



Oterra A/S

Agern Allé 24, 2970 Hørsholm, Denmark

CVR no. 35 63 87 84

Annual report 2021/22

Approved at the Company's annual general meeting on 27 February 2023

Chair of the meeting:


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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Oterra A/S for the financial year 1 September 2021 - 31 August 2022.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 August 2022 and of the results of the Company's operations for the financial year 1 September 2021 - 31 August 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Hørsholm, 27 February 2023
Executive Board:



Odd Erik Hansen
Chief Executive Officer

Board of Directors:



Cornelis de Jong
Chair

Mads Munkholt Ditlevsen
Vice

Xiangwei Gong

Christoffer Erik Mathies
Lorenzen

Anne Louise Eberhard

Carl Martin Borchert

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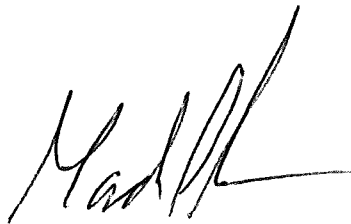
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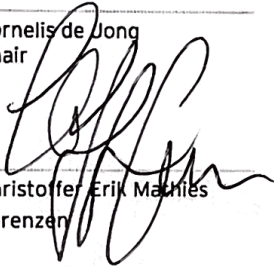
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Hørsholm, 27 February 2023

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Chief Executive Officer

Board of Directors:

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Chief Executive Officer

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Carl Martin Borchert



Independent auditor's report

To the shareholders of Oterra A/S

Opinion

We have audited the financial statements of Oterra A/S for the financial year 1 September 2021 - 31 August 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 August 2022 and of the results of the Company's operations for the financial year 1 September 2021 - 31 August 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 the 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.

Independent auditor's report

- ▶ 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 note 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review 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's review.

Copenhagen, 27 February 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Torben Bender
State Authorised Public Accountant
mne21332



Mads Vinding
State Authorised Public Accountant
mne42792

Management's review

Company details

| | |
|----------------------------|--|
| Name | Oterra A/S |
| Address, Postal code, City | Agern Allé 24, 2970 Hørsholm, Denmark |
| CVR no. | 35 63 87 84 |
| Established | 1 January 2014 |
| Financial year | 1 September 2021 - 31 August 2022 |
| Board of Directors | Cornelis de Jong, Chair Mads Munkholt Ditlevsen, Vice Xiangwei Gong Christoffer Erik Mathies Lorenzen Anne Louise Eberhard Carl Martin Borchert |
| Executive Board | Odd Erik Hansen, Chief Executive Officer |
| Auditors | EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark |

Management's review

Financial highlights

| DKK'000 | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|--|-----------------|---------------|----------------|----------------|----------------|
| Key figures | | | | | |
| Revenue | 1,170,519 | 1,077,608 | 936,561 | 980,874 | 1,034,989 |
| Gross profit | 270,583 | 354,277 | 244,916 | 293,104 | 232,826 |
| Operating profit/loss | -331,118 | -61,327 | 70,617 | 126,849 | 104,861 |
| Net financials | -126,263 | -8,266 | 744 | -5,556 | -1,806 |
| Profit/loss before tax | -457,381 | -69,593 | 71,360 | 121,293 | 103,055 |
| Profit/loss for the year | -428,464 | -61,513 | 55,199 | 94,842 | 80,038 |
| Balance sheet | | | | | |
| Total assets | 3,237,377 | 1,674,163 | 780,155 | 702,084 | 688,439 |
| Investments in property, plant and equipment | 10,022 | 24,774 | 50,809 | 9,843 | 9,544 |
| Equity | -332,159 | 96,305 | 581,805 | 526,606 | 431,764 |
| Financial ratios | | | | | |
| Gross margin | 23.1% | 32.9% | 26.2% | 29.9% | 22.5% |
| Operating margin | -28.3% | -5.7% | 7.5% | 12.9% | 10.1% |
| Return on invested capital | -10.2% | -3.7% | 9.1% | 18.1% | 15.7% |
| Return on equity | -129.0% | -63.9% | 9.5% | 18.0% | 18.5% |
| Equity ratio | -10.3% | 5.8% | 74.6% | 75.0% | 64.6% |
| Average number of full-time employees | | | | | |
| | 220 | 179 | 155 | 145 | 125 |

Management's review

Business review

Oterra A/S is a company within the Spring TopCo DK ApS Group (Oterra Group), and 100% owned by Oterra Holding ApS.

