5,019	5,479
Goodwill		30,254	37,104
Development projects in progress	9	7,662	7,542
Intangible assets	8	**55,960**	**67,735**
Land and buildings		61,418	64,783
Plant and machinery		236,509	240,026
Other fixtures and fittings, tools and equipment		213	1,113
Property, plant and equipment in progress		10,030	1,909
Property, plant and equipment	10	**308,170**	**307,831**
Deposits		128	128
Financial assets	11	**128**	**128**
Fixed assets		**364,258**	**375,694**
Raw materials and consumables		10,264	17,228
Manufactured goods and goods for resale		40,829	48,675
Inventories		**51,093**	**65,903**

Trade receivables		102,791	102,951
Receivables from group enterprises		16,654	212
Deferred tax	12	14,705	2,178
Other receivables		7,692	5,834
Tax receivable		0	121
Prepayments	13	1,941	1,258
Receivables		**143,783**	**112,554**
Cash		**43,647**	**26,913**
Current assets		**238,523**	**205,370**
Assets		**602,781**	**581,064**

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	14	4,710	4,710
Translation reserve		2,337	(130)
Reserve for development costs		10,160	13,721
Retained earnings		42,167	126,397
Equity		**59,374**	**144,698**
Deferred tax	12	2,734	1,906
Provisions		**2,734**	**1,906**
Mortgage debt		4,570	5,779
Other payables	15	5,404	5,012
Non-current liabilities other than provisions	16	**9,974**	**10,791**
Current portion of non-current liabilities other than provisions	16	996	329
Bank loans		20,100	20,675
Trade payables		117,837	70,819
Payables to group enterprises		364,360	301,717
Other payables		27,406	30,129
Current liabilities other than provisions		**530,699**	**423,669**
Liabilities other than provisions		**540,673**	**434,460**
Equity and liabilities		**602,781**	**581,064**
Financial instruments	18		
Unrecognised rental and lease commitments	19		
Assets charged and collateral	20		
Transactions with related parties	21		
Group relations	22		
Subsidiaries	23		

Consolidated statement of changes in equity for 2022

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4,710	(130)	13,721	126,397	144,698
Exchange rate adjustments	0	2,467	0	0	2,467
Transfer to reserves	0	0	(3,561)	3,561	0
Profit/loss for the year	0	0	0	(87,791)	(87,791)
Equity end of year	**4,710**	**2,337**	**10,160**	**42,167**	**59,374**

Consolidated cash flow statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Operating profit/loss		(71,194)	(412)
Amortisation, depreciation and impairment losses		43,655	46,333
Working capital changes	17	101,205	(10,525)
Other adjustments		(11,220)	(27,570)
Cash flow from ordinary operating activities		**62,446**	**7,826**
Financial income received		28	4,370
Financial expenses paid		(26,234)	(14,055)
Taxes refunded/(paid)		143	(163)
Cash flows from operating activities		**36,383**	**(2,022)**
Acquisition etc. of intangible assets		(3,363)	(4,321)
Acquisition etc. of property, plant and equipment		(15,789)	(25,966)
Sale of property, plant and equipment		620	12,031
Cash flows from investing activities		**(18,532)**	**(18,256)**
Free cash flows generated from operations and investments before financing		**17,851**	**(20,278)**
Repayments of loans etc.		(542)	(1,162)
Repayments of bank loans		(575)	(40,594)
Cash flows from financing activities		**(1,117)**	**(41,756)**
Increase/decrease in cash and cash equivalents		**16,734**	**(62,034)**
Cash and cash equivalents beginning of year		26,913	88,947
Cash and cash equivalents end of year		**43,647**	**26,913**
Cash and cash equivalents at year-end are composed of:			
Cash		43,647	26,913
Cash and cash equivalents end of year		**43,647**	**26,913**

Notes to consolidated financial statements

1 Revenue

	2022 DKK'000	2021 DKK'000
Europe. Middle East and Africa	380,249	347,656
Asia and Pacific	296,047	351,038
Brasil and South America	59,160	14,571
North and Central America	191,556	144,519
Total revenue by geographical market	**927,012**	**857,784**

2 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	79,785	68,971
Pension costs	2,174	3,775
Other social security costs	247	673
Other staff costs	7,043	4,548
	89,249	**77,967**
Staff costs classified as assets	(419)	(2,059)
	88,830	**75,908**

