

Azelis Denmark A/S

Lyskær 5
2730 Herlev
CVR No. 26991064

Annual report 2022

The Annual General Meeting adopted the
annual report on 20.04.2023

Per Løwe Jacobsen

Chairman of the General Meeting

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Entity details

Entity

Azelis Denmark A/S

Lyskær 5

2730 Herlev

Business Registration No.: 26991064

Registered office: Herlev

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Anna Bertona

Gert Allan Schnoor

Thijs William Bakker

Per Løwe Jacobsen

Executive Board

Gert Allan Schnoor, CEO

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

CVR No.: 33771231

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Azelis Denmark 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 financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations 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.

Herlev, 20.04.2023

Executive Board

Gert Allan Schnoor
CEO

Board of Directors

Anna Bertona

Gert Allan Schnoor

Thijs William Bakker

Per Løwe Jacobsen

Independent auditor's report

To the shareholders of Azelis Denmark A/S

Opinion

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

We have audited the Financial Statements of Azelis Denmark A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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.

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 judgment and maintain professional skepticism 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.

Hellerup, 20.04.2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33771231

Leif Ulbæk Jensen
State Authorised Public Accountant
Identification No (MNE) mne23327

Anders Røjleskov
State Authorised Public Accountant
Identification No (MNE) mne28699

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	472,027	409,475	382,280	377,141	399,689
Gross profit/loss	60,097	61,546	55,372	70,400	49,695
Operating profit/loss	9,602	13,187	10,407	13,408	(5,443)
Net financials	(2,967)	(2,527)	(7,408)	(6,751)	(2,249)
Profit/loss for the year	5,305	5,831	2,536	6,657	(4,796)
Total assets	171,081	141,838	125,898	144,792	138,335
Investments in property, plant and equipment	540	3,172	10,284	21,993	18
Equity	44,005	39,186	33,270	30,934	24,401
Average number of employees	56	55	57	62	60
Ratios					
Gross margin (%)	12.73	15.03	14.48	18.67	12.43
Net margin (%)	1.12	1.42	0.66	1.77	(1.20)
Return on equity (%)	12.75	16.10	7.90	24.06	(17.79)
Equity ratio (%)	26.97	29.16	26.42	21.36	17.64
Revenue per employee	8,429	7,445	6,707	6,083	6,662

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

Primary activities

The Groups most significant business activity is to sell Chemicals and Food Ingredients primarily within the Nordic market area.

Development in activities and finances

The Company's income statement of the financial year 1. January 2022 to 31. December 2022 shows a result of DKK 5,305,273 and the Balance Sheet at 31. December 2022 a balance sheet total of DKK 171,081,455 and an Equity of DKK 44,004,713.

The Company has evolved our product portfolio during 2022, which will strengthen specially the Life Science segments for the future. The company has experienced significant price increases due to the war in Ukraine and it's been challenging to get the products to our customers and secure profitability during a period with high inflation.

The result for the year has improved in most business segments.

Profit/loss for the year in relation to expected developments

The Company's ordinary results are not deemed satisfactory as they were not in line with our expectations for 2022. This is caused by an extraordinary inventory write-down and additional corporate costs.

Outlook

Demand for our products is stable and Azelis Denmark enters 2023 with the expectation that demand will continue. As a result, the result for 2023 is expected to continue a positive development. We still expect high energy prices and a volatile market for selected chemicals and ingredients, mainly caused by the war in Ukraine. The management assesses the company's development positive. We expect both revenue and profit to increase in 2023.

The Company expects a positive development in 2023 with an increase in profit. The Company expects results in the range of DKK 8.250.000 to DKK 9.375.000.

Environmental performance

We continuously contribute to sustainable solutions by taking care of and protecting the environment through both customers and suppliers. We strive to improve our processes in a sustainable manner through our way of working and producing our products in our factory. We work to improve the proportion of environmentally correct materials that emit as little CO₂ as possible during procurement and by following a sustainable waste management process.

