



## European Sperm Bank ApS

Struenseegade 9, 2.  
2200 Copenhagen N  
CVR No. 27506372

## Annual report 2022

The Annual General Meeting adopted the  
annual report on 22.05.2023

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**Jens Chr. Hesse Rasmussen**  
Chairman of the General Meeting

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# Entity details

## Entity

European Sperm Bank ApS

Struenseegade 9, 2.

2200 Copenhagen N

Business Registration No.: 27506372

Registered office: Copenhagen

Financial year: 01.01.2022 - 31.12.2022

## Board of Directors

Jesper Ahlmann Funding Andersen

## Executive Board

Annemette Arndal-Lauritzen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of European Sperm Bank ApS 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.

Copenhagen, 22.05.2023

**Executive Board**

**Annemette Arndal-Lauritzen**

**Board of Directors**

**Jesper Ahlmann Funding Andersen**

# Independent auditor's report

## To the shareholder of European Sperm Bank ApS

### Opinion

We have audited the financial statements of European Sperm Bank ApS 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. The financial statements are prepared 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 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 financial statements" section of this auditor's report. We are independent of the Entity 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 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 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 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 financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

**Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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.

Copenhagen, 22.05.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Bill Haudal Pedersen**

State Authorised Public Accountant  
Identification No (MNE) mne30131

**Hans Tauby**

State Authorised Public Accountant  
Identification No (MNE) mne44339

# Management commentary

## Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
<b>Key figures</b>					
Gross profit/loss	106,303	124,477	91,978	76,128	67,751
Operating profit/loss	49,235	70,417	57,113	39,194	47,767
Net financials	(3,772)	(2,421)	(1,121)	838	(1,817)
Profit/loss for the year	35,385	52,796	43,882	31,109	37,631
Total assets	153,923	131,496	106,715	95,447	129,877
Investments in property, plant and equipment	2,165	911	754	2,925	2,055
Equity	91,229	84,365	60,463	72,892	120,535
<b>Ratios</b>					
Return on equity (%)	40.30	72.91	65.81	32.17	38.38
Equity ration (%)	59.05	64.16	56.66	76.37	92.81

From 2019 the company presents its annual report in accordance with the Danish Financial Statements Act applying to medium-sized reporting class C entities. Comparative figures for the years 2017 to 2018 have not been restated.

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

### Return on equity (%):

Profit/loss for the year \* 100

Average equity

### Equity ratio (%):

Equity \* 100

Total assets



**Primary activities**

European Sperm Bank ApS` s primary activities are within the fertility industry and related production.

**Development in activities and finances**

Operating profit decreased to 49.2 mDKK in 2022 from an outstanding performance in 2021 following the COVID crisis.

Management considers the result for the financial year of 2022 to be satisfactory.

**Profit/loss for the year in relation to expected developments**

The financial performance for 2022 was lower than expected following the very strong 2021, coming out of the COVID crisis.

Management continues to execute on the strategic plan with initiatives supporting a continued strong growth of the company.

**Uncertainty relating to recognition and measurement**

Measurement of certain assets and liabilities is based on accounting estimates made by Management. These estimates are made in accordance with the accounting policies and based on Management`s assumptions and experience. The estimates made are considered realistic and prudent.

The areas subject to assumptions and estimates that are considered material to the financial statements are intangible assets, investments in group enterprises, inventories and other provisions. Specifically inventories are subject to assumptions and estimates as saleable straws depends on many factors such as fertility rate, pregnancy limits and donor characteristics. Inventories are measured at cost including direct and indirect production costs. Indirect production costs are assessed on an ongoing basis to ensure relevant and reliable measurement.

Changes in assumptions, estimates and assessment of indirect production costs may have an impact on the gross margin and the overall valuation of inventory.

Apart from this, there are no particular uncertainties relating to recognition and measurement.

**Unusual circumstances affecting recognition and measurement**

No significant unusual circumstances affecting recognition and measurement have occurred.

**Outlook**

The company continues to devote significant resources and investments into building the platform for future growth.