Average number of full-time employees	104	109

	Remuneration of management 2022 DKK'000	Remuneration of management 2021 DKK'000
Executive Board	4,882	8,267
Board of Directors	1,163	1,270
	6,045	**9,537**

3 Depreciation, amortisation and impairment losses

	2022 DKK'000	2021 DKK'000
Amortisation of intangible assets	13,348	12,705
Impairment losses on intangible assets	1,736	5,777
Depreciation on property, plant and equipment	28,848	27,851
	43,932	**46,333**

4 Other financial income

	2022 DKK'000	2021 DKK'000
Other interest income	28	90
Exchange rate adjustments	0	1,067
Other financial income	0	3,213
	28	**4,370**

5 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	10,120	11,334
Other interest expenses	1,030	1,197
Exchange rate adjustments	13,341	614
Other financial expenses	1,743	910
	26,234	**14,055**

6 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	2,216	1,867
Change in deferred tax	(11,803)	567
Adjustment concerning previous years	(22)	595
	(9,609)	**3,029**

7 Proposed distribution of profit/loss

	2022 DKK'000	2021 DKK'000
Retained earnings	(87,791)	(13,126)
	(87,791)	**(13,126)**

8 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	48,683	13,502	137,000	7,558
Transfers	1,979	0	0	(1,979)
Additions	976	234	0	2,153
Cost end of year	**51,638**	**13,736**	**137,000**	**7,732**
Amortisation and impairment losses beginning of year	(31,073)	(8,023)	(99,896)	(16)
Impairment losses for the year	(1,736)	0	0	(54)
Amortisation for the year	(5,804)	(694)	(6,850)	0
Amortisation and impairment losses end of year	**(38,613)**	**(8,717)**	**(106,746)**	**(70)**
Carrying amount end of year	**13,025**	**5,019**	**30,254**	**7,662**

9 Development projects

Completed development projects

HAMLET PROTEIN successfully launched a new product into the EMEA market in response to EU legislation banning the pharmaceutical use of zinc oxide in piglet and poultry production. The implementation of this legislation is expected to generate an increasing demand for these products, and impairment tests of the book value based on expected cash flows generated from anticipated sales in the coming 5 years. Management has concluded that the expected future benefits from these projects exceed the book value.

Finally, completed projects relate to the implementation of a production management system. The capitalized cost of this project mainly consists of external consulting costs and internal hours captured through our own time recording system. The expected future benefit from this production management system exceeds the book value.

Development projects in progress

In 2022 HAMLET PROTEIN started up new projects to identify and document additional elements in HAMLET PROTEIN's portfolio's mode of action. This will strengthen the Company's commercial positioning, deliver increased value to customers, and differentiate HAMLET PROTEIN products from competitors even more.

Estimated cost to complete these projects is approximately 1.5 mDKK and completion is anticipated during 2023 and 2024. Being a prerequisite for the continued sales on these markets it has been concluded that the expected future benefit from these projects exceeds the book value.

10 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	128,617	626,268	23,690	1,909
Exchange rate adjustments	2,417	22,482	254	163
Transfers	0	391	0	(391)
Additions	45	7,382	13	8,349
Disposals	0	(150)	(470)	0
Cost end of year	**131,079**	**656,373**	**23,487**	**10,030**
Depreciation and impairment losses beginning of year	(63,834)	(386,242)	(22,577)	0
Exchange rate adjustments	(947)	(10,463)	(219)	0
Depreciation for the year	(4,880)	(23,159)	(478)	0
Depreciation and impairment losses end of year	**(69,661)**	**(419,864)**	**(23,274)**	**0**
Carrying amount end of year	**61,418**	**236,509**	**213**	**10,030**

11 Financial assets

	Deposits DKK'000
Cost beginning of year	128
Cost end of year	**128**
Carrying amount end of year	**128**

12 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	(11,462)	(1,683)
Property, plant and equipment	(29,628)	(31,899)
Inventories	(276)	(266)
Receivables	260	55
Liabilities other than provisions	1,175	753
Tax losses carried forward	51,902	33,312
Deferred tax	**11,971**	**272**

Changes during the year	2022 DKK'000	2021 DKK'000
Beginning of year	272	840
Recognised in the income statement	11,803	(567)
Other adjustments	(104)	(1)
End of year	**11,971**	**272**

Deferred tax has been recognised in the balance sheet as follows	2022 DKK'000	2021 DKK'000
Deferred tax assets	14,705	2,178
Deferred tax liabilities	(2,734)	(1,906)
	11,971	**272**

Deferred tax assets

Deferred tax are expected to be set off within 5 years due to profitable ordinary operations.