Statutory report on data ethics policy

Azelis Denmark A/S has not implemented a policy related to data ethics. Azelis Denmark A/S is a subsidiary of a large group and follows the global guidelines and policies set in the group.

Azelis Denmark A/S operates in the business-to-business segment, and the involvement of personal data is therefore limited.

The company has not implemented new technologies that could rise any concerns regarding data ethics in relation to personal data.

Protection of fundamental rights and freedoms of individuals is achieved through compliance with existing

legislation for data protection, in particular the requirements for data minimisation, transparency, and security. The use of non-personal data at Azelis Denmark A/S does not involve any new technologies that rise questions to ethical concerns.

Events after the balance sheet date

Reference is made to note 2.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue	3	472,026,867	409,475,296
Changes in inventories of finished goods and work in progress		(14,639,399)	(10,954,450)
Cost of sales	4	(359,696,538)	(303,344,384)
Other external expenses		(37,594,202)	(33,630,359)
Gross profit/loss		60,096,728	61,546,103
Staff costs	5	(43,186,534)	(41,135,621)
Depreciation, amortisation and impairment losses	6	(7,308,077)	(7,223,114)
Operating profit/loss		9,602,117	13,187,368
Income from investments in group enterprises		1,303,178	(1,603,187)
Other financial income from group enterprises		71,777	41,113
Other financial income		405,905	1,187,285
Financial expenses from group enterprises		(497,195)	(490,541)
Other financial expenses		(2,947,359)	(3,264,883)
Profit/loss before tax		7,938,423	9,057,155
Tax on profit/loss for the year	7	(2,633,150)	(3,226,591)
Profit/loss for the year	8	5,305,273	5,830,564

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Acquired intangible assets		11,686,254	12,731,563
Goodwill		4,755,685	7,926,141
Prepayments for intangible assets		9,318,948	1,210,523
Intangible assets	9	25,760,887	21,868,227
Land and buildings		15,406,985	16,306,770
Plant and machinery		13,425,081	15,211,189
Other fixtures and fittings, tools and equipment		220,165	86,910
Property, plant and equipment in progress		0	141,698
Property, plant and equipment	10	29,052,231	31,746,567
Investments in group enterprises		9,558,707	7,520,008
Financial assets	11	9,558,707	7,520,008
Fixed assets		64,371,825	61,134,802
Work in progress		189,966	0
Manufactured goods and goods for resale		62,982,671	48,533,238
Inventories		63,172,637	48,533,238
Trade receivables		13,815,667	11,637,880
Receivables from group enterprises		10,475,747	11,582,430
Deferred tax	12	2,066,000	4,657,000
Other receivables		1,225,165	2,172,306
Prepayments	13	2,773,069	1,894,250
Receivables		30,355,648	31,943,866
Cash		13,181,345	226,231
Current assets		106,709,630	80,703,335
Assets		171,081,455	141,838,137

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		3,000,000	3,000,000
Retained earnings		41,004,713	36,186,316
Equity		44,004,713	39,186,316
Bank loans		0	7,021,800
Lease liabilities		55,808	55,808
Prepayments received from customers		550,603	143,363
Trade payables		56,837,846	34,729,481
Payables to group enterprises		57,374,780	46,265,887
Tax payable		0	271,460
Other payables		12,257,705	13,821,246
Deferred income	14	0	342,776
Current liabilities other than provisions		127,076,742	102,651,821
Liabilities other than provisions		127,076,742	102,651,821
Equity and liabilities		171,081,455	141,838,137
Going concern	1		
Events after the balance sheet date	2		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		
Non-arm's length related party transactions	18		
Group relations	19		

Statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	3,000,000	36,186,316	39,186,316
Exchange rate adjustments	0	(486,876)	(486,876)
Profit/loss for the year	0	5,305,273	5,305,273
Equity end of year	3,000,000	41,004,713	44,004,713

Notes

1 Going concern

The Financial Statements have been presented on a going concern basis. In order to ensure this assumption, the Company has received a Letter of Comfort from Azelis Group NV concerning infusion of the necessary liquidity and capital up to 12 months from the approval of the Financial Statements.