Spring TopCo DK ApS was established on March 15, 2021 in Denmark as a holding company in connection with the acquisition of the Natural Colors division from Chr. Hansen Holding A/S ("Chr. Hansen") effective March 31, 2021. In this connection the Oterra Group acquired all shares in Oterra A/S (previously Chr. Hansen Natural Colors A/S). The newly established stand-alone group, now named 'Oterra', is owned by the Nordic private equity firm EQT.

Primary activities

Oterra is the global market leader in natural colors for food and beverage applications. The global market for natural ingredients in general and natural colors in particular grows due to favorable market trends and increased regulatory focus on the benefits of natural ingredients. Furthermore, consumers increasingly look for more natural and healthy food solutions, which drives conversion from artificial food colors to natural.

Highlights for the year

The 2021/22 fiscal year constitutes an eventful year and the first full year in Oterra's journey as part of the Oterra Group as a standalone company following the carve-out.

Oterra A/S is principal under the Group transfer pricing setup.

Highlights of the year include investments in rights and technology from the Groups acquisitions of Diana Food SAS and Food Ingredient Solutions LLC.

During the 2021/22 fiscal year, Oterra A/S continued its transformation journey with a focus on simplifying and improving the operating model, improving sustainability, and migrating to a new global ERP platform to improve efficiency and execution.

Going into FY23, Oterra A/S is expected to continue to grow and substantially increase earnings.

Statutory CSR report

This section constitutes Oterra A/S's statutory reporting on corporate responsibility and gender distribution in management cf. §99a and §99b in the Danish FSA.

Management's review does not include a full review of corporate social responsibility; instead we refer to the Oterra Group Annual Report for the period 1 September 2021 - August 31, 2021 issued by the parent company Spring TopCo DK ApS, cvr no. 42217506.

Statutory report on corporate social responsibility pursuant to ÅRL §99a

Management's review does not include a full review of corporate social responsibility in accordance with ÅRL §99a; instead, we refer to the Annual Report for the period 1 September 2021 - August 31 2022, issued by the parent company Spring TopCo DK ApS, cvr. no. 42217506.

Account of the gender composition of Management

Oterra is a truly international company serving 120 markets globally, employing colleagues from more than 40 different nationalities, across more than 30 countries. As an equal opportunity employer, we are committed to respecting each other, building intercultural competencies, and ensuring a work environment where flexibility and work-life balance are key elements.

Oterra strives to create a culture that provides employees with equal opportunities in terms of personal and professional development. For us, it is not only important to have a diverse workforce on the surface, but we also want to be inclusive and ensure a deep sense of belonging for all. We bring together employees with a wide variety of backgrounds, skills, and cultures. Combining such a wealth of talent and resources creates a diverse and dynamic team that consistently drives our results. We are proud of the diversity of our workforce and continue to focus on inclusiveness in our ways of working.

We work with diversity broadly, yet believing that gender is an important parameter to pay attention to. This year, the percentage of female leaders in Oterra A/S was 40%. Leaders consist of people with employee responsibilities.

Management's review

On the Board of Directors of Oterra A/S, the gender representation is split between 33% female board members (2/6) and 67% male members (4/6), and thereby retains its equal gender representation as defined under the Danish law.

When recruiting for leadership positions, we seek to promote positive leadership stories for our underrepresented gender, generating greater awareness and interest in the area, as we make an effort to ensure a fair representation of both genders in the interview process.

Statutory report on data ethics pursuant to ÅRL §99d

Management's review does not include a full review of data ethics in accordance with ÅRL §99d; instead, we refer to the annual report for the period 1 September 2021 - August 31 2022, issued by the parent company Spring TopCo DK ApS, cvr. no. 42217506.

