

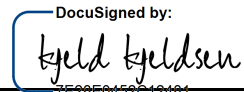
## Glycom A/S

Kogle Alle 4  
2970 Hørsholm  
CVR No. 28512457

### Annual report 2023

The Annual General Meeting adopted the annual report on 26.07.2024

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**Kjeld Raunkjær Kjeldsen**

Chairman of the General Meeting

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# Entity details

## Entity

Glycom A/S

Kogle Alle 4

2970 Hørsholm

Business Registration No.: 28512457

Registered office: Hørsholm

Financial year: 01.01.2023 - 31.12.2023

URL: [www.glycom.com](http://www.glycom.com)

## Board of Directors

Kjeld Raunkjær Kjeldsen, Chariman

James Young

Niels Axel Stokholm Banke

## Executive Board

James Young, CEO

## Auditors

KPMG

Statsautoriseret Revisionspartnerselskab

Frederiks Plads 42

DK-8000 Aarhus C

CVR No.: 25578198

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Glycom A/S for the financial year 01.01.2023 - 31.12.2023.

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

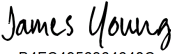
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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.

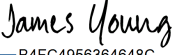
Hørsholm, 26.07.2024

## Executive Board

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**James Young**  
CEO

## Board of Directors

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**Kjeld Raunkjær Kjeldsen**  
Chairman

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**James Young**

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**Niels Axel Stokholm Banke**

# Independent auditor's report

## To the shareholder of Glycom A/S

### Opinion

We have audited the financial statements of Glycom A/S for the financial year 01.01.2023 - 31.12.2023, 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 Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 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 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.

### 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, 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 Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

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

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

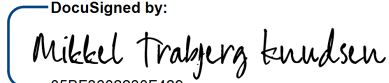
Aarhus, 26.07.2024

**KPMG**

**Statsautoriseret Revisionspartnerselskab**

CVR No. 25578198

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**Mikkel Trøjberg Knudsen**

State Authorised Public Accountant

Identification No (MNE) mne34459

DocuSigned by:



**Niklas R. Filipsen**

State Authorised Public Accountant

Identification No (MNE) mne47781

# Management commentary

## Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Gross profit/loss	154,033	195,172	195,042	123,707	160,268
Operating profit/loss	79,555	131,262	96,947	48,533	105,135
Net financials	(13,157)	(4,476)	(4,240)	(27,711)	(32,104)
Profit/loss for the year	51,052	99,583	72,821	10,605	30,534
Total assets	931,111	905,555	747,724	730,001	761,630
Investments in property, plant and equipment	629	1,696	7,232	3,416	2,755
Equity	494,349	443,297	343,714	270,893	217,798
Average number of employees	51	50	47	49	48
<b>Ratios</b>					
Return on equity (%)	10.89	25.31	23.70	4.34	24.60
Equity ratio (%)	53.09	48.95	45.97	37.11	28.60

Financial highlights have been restated regarding correction of material errors in 2022. Refer to accounting policies for a more detailed description hereof.

Financial highlights are defined and calculated as follows:

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets



### Primary activities

Glycom is dedicated to the scientific, clinical and commercial development of Human Milk Oligosaccharides (HMOs) for a broad range of health applications. Glycom is the world's leading HMO supplier and the only fully integrated HMO player with its own product development, preclinical and clinical development, regulatory team and large-scale production.

### Development in activities and finances

The income statement for 2023 shows a profit of DKK 51,052 thousand against a profit of DKK 99,583 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 494,349 thousand against an equity of DKK 443,297 thousand at 31 December 2022.

Prior year has been affected by a material error relating to a transfer pricing adjustment regarding 2022 invoiced in 2023. Refer to accounting policies for a more detailed description hereof.

The Company is still party in a service level agreement on the continued development of HMO on behalf of the DSM group.

The Company has received a letter of support from the Parent company, DSM Finance B.V, stating that they will provide any necessary financial support to enable the Company to meet its financial obligations. The letter of support is effective for a period of 12 months starting the 19th Feb 2024.

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

Management considers the Company's financial performance in the year unsatisfactory when comparing to the financial outlook set in 2022 of a profit before tax in the range of DKK 85,000 to 90,000 thousand. The reduction in realization is related to a lower sale than expected, and an increase in costs.

### Outlook

The company's main activities will still be development, holding IP rights and selling royalties. For the year 2024 the expected profit before tax will be in the range of DKK 45,000 to DKK 55,000 thousand.

The main driver for the decrease on YOY growth can be explained by a slower market ramp up with a significant inventory buildup in the market as big part of revenue for Glycom A/S is generated from royalties, the overall sales of HMO from DSM plays a vital role in revenue generation .