13 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

14 Contributed capital

	Number	Par value DKK'000
Ordinary shares	4,710,000	0,001
	4,710,000	

15 Other payables

Long-term other payables comprise long-term obligations regarding the new holidaylaw in Denmark.

16 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Mortgage debt	996	329	4,570	478
Other payables	0	0	5,404	5,404
	996	**329**	**9,974**	**5,882**

The credit facilities of the New Nutrition Holding Group are subject to usual financial covenants, which include leverage, interest coverage ratios and investment amounts. All such financial covenants were in compliance during the year end as of 31 December 2022.

17 Changes in working capital

	2022 DKK'000	2021 DKK'000
Increase/decrease in inventories	14,810	1,303
Increase/decrease in receivables	(21,763)	(15,187)
Increase/decrease in trade payables etc.	108,158	3,359
	101,205	**(10,525)**

18 Derivative financial instruments

The group uses hedging instruments such as forward exchange contracts to hedge recognized and non-recognized transactions.

Recognized transactions

Hedging of recognized transactions primarily includes receivables and payables.

Forecast transactions

The group uses forward exchanges contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year. The forward exchange contracts has a positive value of DKK 152 thousand as per 31.12.2022 and the period runs from 1-12 months

19 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Total liabilities under rental or lease agreements until maturity	3,971	4,389

20 Assets charged and collateral

The group has concluded regular forward purchase contracts for raw materials.

A mortgage of DKK 13,940 thousand secured upon the Group's properties has been provided as collateral for transactions with Ohio Department of Development. The remaining outstanding borrowings as of December 31, 2022 amounted to DKK 5,562 thousands and the carrying amount of mortgaged properties amounted to DKK 24,987 thousands.

As collateral for commitments with banks, the following has been deposited:

- Owner's mortage of DKK 20,000 thousand and letter of indemnity of DKK 18,000 thousand secured on the Company's proterty Saturnvej 51, Horsens. Current debt is respectivly bank debt of DKK 20,100 thousand. The carrying amount of mortgaged properties amounted to DKK 30,167 thousand.

As collateral for commitments with banks, the following has been deposited:

- Letter of indemnity on movables of DKK 34,000 thousand. Current debt is bank debt of DKK 20,100 thousand. The carrying amount of assets provided as collateral amounted to DKK 32,900 thousand.

21 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
New Nutrition Holding S.a.r.l., Luxembourg.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
New Nutrition Holding ApS, Denmark

23 Subsidiaries

	Registered in	Corporate form	Ownership %
Hamlet Protein Inc.	Ohio, USA	Inc.	100
Hamlet Protein GmbH	Germany	GmbH.	100
Hamlet Trading Co. Ltd.	China	Ltd.	100

Parent income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue	1	452,988	481,036
Other operating income		8	1,556
Cost of sales		(386,522)	(377,038)
Other external expenses		(73,609)	(53,077)
Gross profit/loss		**(7,135)**	**52,477**
Staff costs	2	(51,385)	(43,971)
Depreciation, amortisation and impairment losses	3	(23,804)	(28,338)
Other operating expenses		(11,136)	(106)
Operating profit/loss		**(93,460)**	**(19,938)**
Income from investments in group enterprises		9,724	8,317
Other financial income	4	5,859	11,958
Other financial expenses	5	(21,884)	(12,821)
Profit/loss before tax		**(99,761)**	**(12,484)**
Tax on profit/loss for the year	6	11,970	(642)
Profit/loss for the year	7	**(87,791)**	**(13,126)**

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	9	13,025	17,610
Acquired intangible assets		5,019	5,479
Goodwill		30,254	37,104
Development projects in progress	9	7,661	7,541
Intangible assets	8	**55,959**	**67,734**
Land and buildings		36,509	39,928
Plant and machinery		32,823	36,805
Other fixtures and fittings, tools and equipment		75	358
Property, plant and equipment in progress		7,103	1,909
Property, plant and equipment	10	**76,510**	**79,000**
Investments in group enterprises		81,902	70,300
Deposits		128	128
Financial assets	11	**82,030**	**70,428**
Fixed assets		**214,499**	**217,162**
Raw materials and consumables		5,633	10,255
Manufactured goods and goods for resale		28,910	19,142
Inventories		**34,543**	**29,397**