Research and development activities

Innovation is an essential contributor to business growth. We work closely with our customers and our suppliers to develop both new products and new technologies, as well as optimizing existing technologies new applications for our existing products.

Oterra A/S generally patents all new products of commercial value. The patents protect our investments in research and development and increase the value of our business. In addition, we make sure that our product technology and application methods are protected by a wide patent portfolio.

In the year 1 September 2021 - 31 August 2022, Oterra A/S spent DKK 118.6 million on research and development activities. Of these DKK 9,0 million was capitalized relating to new products and processes.

Knowledge resources

Oterra believes that the best possible social and staffing conditions are key to achieving our goals and ambitions. As a knowledge-based company there is a risk associated with attracting and retaining the right competences. Therefore attracting, engaging, developing, and retaining the best qualified and performing employees is our greatest focus.

Oterra wants to be an attractive employer that provides opportunities for learning and development for all our employees. We are very aware that our key resource is our employees. We have implemented multiple online platforms to engage with our employees and measure how they are doing, and we take action to improve, if needed. We are keeping the dialogue open and invite feedback from all levels of our organization. We are introducing online learning opportunities via our learning platform and right now prioritize building the leadership toolbox of our leaders. Our leaders are key in deploying our strategy and ensuring organizational health at all levels. These activities are expected to continue in the coming years.

Financial review

The 2021/22 financial year has been a year aimed at preparing and scaling the business and processes in order to accommodate and support both the organic, as well as acquisition-driven growth expected in the coming years. The following events impacted not only the results, but also the development of Oterra A/S:

- ▶ The completion of the TSA services following the carve-out from Chr. Hansen,
- ▶ The acquisition of intangible assets related to the two businesses joining the Oterra Group in 2022, Food Ingredient Solutions LLC and Diana Food SAS,
- ▶ The roll out of a new, cloud-native, global ERP system,
- ▶ Further strengthening the existing teams.

The year was impacted by the implementation of the new ERP platform. The ERP go-live on 1 February 2022 brought Oterra A/S onto fully integrated ERP and infrastructure platform. Despite temporary challenges with the implementation which impacted the supply chain and led to delays in some customer deliveries, the new ERP system is now implemented and will be a key enabler for future growth.

Performance for the year was also impacted by the ongoing conflict in Ukraine, which in general stressed global supply chains and logistics, as well as the continued impact from COVID. Oterra A/S has on an ongoing basis adopted the EU amendments on our activities in Russia throughout its global operations, which has impacted the financial result somewhat negatively as well.

Management's review

Result for the year summary

In the financial year 2021/22, Oterra A/S generated net revenues of DKK 1,170.5 million and an operating loss (EBIT) of DKK -331.1 million. Despite increasing sales, EBIT has been negatively impacted by the migration to new ERP-platform as well as higher continued build-up costs following the carve-out from Chr. Hansen per 31 March 2021.

Revenue out of Oterra A/S increased as expected mainly due to increased sale to North America and Other markets however, offset by slightly lower revenue in Europe in 2021/22. The increased activity level has also impacted operational working capital, increasing both trade receivables and trade payables

In the financial year 2021/22 Oterra A/S acquired Intangible asset related to the Oterra Group's acquisition of Diana Food SAS and Food Ingredient Solutions LLC, totalling an investment of DKK 779.2 million.

Despite the increased activity, the negative result (EBIT) was below Management's expectations and is considered disappointing. The negative result is a result of continued prioritization of customers, further investment in building the future foundation for Oterra A/S and Oterra Group and significant non-recurring build-up costs following the carve-out from Chr. Hansen and integration of acquired businesses.

Due to the negative results realised in 2021/22, Oterra A/S' equity is negative as of 31 August 2022. In order to restore equity, a Group Contribution of DKK 488.3 million (USD 70 million) was contributed after the balance sheet date, whereby equity is restored.

Further, Oterra A/S obtained a letter of support from its Parent Company confirming that intercompany loans will not be recalled and that additional funds will be provided by the Parent Company, if necessary. On this basis Management assess that the Company is going concern.