In general, the fertility industry is considered having little sensitivity to global uncertainties. Management expects that the crisis between Russia and Ukraine will have limited effect on the company.

For 2023 Management expects to deliver +10% operating profit growth.

### **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.

# Income statement for 2022

	Notes	2022 DKK	2021 DKK
<b>Gross profit/loss</b>		<b>106,302,840</b>	<b>124,476,775</b>
Staff costs	2	(52,079,895)	(50,563,785)
Depreciation, amortisation and impairment losses	3	(4,987,508)	(3,496,031)
<b>Operating profit/loss</b>		<b>49,235,437</b>	<b>70,416,959</b>
Other financial income	4	169,276	162,201
Impairment losses on financial assets		(1,744,500)	0
Other financial expenses	5	(2,197,127)	(2,583,062)
<b>Profit/loss before tax</b>		<b>45,463,086</b>	<b>67,996,098</b>
Tax on profit/loss for the year	6	(10,077,757)	(15,200,562)
<b>Profit/loss for the year</b>	7	<b>35,385,329</b>	<b>52,795,536</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	9	17,469,853	2,827,740
Acquired rights		4,444,997	5,171,997
Goodwill		0	55,000
Development projects in progress	9	8,918,060	16,421,200
<b>Intangible assets</b>	8	<b>30,832,910</b>	<b>24,475,937</b>
Other fixtures and fittings, tools and equipment		2,652,847	2,294,981
Leasehold improvements		2,748,050	2,614,493
<b>Property, plant and equipment</b>	10	<b>5,400,897</b>	<b>4,909,474</b>
Investments in group enterprises		7,093,916	8,838,416
Other receivables		1,016,532	928,918
<b>Financial assets</b>	11	<b>8,110,448</b>	<b>9,767,334</b>
<b>Fixed assets</b>		<b>44,344,255</b>	<b>39,152,745</b>
Manufactured goods and goods for resale		75,273,276	65,268,881
<b>Inventories</b>		<b>75,273,276</b>	<b>65,268,881</b>
Trade receivables		10,511,099	7,896,525
Receivables from group enterprises		5,818,265	11,939,591
Other receivables		1,003,393	1,478,983
Prepayments	12	1,139,298	1,070,065
<b>Receivables</b>		<b>18,472,055</b>	<b>22,385,164</b>
<b>Cash</b>		<b>15,833,693</b>	<b>4,689,520</b>
<b>Current assets</b>		<b>109,579,024</b>	<b>92,343,565</b>
<b>Assets</b>		<b>153,923,279</b>	<b>131,496,310</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK</b>	<b>2021 DKK</b>
Contributed capital		270,000	270,000
Reserve for development expenditure		20,582,572	15,014,173
Retained earnings		376,021	40,559,091
Proposed dividend		70,000,000	28,522,188
<b>Equity</b>		<b>91,228,593</b>	<b>84,365,452</b>
Deferred tax	13	5,923,652	8,441,000
Other provisions	14	18,509,038	6,277,686
<b>Provisions</b>		<b>24,432,690</b>	<b>14,718,686</b>
Other payables	15	2,703,541	2,608,802
<b>Non-current liabilities other than provisions</b>	16	<b>2,703,541</b>	<b>2,608,802</b>
Prepayments received from customers		745,857	0
Trade payables		7,990,315	9,063,479
Payables to group enterprises		6,641,275	1,058,249
Tax payable		11,471,912	5,512,698
Joint taxation contribution payable		1,118,194	0
Other payables		7,590,902	14,168,944
<b>Current liabilities other than provisions</b>		<b>35,558,455</b>	<b>29,803,370</b>
<b>Liabilities other than provisions</b>		<b>38,261,996</b>	<b>32,412,172</b>
<b>Equity and liabilities</b>		<b>153,923,279</b>	<b>131,496,310</b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
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# Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	270,000	15,014,173	40,559,091	28,522,188	84,365,452
Ordinary dividend paid	0	0	0	(28,522,188)	(28,522,188)
Transfer to reserves	0	5,568,399	(5,568,399)	0	0
Profit/loss for the year	0	0	(34,614,671)	70,000,000	35,385,329
<b>Equity end of year</b>	<b>270,000</b>	<b>20,582,572</b>	<b>376,021</b>	<b>70,000,000</b>	<b>91,228,593</b>