Trade receivables		35,396	37,852
Receivables from group enterprises		201,607	209,563
Deferred tax	12	14,148	2,178
Other receivables		10,308	16,687
Prepayments	13	1,865	1,129
Receivables		**263,324**	**267,409**
Cash		**11,602**	**6,781**
Current assets		**309,469**	**303,587**
Assets		**523,968**	**520,749**

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		4,710	4,710
Reserve for net revaluation according to equity method		34,938	22,747
Reserve for development costs		10,160	13,721
Retained earnings		9,567	103,520
Equity		**59,375**	**144,698**
Other payables	14	5,404	5,012
Non-current liabilities other than provisions	15	**5,404**	**5,012**
Bank loans		20,098	20,652
Trade payables		99,271	68,975
Payables to group enterprises		330,076	270,526
Other payables		9,744	10,886
Current liabilities other than provisions		**459,189**	**371,039**
Liabilities other than provisions		**464,593**	**376,051**
Equity and liabilities		**523,968**	**520,749**
Financial instruments	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		

Parent statement of changes in equity for 2022

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4,710	22,748	13,721	103,520	144,699
Exchange rate adjustments	0	2,467	0	0	2,467
Transfer to reserves	0	0	(3,561)	3,561	0
Profit/loss for the year	0	9,723	0	(97,514)	(87,791)
Equity end of year	**4,710**	**34,938**	**10,160**	**9,567**	**59,375**

Notes to parent financial statements

1 Revenue

	2022 DKK'000	2021 DKK'000
Europe, Middle East and Africa	374,244	335,680
Asia and Pacific	78,744	136,693
Brasil and South America	0	8,663
Total revenue by geographical market	**452,988**	**481,036**

2 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	46,337	41,148
Pension costs	2,668	2,721
Other social security costs	153	496
Other staff costs	2,646	1,665
	51,804	**46,030**
Staff costs classified as assets	(419)	(2,059)
	51,385	**43,971**

Average number of full-time employees	57	59

	Remuneration of Management 2022 DKK'000	Remuneration of Management 2021 DKK'000
Executive Board	4,882	8,267
Board of Directors	1,163	1,270
	6,045	**9,537**

3 Depreciation, amortisation and impairment losses

	2022 DKK'000	2021 DKK'000
Amortisation of intangible assets	13,348	12,705
Impairment losses on intangible assets	1,736	5,777
Depreciation on property, plant and equipment	8,720	9,856
	23,804	**28,338**

4 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	5,859	7,678
Exchange rate adjustments	0	1,067
Other financial income	0	3,213
	5,859	**11,958**

5 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	9,166	11,086
Other interest expenses	800	884
Exchange rate adjustments	10,190	0
Other financial expenses	1,728	851
	21,884	**12,821**

6 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Change in deferred tax	(11,970)	(74)
Adjustment concerning previous years	0	716
	(11,970)	**642**

7 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Retained earnings	(87,791)	(13,126)
	(87,791)	**(13,126)**

8 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	48,683	13,502	137,000	7,556
Transfers	1,979	0	0	(1,978)
Additions	976	234	0	2,153
Cost end of year	**51,638**	**13,736**	**137,000**	**7,731**
Amortisation and impairment losses beginning of year	(31,073)	(8,023)	(99,896)	(16)
Impairment losses for the year	(1,736)	0	0	(54)
Amortisation for the year	(5,804)	(694)	(6,850)	0
Amortisation and impairment losses end of year	**(38,613)**	**(8,717)**	**(106,746)**	**(70)**
Carrying amount end of year	**13,025**	**5,019**	**30,254**	**7,661**

9 Development projects

Completed development projects

HAMLET PROTEIN successfully launched a new product into the EMEA market in response to EU legislation banning the pharmaceutical use of zinc oxide in piglet and poultry production. The implementation of this legislation is expected to generate an increasing demand for these products, and impairment tests of the book value based on expected cash flows generated from anticipated sales in the coming 5 years. Management has concluded that the expected future benefits from these projects exceed the book value.

Finally, completed projects relate to the implementation of a production management system. The capitalized cost of this project mainly consists of external consulting costs and internal hours captured through our own time recording system. The expected future benefit from this production management system exceeds the book value.