Outlook

After a transformational year, Oterra A/S has a positive outlook for 2022/23 on both external demand growth and continued operational improvement. Revenue is expected to grow single digits driven by strong market demand and inflation-driven price increases. EBIT is also expected to increase significantly due to the expected growth as well as continued operational improvement.

The positive market development is expected to continue however with some uncertainty driven by developments in commodity prices, currency fluctuations and general inflation.

Events after the balance sheet date

The company has lost its equity as of 31 August 2022. After the balance sheet date, equity has been restored as the company has received a Group Contribution of DKK 488.3 million. This contribution is expected to ensure the necessary capital for the current and future level of activity in Oterra A/S, not considering possible acquisitions.

No further events which could have a significant impact on the financial statements have occurred subsequently to August 31 2022.

Financial statements 1 September 2021 - 31 August 2022

Income statement

| Note | DKK'000 | 2021/22 | 2020/21 |
|------|--|-----------|-----------|
| 4 | Revenue | 1,170,519 | 1,077,608 |
| 5.6 | Production costs | -899,936 | -723,331 |
| | Gross profit | 270,583 | 354,277 |
| 5.6 | Distribution costs | -79,514 | -57,321 |
| 5.6 | Administrative expenses | -412,515 | -264,638 |
| | Operating profit/loss | -221,446 | 32,318 |
| 5.6 | Research and development costs | -109,672 | -93,645 |
| | Profit/loss before net financials | -331,118 | -61,327 |
| 7 | Financial income | 35,094 | 10,538 |
| 8 | Financial expenses | -161,357 | -18,804 |
| | Profit/loss before tax | -457,381 | -69,593 |
| 9 | Tax for the year | 28,917 | 8,080 |
| | Profit/loss for the year | -428,464 | -61,513 |

Financial statements 1 September 2021 - 31 August 2022

Balance sheet

| Note | DKK'000 | <u>2021/22</u> | <u>2020/21</u> |
|------|--|-------------------------|-------------------------|
| | ASSETS | | |
| | Fixed assets | | |
| 9 | Intangible assets | | |
| | Software | 118,352 | 11,367 |
| | Patents & rights | 794,149 | 0 |
| | Development projects | 38,262 | 41,292 |
| | Development projects in progress and prepayments for intangible assets | <u>31,534</u> | <u>60,928</u> |
| | | <u>982,297</u> | <u>113,587</u> |
| 10 | Property, plant and equipment | | |
| | Land and buildings | 29,382 | 35,678 |
| | Plant and machinery | 27,752 | 32,675 |
| | Fixtures and fittings, other plant and equipment | 14,759 | 18,114 |
| | Property, plant and equipment under construction | <u>19,920</u> | <u>15,386</u> |
| | | <u>91,813</u> | <u>101,853</u> |
| 14 | Investments | | |
| | Investments in group enterprises | 441,348 | 403,031 |
| | Receivables from group enterprises | 0 | 594,505 |
| | Other securities and investments | <u>92,950</u> | <u>0</u> |
| | | <u>534,298</u> | <u>997,536</u> |
| | Total fixed assets | <u>1,608,408</u> | <u>1,212,976</u> |
| | Non-fixed assets | | |
| | Inventories | | |
| | Raw materials and consumables | 111,505 | 90,244 |
| | Work in progress | 54,493 | 31,829 |
| | Finished goods and goods for resale | <u>88,692</u> | <u>50,210</u> |
| | | <u>254,690</u> | <u>172,283</u> |
| | Receivables | | |
| | Trade receivables | 270,817 | 165,474 |
| | Receivables from group enterprises | 1,045,376 | 27,569 |
| 12 | Deferred tax assets | 30,347 | 1,741 |
| | Other receivables | 8,535 | 21,217 |
| | Prepayments | <u>991</u> | <u>0</u> |
| | | <u>1,356,066</u> | <u>216,001</u> |
| | Cash | <u>18,212</u> | <u>72,903</u> |
| | Total non-fixed assets | <u>1,628,968</u> | <u>461,187</u> |
| | TOTAL ASSETS | <u><u>3,237,376</u></u> | <u><u>1,674,163</u></u> |