# Notes

## 1 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.

## 2 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	45,539,275	44,238,866
Pension costs	3,064,095	2,263,359
Other social security costs	452,401	476,514
Other staff costs	3,024,124	3,585,046
	<b>52,079,895</b>	<b>50,563,785</b>
Average number of full-time employees	<b>84</b>	<b>70</b>

Persuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board is not separately disclosed.

The Board of directors are remunerated in other Group companies, thus no remuneration is incurred in the Company.

## 3 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	4,198,249	2,816,331
Depreciation of property, plant and equipment	789,259	679,700
	<b>4,987,508</b>	<b>3,496,031</b>

Depreciation and amortisation in the income statement is DKK 2,495k lower than the depreciation and amortisation presented in notes 8 and 10, which is due to the fact that part of the depreciation and amortisation is capitalized as inventories as indirect production costs.

## 4 Other financial income

	2022 DKK	2021 DKK
Financial income from group enterprises	129,813	162,201
Other financial income	39,463	0
	<b>169,276</b>	<b>162,201</b>

## 5 Other financial expenses

	2022 DKK	2021 DKK
Other interest expenses	165,562	3,894
Exchange rate adjustments	644,745	545,510
Other financial expenses	1,386,820	2,033,658
	<b>2,197,127</b>	<b>2,583,062</b>

## 6 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	12,590,107	10,454,883
Change in deferred tax	(2,517,348)	4,653,279
Adjustment concerning previous years	4,998	92,400
	<b>10,077,757</b>	<b>15,200,562</b>

## 7 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Ordinary dividend for the financial year	70,000,000	28,522,188
Extraordinary dividend distributed in the financial year	0	24,273,348
Retained earnings	(34,614,671)	0
	<b>35,385,329</b>	<b>52,795,536</b>

## 8 Intangible assets

	Completed development projects DKK	Acquired rights DKK	Goodwill DKK	Development projects in progress DKK
Cost beginning of year	7,799,854	6,034,000	425,000	16,421,200
Transfers	19,519,033	0	0	(19,519,033)
Additions	0	150,000	0	12,015,893
Disposals	(59,947)	0	0	0
<b>Cost end of year</b>	<b>27,258,940</b>	<b>6,184,000</b>	<b>425,000</b>	<b>8,918,060</b>
Amortisation and impairment losses beginning of year	(4,972,114)	(862,003)	(370,000)	0
Amortisation for the year	(4,876,920)	(877,000)	(55,000)	0
Reversal regarding disposals	59,947	0	0	0
<b>Amortisation and impairment losses end of year</b>	<b>(9,789,087)</b>	<b>(1,739,003)</b>	<b>(425,000)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>17,469,853</b>	<b>4,444,997</b>	<b>0</b>	<b>8,918,060</b>



## 9 Development projects

Developments projects in progress comprises to the development of af new website and ERP-system. The sales platform was launched in March 2022, while the ERP implementation was completed during the start of 2023. Hence it is the expectation that the new system will generate an optimization of the sales and shipping process.

Completed development project are primarily related to the implementation of a new CRM system and the part of the ERP implementation that is already completed. Both systems are showing the full expected benefits after the implementation, and therefore no indication of impairment has been identified.