On this basis, Management has presented the Financial Statements on a going concern basis.

2 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

3 Revenue

The Company has no significant markets, besides the Nordic markets. In consideration of the Company segments, the Company considers distribution of different chemicals of DKK 88.3 million (2021: DKK 89.6 million) and life sciences of DKK 383.7 million (2021: 319.9 million) as two separate segments

4 Cost of sales

The Company has made an extraordinary inventory write-down of DKK 6.1 million, which is considered as a special item and recognized in cost of sales.

5 Staff costs

	2022	2021
	DKK	DKK
Wages and salaries	38,927,296	37,108,126
Pension costs	3,596,301	3,298,745
Other social security costs	662,937	728,750
	43,186,534	41,135,621
Average number of full-time employees	56	55

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

6 Depreciation, amortisation and impairment losses

	2022	2021
	DKK	DKK
Amortisation of intangible assets	4,215,765	4,219,907
Depreciation of property, plant and equipment	3,092,312	3,003,207
	7,308,077	7,223,114

7 Tax on profit/loss for the year

	2022	2021
	DKK	DKK
Current tax	42,150	271,460
Change in deferred tax	2,591,000	2,955,131
	2,633,150	3,226,591

Reference is made to note-disclosure 12.

8 Proposed distribution of profit and loss

	2022	2021
	DKK	DKK
Retained earnings	5,305,273	5,830,564
	5,305,273	5,830,564

9 Intangible assets

	Acquired intangible assets DKK	Goodwill DKK	Prepayments for intangible assets DKK
Cost beginning of year	24,002,018	251,392,788	1,210,523
Additions	0	0	8,108,425
Cost end of year	24,002,018	251,392,788	9,318,948
Amortisation and impairment losses beginning of year	(11,270,455)	(243,466,647)	0
Amortisation for the year	(1,045,309)	(3,170,456)	0
Amortisation and impairment losses end of year	(12,315,764)	(246,637,103)	0
Carrying amount end of year	11,686,254	4,755,685	9,318,948

10 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	18,620,293	30,178,284	3,099,963	141,698
Additions	47,180	302,754	189,740	0
Disposals	0	0	0	(141,698)
Cost end of year	18,667,473	30,481,038	3,289,703	0
Depreciation and impairment losses beginning of year	(2,313,523)	(14,967,095)	(3,013,053)	0
Depreciation for the year	(946,965)	(2,088,862)	(56,485)	0
Depreciation and impairment losses end of year	(3,260,488)	(17,055,957)	(3,069,538)	0
Carrying amount end of year	15,406,985	13,425,081	220,165	0
Recognised assets not owned by entity		48,382		

11 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	14,710,909
Transfers	12,530,093
Cost end of year	27,241,002
Impairment losses beginning of year	(7,190,901)
Exchange rate adjustments	(486,874)
Transfers	(11,307,698)
Share of profit/loss for the year	1,303,178
Impairment losses end of year	(17,682,295)
Carrying amount end of year	9,558,707

Investments in subsidiaries	Registered in	Equity interest %
Azelis Norway AS	Norway	100.00
Azelis Sweden AB	Sweden	100.00
Azelis Finland Oy	Finland	100.00

12 Deferred tax

Changes during the year	2022 DKK
Beginning of year	4,657,000
Recognised in the income statement	(2,591,000)
End of year	2,066,000

The total tax asset amounts to DKK 6,999,000 (DKK 8,592,000 in 2021) whereof DKK 2,066,000 (DKK 4,657,000 in 2021) has been recognised in the balance sheet.

Deferred tax assets

The tax asset is included in the balance sheet based on the managements expectations to the result of the future operations of the company, and therefore naturally is subject to uncertainty, including the result of the pending tax audit, refer to comments in note 15. It is the managements assessment that the tax assets within a 5 year period, can be used in future positive taxable income.