Development projects in progress

In 2022 HAMLET PROTEIN started up new projects to identify and document additional elements in HAMLET PROTEIN's portfolio's mode of action. This will strengthen the Company's commercial positioning, deliver increased value to customers, and differentiate HAMLET PROTEIN products from competitors even more.

Estimated cost to complete these projects is approximately 1.5 mDKK and completion is anticipated during 2023 and 2024. Being a prerequisite for the continued sales on these markets it has been concluded that the expected future benefit from these projects exceeds the book value.

10 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	89,972	274,190	19,172	1,910
Transfers	0	391	0	(391)
Additions	45	745	5	5,584
Disposals	0	(150)	0	0
Cost end of year	**90,017**	**275,176**	**19,177**	**7,103**
Depreciation and impairment losses beginning of year	(50,044)	(237,384)	(18,816)	0
Depreciation for the year	(3,464)	(4,969)	(286)	0
Depreciation and impairment losses end of year	**(53,508)**	**(242,353)**	**(19,102)**	**0**
Carrying amount end of year	**36,509**	**32,823**	**75**	**7,103**

11 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	47,552	128
Disposals	(744)	0
Cost end of year	**46,808**	**128**
Revaluations beginning of year	22,747	0
Exchange rate adjustments	2,467	0
Share of profit/loss for the year	7,570	0
Adjustment of intra-group profits	2,154	0
Reversal regarding disposals	156	0
Revaluations end of year	**35,094**	**0**
Carrying amount end of year	**81,902**	**128**

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

12 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	(11,462)	(1,683)
Property, plant and equipment	(6,662)	(11,580)
Inventories	(330)	(288)
Receivables	55	55
Liabilities other than provisions	(36)	138
Tax losses carried forward	32,583	15,536
Deferred tax	**14,148**	**2,178**

Changes during the year	2022 DKK'000	2021 DKK'000
Beginning of year	2,178	2,104
Recognised in the income statement	11,970	74
End of year	**14,148**	**2,178**

Deferred tax assets

Deferred tax regarding tax losses carried forward are expected to be set off within 5 years due to profitable ordinary operations.

13 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

14 Other payables

Long-term other payables comprise long-term obligations regarding the new holiday law in Denmark.

15 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Other payables	5,404	5,404
	5,404	**5,404**

16 Derivative financial instruments

The group uses hedging instruments such as forward exchange contracts to hedge recognized and non-recognized transactions.

Recognized transactions

Hedging of recognized transactions primarily includes receivables and payables.

Forecast transactions

The company uses forward exchanges contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year. The forward exchange contracts has a positive value of DKK 152 thousand as per 31.12.20202 and the period runs from 1-12 months.

17 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Total liabilities under rental or lease agreements until maturity	XX	3,073

18 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which New Nutrition Holding ApS serves as the administration company.

According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

19 Assets charged and collateral

As collateral for commitments with banks, the following has been deposited:

- Owner’s mortage of DKK 20,000 thousand and letter of indemnity of DKK 18,000 thousand secured on the Company’s property Saturnvej 51, Horsens. Current debt is respectively bank debt of DKK 20,098 thousand. The carrying amount of mortgaged properties amounted to DKK 30,167 thousand.

As collateral for commitments with banks, the following has been deposited:

- Letter of indemnity on movables of DKK 34,000 thousand with a current debt DKK 20,098 thousand.
The carrying amount of assets provided as collateral amounted to DKK 32,900 thousand.

20 Related parties with controlling interest

New Nutrition ApS (CVR: 36904429) owns all shares in the Entity, thus exercising control.
New Nutrition Holding ApS (CVR: 36903775) owns all shares in New Nutrition ApS and therefore has controlling interest.
New Nutrition Holding S.a.r.l., Luxembourg, own the majority of shares in New Nutrition Holding ApS and therefore has controlling interest.

21 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

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

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

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised 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 applied for hedging net investments in independent foreign subsidiaries or associates are recognised directly in translation reserve in equity.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

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

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

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

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with New Nutrition Holding ApS and all of its Danish group enterprises and other Danish consolidated companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-20 years.

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

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

Property, plant and equipment
Land and buildings, plant and machinery, and 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. For self-constructed assets, cost comprises direct and #indirect costs of materials, components, subsuppliers and labour costs.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the manufacturing process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	25-40 years
Plant and machinery	10-30 years
Other fixtures and fittings, tools and equipment	3-10 years

For leasehold improvements the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

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

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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

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

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

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

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

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

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

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

Cash and cash equivalents comprise cash.