## 10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	6,500,041	8,373,065
Additions	1,118,764	1,046,442
<b>Cost end of year</b>	<b>7,618,805</b>	<b>9,419,507</b>
Depreciation and impairment losses beginning of year	(4,205,060)	(5,758,572)
Depreciation for the year	(760,898)	(912,885)
<b>Depreciation and impairment losses end of year</b>	<b>(4,965,958)</b>	<b>(6,671,457)</b>
<b>Carrying amount end of year</b>	<b>2,652,847</b>	<b>2,748,050</b>

## 11 Financial assets

	Investments in group enterprises DKK	Other receivables DKK
Cost beginning of year	8,838,416	928,918
Additions	0	87,614
<b>Cost end of year</b>	<b>8,838,416</b>	<b>1,016,532</b>
Impairment losses for the year	(1,744,500)	0
<b>Impairment losses end of year</b>	<b>(1,744,500)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>7,093,916</b>	<b>1,016,532</b>

Investments in subsidiaries	Registered in	Equity interest %
European Sperm Bank Ltd.	UK	100.00
European Sperm Bank GmbH	Germany	100.00
European Sperm Bank LLC	Russia	99.00

## 12 Prepayments

Prepayments consists of prepaid expenses and insurance premiums.

## 13 Deferred tax

	2022 DKK	2021 DKK
<b>Changes during the year</b>		
Beginning of year	8,441,000	3,787,721
Recognised in the income statement	(2,517,348)	4,653,279
<b>End of year</b>	<b>5,923,652</b>	<b>8,441,000</b>

## 14 Other provisions

Other provisions consist of provisions to repurchase straws in storage.

## 15 Other payables

	2022 DKK	2021 DKK
Holiday pay obligation	2,703,541	2,608,802
	<b>2,703,541</b>	<b>2,608,802</b>

Other payables relates to holiday pay obligations which is expected to fall due after 5 years.

## 16 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Other payables	2,703,541	2,703,541
	<b>2,703,541</b>	<b>2,703,541</b>

## 17 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	3,184,902	2,903,692

## 18 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where PW Estournel Holding III 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend 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**

The company subject to negative pledges (in Danish: pantsætningsforbud).

The shares in the subsidiaries are pledged in favour of the lenders under the Group's Senior Facilities Agreement.

Entities within the group acts as a guaranties for liabilities in relation to the group's facility loan agreements.

## 20 Related parties with controlling interest

Related parties with controlling interest on European Sperm Bank:

ESB Group ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

AX V ESB Holding I ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

AX V ESB Holding II ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

AX V ESB Holding III ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel Holding I ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel Holding II ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel Holding III ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel Limited, P O Box 472 St Julian's Court, St Julian's Avenue, St Peter Port, Guernsey GY1 6AX, United Kingdom (ultimate parent company)

## 21 Group relations

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

PW Estournel Holding III ApS, Struenseegade 9, 2., 2200 Copenhagen

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

PW Estournel ApS, Struenseegade 9, 2., 2200 Copenhagen

# 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.

## Consolidated financial statements

Referring to section 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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, cost of raw materials and consumables and external expenses.

**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 measured at fair value excl. VAT and less granted goods and customer discounts.

**Own work capitalised**

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for inventory, proprietary intangible assets and property, plant and equipment.

**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 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.

**Other financial income**

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

**Impairment losses on financial assets**

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, 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 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. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, 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 5-10 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 and acquired intellectual property rights.

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 of 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 1-5 years.

Intellectual property rights acquired relates to the rights to distribute and sell straws from subsidiaries and are measured at cost less accumulated amortisation. Acquired rights are amortised on a straight-line, which is fixed based on the experience gained by management. The amortisation period used are 7 years.

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

### Property, plant and equipment

Lease improvements and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-10 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 measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

### **Receivables**

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

### **Inventories**

Inventories are measured at cost according to the weighted average price method. In the event of cost exceeding net realisable value, write-down is made to this lower value.

Cost of goods for resale consists of raw materials, direct salaries with the addition of production overhead costs. Production overhead costs consist of indirect materials and salaries and maintenance of and depreciation on the machines used in the production process and equipment and costs to administration and leadership of the production.

### **Prepayments**

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

### **Cash**

Cash comprises cash in hand and bank deposits.

### **Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### **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.

**Other provisions**

Other provisions comprise anticipated costs to contractual repurchase of sold straws in Denmark. Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

**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.

**Joint taxation contributions payable or receivable**

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

**Cash flow statement**

Referring to section 86(4) of the Danish Financial Statement Act, no cash flow statement have been prepared.