13 Prepayments

Prepayments consist of prepaid expenses concerning rent and lease agreements for offices and cars as well as prepaid insurance premiums.

14 Deferred income

Deferred income consist of income received for recognition in subsequent financial years.

15 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	18,306,254	23,352,959

Unrecognised rental and lease commitments consists of rent commitments of DKK 17,091,708 (DKK 20,936,874 in 2021) and operational leasing of DKK 1,214,546 (DKK 2,416,085 in 2021).

16 Contingent liabilities

At the balance sheet date, the Company is part of an ongoing tax case regarding the income years 2013-2021. The Tax Authorities has brought forward a claim for an increase of the taxable income of total DKK 26 mio. Management does not agree with the Tax Authorities' claim and assessment, and is in dialogue with the Tax Authorities settling the claim.

No further contingent liabilities exist at the balance sheet date.

17 Related parties with controlling interest

Azelis S.A., 19 Rue Gabriel Lippmann, L-6365 Munsbach Luxembourg, is the 100 % owner of Azelis Denmark A/S. All transactions with related parties have been conducted on market terms.

18 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest and largest group:

Akita Midco S.A.R.L., 19 Rue Gabriel Lippmann, L-6365 Munsbach Luxembourg.

Accounting policies

Reporting class

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

The accounting policies applied to these financial statements are consistent with those applied last year. Some reclassifications has been made to the comparison figures for balance sheet items.

Consolidated financial statements

Referring to section 112(1)/112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements

from average rates to the exchange rates at the balance sheet date are classified directly as equity. Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Cost of sales

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

Other external expenses

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

Staff costs

Staff costs comprise salaries and wages, 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.

Income from investments in group enterprises

Income from equity investments comprises the proportionate share of profit/loss after tax and any adjustment of internal profit/loss and less amortisation of consolidated goodwill.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

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

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

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.

Balance sheet**Goodwill**

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Estimated useful lives and residual values are reassessed annually.

Intellectual property rights etc

Intangible assets, including licences and acquired rights etc., are measured at cost less accumulated amortisation and impairment losses.

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:

Concessions, patents, licens, trademarks and other similar rights	7-10 years
Goodwill	7 years
Supplier list	20 years

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.

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	20 to 50 years
Plant and machinery	5 to 10 years
Other fixtures and fittings, tools and equipment	3 to 10 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, 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 according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

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

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount. Estimated useful lives and residual values are reassessed annually.

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 of 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.

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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (financial leases) are recognised in the balance sheet at the lower of the fair value of the leased assets and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Tax receivable or payable

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

In accordance with Act S. 86, para (4) of the Danish Financial Statements Act, the Company has not prepared a

cash flow statement as the cash flow statement is included in the ultimate parent company.

Financial Highlights

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$	The entity's productivity

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Anna Bertona

Bestyrelsesformand

Serial number: anna.bertona@azelis.com

IP: 212.130.xxx.xxx

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Per Løwe Jacobsen

Bestyrelsesmedlem

Serial number: 47ca28b9-8d1b-4284-ba79-8355dd44c218

IP: 212.130.xxx.xxx

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Gert Allan Schnoor

Adm. direktør

Serial number: a33e2b1c-7a36-40b0-b912-7e5ccfabf9d9

IP: 212.130.xxx.xxx

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Gert Allan Schnoor

Bestyrelsesmedlem

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IP: 212.130.xxx.xxx

2023-04-20 06:54:51 UTC



Thijs William Bakker

Bestyrelsesmedlem

Serial number: thijs.bakker@azelis.com

IP: 109.136.xxx.xxx

2023-04-20 08:15:49 UTC

Leif Ulbæk Jensen

Statsautoriseret revisor

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Anders Røjleskov

PRICEWATERHOUSECOOPERS STATS AUTORISERET

REVISIONSPARTNERSELSKAB CVR: 33771231

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Per Løwe Jacobsen

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