Still we are confident in meeting the above set target as in the last months of 2023, we saw further positive development in our business, with dsm-firmenich driving the first-ever approval in China, of two of our HMOs produced at Glycom Manufacturing A/S. China is seen as the single biggest market of HMOs in the world. The continuous work on approving new markets confirms dsm-firmenich commitment to leading in the innovation, development and manufacturing of HMO's.

### Use of financial instruments

As Glycom A/S does not perform any sales with high quantities with exposure to other currencies, we do not see much impact on cash-flows and equity is influenced by the development in other currencies, Glycom A/S has significant exposure to the general interest rate as the majority of the company's loans have variable interest rates. As such, an increase in the general interest level would negatively affect the company.

### **Knowledge resources**

Glycom employs several highly skilled team members across the group, which are critical to both the development of new HMOs and to the continued improvement of production strains and processes. Retention of key employees and employee satisfaction are therefore very important to Glycom, as is being able to attract new highly skilled employees.

Our central Research and Innovation team in Hørsholm consists of more than 35 highly specialized team members, many have been employed with the company for several years and employee turnover has historically been low. Glycom expects to be able to remain an attractive workplace and continues invest in its employees.

Glycom's production team consists of skilled operators, technicians, engineers and other highly skilled employees, which are all key to the running and continuously optimizing the production processes with high quality output. Across the production departments, employee surveys are regularly held to ensure a high level of employee satisfaction. At the latest employee satisfaction survey, a high employee satisfaction score was observed.

### **Environmental performance**

Glycom's production takes place at its facility in Esbjerg, through the subsidiary, Glycom Manufacturing A/S, which is a part of DSM.

Glycom Manufacturing A/S made several improvements within the environmental area during 2023. A focused multiple-year work continues on reducing the environmental footprint on both energy and water. Several projects related to reduction of specific energy-consumption have been implemented, and more are planned for 2024. Glycom Manufacturing A/S continues to have a very positive and constructive dialog with all the relevant authorities around environmental matters.

### **Research and development activities**

After the acquisition by DSM, Glycom A/S has entered into a service level agreement on the continued development of HMO on behalf of the DSM group. On this basis, the research and development activities continues, but the future intellectual property rights belongs with the customer. The past development activities and related intellectual capital rights remains with Glycom A/S and is maintained as part of the continuing activities of Glycom A/S.

# Income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
<b>Gross profit/loss</b>		<b>154,033</b>	<b>195,172</b>
Staff costs	1	(47,905)	(36,107)
Depreciation, amortisation and impairment losses		(26,573)	(27,803)
<b>Operating profit/loss</b>		<b>79,555</b>	<b>131,262</b>
Other financial income		137	1,739
Other financial expenses	2	(13,294)	(6,215)
<b>Profit/loss before tax</b>		<b>66,398</b>	<b>126,786</b>
Tax on profit/loss for the year	3	(15,346)	(27,203)
<b>Profit/loss for the year</b>	4	<b>51,052</b>	<b>99,583</b>

# Balance sheet at 31.12.2023

## Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	6	184,312	203,458
Acquired intangible assets		3,930	6,287
Acquired patents		9,156	10,085
Development projects in progress	6	20,177	19,320
<b>Intangible assets</b>	5	<b>217,575</b>	<b>239,150</b>
Other fixtures and fittings, tools and equipment		2,791	6,303
<b>Property, plant and equipment</b>	7	<b>2,791</b>	<b>6,303</b>
Investments in group enterprises		420,212	420,212
Deposits		2,467	2,467
<b>Financial assets</b>	8	<b>422,679</b>	<b>422,679</b>
<b>Fixed assets</b>		<b>643,045</b>	<b>668,132</b>
Trade receivables		5,474	36,200
Receivables from group enterprises		278,788	194,867
Other receivables		358	1,320
Prepayments	9	1,050	597
<b>Receivables</b>		<b>285,670</b>	<b>232,984</b>
<b>Cash</b>		<b>2,396</b>	<b>4,439</b>
<b>Current assets</b>		<b>288,066</b>	<b>237,423</b>
<b>Assets</b>		<b>931,111</b>	<b>905,555</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2023</b> <b>DKK'000</b>	<b>2022</b> <b>DKK'000</b>
Contributed capital		1,790	1,790
Reserve for development expenditure		106,544	116,073
Retained earnings		386,015	325,434
<b>Equity</b>		<b>494,349</b>	<b>443,297</b>
Deferred tax	10	35,116	23,629
<b>Provisions</b>		<b>35,116</b>	<b>23,629</b>
Deferred income	11	4,663	2,389
<b>Non-current liabilities other than provisions</b>		<b>4,663</b>	<b>2,389</b>
Trade payables		7,506	3,539
Payables to group enterprises		375,178	403,994
Joint taxation contribution payable		6,885	19,502
Other payables		7,414	9,205
<b>Current liabilities other than provisions</b>		<b>396,983</b>	<b>436,240</b>
<b>Liabilities other than provisions</b>		<b>401,646</b>	<b>438,629</b>
<b>Equity and liabilities</b>		<b>931,111</b>	<b>905,555</b>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Related parties with controlling interest	14		
Transactions with related parties	15		
Group relations	16		

# Statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,790	116,073	305,877	423,740
Corrections of material errors	0	0	19,557	19,557
<b>Adjusted equity, beginning of year</b>	<b>1,790</b>	<b>116,073</b>	<b>325,434</b>	<b>443,297</b>
Dissolution of reserves	0	(9,529)	9,529	0
Profit/loss for the year	0	0	51,052	51,052
<b>Equity end of year</b>	<b>1,790</b>	<b>106,544</b>	<b>386,015</b>	<b>494,349</b>

# Notes

## 1 Staff costs

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	41,657	31,020
Pension costs	5,665	4,628
Other social security costs	583	459
	<b>47,905</b>	<b>36,107</b>
Average number of full-time employees	51	50

By reference to section 98b (3), (ii), of the Danish Financial statement Act, remuneration to the Executive Board is not disclosed for 2022 and 2023. No remuneration has been paid to the Board of Directors in 2023 and 2022 for their roles as Board members.

## 2 Other financial expenses

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial expenses from group enterprises	12,592	6,014
Other financial expenses	702	201
	<b>13,294</b>	<b>6,215</b>

## 3 Tax on profit/loss for the year

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Current tax	6,885	19,500
Change in deferred tax	7,749	8,410
Adjustment concerning previous years	712	(707)
	<b>15,346</b>	<b>27,203</b>

## 4 Proposed distribution of profit and loss

	<b>2023</b>	<b>2022</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Retained earnings	51,052	99,583
	<b>51,052</b>	<b>99,583</b>

## 5 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Development projects in progress DKK'000
Cost beginning of year	286,976	11,490	13,918	19,320
Additions	0	0	0	857
<b>Cost end of year</b>	<b>286,976</b>	<b>11,490</b>	<b>13,918</b>	<b>20,177</b>
Amortisation and impairment losses beginning of year	(83,518)	(5,203)	(3,833)	0
Amortisation for the year	(19,146)	(2,357)	(929)	0
<b>Amortisation and impairment losses end of year</b>	<b>(102,664)</b>	<b>(7,560)</b>	<b>(4,762)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>184,312</b>	<b>3,930</b>	<b>9,156</b>	<b>20,177</b>

## 6 Development projects

In completed development projects, interest of DKK 613 thousand has been recognised.

Completed development projects and development projects in progress relates to the development of different variants of Human Milk Oligosaccharides (HMO). All development projects contributes to the Company's commercial footprint and generate positive cash flows. Development projects in progress are expected to be finalised in 2025 and expects to commercialise in the year of finalisation and contribute with positive cash flows.

## 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	37,362
Additions	629
<b>Cost end of year</b>	<b>37,991</b>
Depreciation and impairment losses beginning of year	(31,059)
Depreciation for the year	(4,141)
<b>Depreciation and impairment losses end of year</b>	<b>(35,200)</b>
<b>Carrying amount end of year</b>	<b>2,791</b>



## 8 Financial assets

	<b>Investments in group enterprises DKK'000</b>	<b>Deposits DKK'000</b>
Cost beginning of year	422,056	2,467
<b>Cost end of year</b>	<b>422,056</b>	<b>2,467</b>
Impairment losses beginning of year	(1,844)	0
<b>Impairment losses end of year</b>	<b>(1,844)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>420,212</b>	<b>2,467</b>

<b>Investments in subsidiaries</b>	<b>Registered in</b>	<b>Equity interest %</b>	<b>Equity DKK'000</b>	<b>Profit/loss DKK'000</b>
Glycom Manufacturing A/S	Esbjerg, Denmark	100.00	506,994	13,673
Glycom Inc	Covinton, LA, USA	100.00	0	0

There is no public available annual report for Glycom Inc., and hence equity and profit/loss for the year has not been disclosed.

## 9 Prepayments

Prepayments consists of expenses relating to the subsequent period.

## 10 Deferred tax

	<b>2023 DKK'000</b>	<b>2022 DKK'000</b>
<b>Changes during the year</b>		
Beginning of year	23,629	15,219
Recognised in the income statement	7,749	8,410
Recognised in the income statement regarding previous years	3,738	0
<b>End of year</b>	<b>35,116</b>	<b>23,629</b>

Deferred tax relates to intangible assets, property, plant and equipment, and tax losses carried forward.

## 11 Deferred income

Deferred income of DKK 4,663 thousand (31 December 2022: DKK 2,389 thousand) comprise payments received from customers and funding received from research institutions that cannot be recognised until the subsequent financial years.

## 12 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Liabilities under rental or lease agreements until maturity in total	5,690	5,503

The Company has entered into operating leases with a remaining term of 4 years. The total rent and lease obligations are respectively DKK 5,387 thousand and DKK 303 thousand. The amount of rent that are due within one year is DKK 5,387 thousand. The amount of lease that are due within one year is DKK 116 thousand.

## 13 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where DSM Nutritional Products A/S 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.

## 14 Related parties with controlling interest

DSM Nutritional Products Denmark ApS holds all shares in the Company.

## 15 Transactions with related parties

	Group entities DKK '000
Sale of services	241,394
Purchase of services	9,427

Payables to and receivables from group entities are disclosed in the balance sheet and financial expenses are disclosed in note 2. By reference to section 98b (3), (ii), of the Danish Financial statement Act, remuneration to the Executive Board is not disclosed. No remuneration has been paid to the Board of Directors in 2023 and 2022 for their roles as Board members.

## 16 Group relations

Glycom A/S is part of the consolidated financial statements of DSM B.V., Wilhelminasingel 39, 6221 BE, Maastricht, The Netherlands, which is the smallest and largest group, in which the Company is included as a subsidiary.

Copies of the consolidated financial statements of DSM B.V. may be ordered at the following address:  
DSM B.V., Wilhelminasingel 39, 6221 BE, Maastricht, The Netherlands.

# 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(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

The financial statements of Glycom A/S and group entities are included in the consolidated financial statements of DSM B.V., Wilhelminasingel 39, 6221 BE, Maastricht, The Netherlands.

## Reclassifications

Referring to the true and fair view set out in the Danish Financial Statements Act, the Company has reclassified individual items in the income statement and balance sheet. The reclassifications have affected the items gross profit and staff costs but have not affected results before tax, results for the year or equity. Comparative figures have been restated accordingly.

## Material errors in previous years

The correction to previous years relates to a transfer pricing correction to 2021 and 2022. The correction affects revenue (gross profit), tax for the year, receivables from group enterprises, equity and Joint taxation contribution payable.

Gross profit for 2022 has increased with DKK 25,073 thousand, tax for the year has increased with DKK 5,516 thousand, receivables from group enterprises has increased with DKK 25,073 thousand, equity has increased with DKK 19,557 thousand and tax payables has increased with DKK 5,516 thousand.

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

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

### **Income statement**

#### **Gross profit or loss**

In accordance with section 32 of the Danish Financial Statements Act, revenue, other operating income and other external expenses have been aggregated into one item in the income statement called gross profit.

#### **Revenue**

Revenue from the sale of royalties is recognised as revenue in the statement provided that transfer of risk to the buyer has taken place before year end.

Revenue from the sale of services, comprising sales of R&D cost, is recognised on a straight-line basis in the income statement as the services are provided, and the costs are recognised in the income statement.

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

#### **Other operating income**

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment, refund from public authorities and governmental grants.

#### **Cost of sales**

Cost of sales comprises costs in the financial year directly attributable to revenue.

#### **Other external expenses**

Other external expenses include expenses relating to the Entity's normal 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 include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc.

#### **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.

**Other financial income**

Other financial income comprises interest income, exchange gains on receivables, payables and transactions in foreign currencies, amortisation of financial assets.

**Other financial expenses**

Other financial expenses comprise interest expenses, exchange losses on receivables, payables and transactions in foreign currencies.

**Tax on profit/loss for the year**

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

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

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

**Balance sheet****Intangible assets**

Intangible assets include development projects and other acquired intangible rights, including acquired patents, licenses and software. The intangible assets are jointly developed with DSM Nutritional Products AG. The amount recognized in the balance sheet of Glycom A/S represents the part of the intangible assets that are owned by Glycom A/S.

Development projects comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Other intangible assets, are measured at cost less accumulated amortization and impairment losses.

The basis of amortisation is cost less any projected residual value after the end of the useful life. Amortisation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Completed development projects	15 years
Acquired patents	10 years
Software	3-5 years

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating

income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

### **Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

	<b>Useful life</b>
Other fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

### **Investments in group enterprises**

Investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

### **Impairment of fixed assets**

The carrying amount of intangible assets, property, plant and equipment and financial assets is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

### **Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

**Prepayments**

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

**Cash**

Cash comprises cash in hand and bank deposits.

**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.

**Operating leases**

Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as unrecognised rental and lease commitments

**Liabilities other than provisions**

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

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

**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.

**Deferred income**

Deferred income comprises income and governmental grants received for recognition in subsequent financial years. Deferred income is measured at amortised cost.

**Cash flow statement**

Referring to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared as such statement is included in the consolidated cash flow statement of DSM B.V., Wilhelminasingel 39, 6221 BE, Maastricht, The Netherlands.