Financial statements 1 September 2021 - 31 August 2022

Balance sheet

| Note | DKK'000 | <u>2021/22</u> | <u>2020/21</u> |
|------|--|-------------------------|-------------------------|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 13 | Share capital | 9,202 | 9,202 |
| | Reserve for development costs | 29,844 | 31,970 |
| | Retained earnings | -371,205 | 55,133 |
| | Total equity | <u>-332,159</u> | <u>96,305</u> |
| | Liabilities other than provisions | | |
| 15 | Non-current liabilities other than provisions | | |
| | Borrowings | 655,299 | 185,944 |
| | Lease liabilities | 29,085 | 29,897 |
| | Payables to group entities | 1,244,972 | 1,141,245 |
| | Corporate income tax payable | 0 | 20,247 |
| | Other payables | 10,474 | 10,095 |
| | | <u>1,939,830</u> | <u>1,387,428</u> |
| | Current liabilities other than provisions | | |
| | Borrowings | 72,399 | 0 |
| | Lease liabilities | 1,000 | 8,129 |
| | Trade payables | 198,195 | 106,386 |
| | Payables to group entities | 1,243,702 | 0 |
| | Corporation tax payable | 20,004 | 14,775 |
| | Other payables | 94,405 | 61,140 |
| | | <u>1,629,705</u> | <u>190,430</u> |
| | Total liabilities other than provisions | <u>3,569,535</u> | <u>1,577,858</u> |
| | TOTAL EQUITY AND LIABILITIES | <u><u>3,237,376</u></u> | <u><u>1,674,163</u></u> |

- 1 Accounting policies
- 2 Going concern uncertainties
- 3 Events after the balance sheet date
- 16 Contractual obligations and contingencies, etc.
- 17 Related parties
- 18 Appropriation of profit/loss

Financial statements 1 September 2021 - 31 August 2022

Statement of changes in equity

| Note | DKK'000 | Share capital | Reserve for development costs | Retained earnings | Total |
|------|--|---------------|-------------------------------|-------------------|----------|
| | Equity at 1 September 2021 | 9,202 | 31,970 | 55,133 | 96,305 |
| 18 | Transfer, see "Appropriation of profit/loss" | 0 | -2,126 | -426,338 | -428,464 |
| | Equity at 31 August 2022 | 9,202 | 29,844 | -371,205 | -332,159 |

In order to restore equity, a Group Contribution of DKK 488.3 million (USD 70 million) was paid after the balance sheet date. See note 3 Events after the balance sheet date.

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

1 Accounting policies

The annual report of Oterra A/S for 2021/22 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities, and International Financial Reporting Standards.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

In accordance with section 86(4) of the Danish Financial Statements Act, Oterra A/S has not prepared any cash flow statement. Similarly, with reference to section 99a(6) of the Danish Financial Statements Act, no statement on corporate social responsibility has been prepared.

The annual report is presented in DKK thousands.

In accordance with section 98(b) of the Danish Financial Statements Act, Oterra A/S is not presenting the salary to the sole member of the executive board. With reference to section 96(3) the fee to the statutory auditors has not been presented.

The accounting policies used in the preparation of the financial statements are consistent with those of last year. Certain items in prior year financial statements have been reclassified to conform to the current period's presentation. Financial highlights has been updated accordingly.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currency are measured at the exchange rate at the transaction date.

Income statement

Revenue

The company applies IFRS 15 for recognition and measurement of revenue.

Oterra A/S produces a wide range of natural colors. Revenue includes sales of goods and is recognized at an amount that reflects the consideration to which Oterra A/S expects to be entitled.

Revenue from sale of goods to customers is recognized at the point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Products are often sold at a discount. An agreement to this effect can be set up in various ways, but common to all discount agreements is that revenue is recognized based on the price specified in the contract, net of the estimated discount. Discounts are estimated based on historical data as well as forecasts. Estimated discounts are reassessed at the end of each reporting period.

Variable consideration related to rebates are recognized as revenue only to the extent that it is highly probable that significant revenue will occur subsequently.

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 recognised in revenue.

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

1 Accounting policies (continued)

Production costs

Production costs comprises the cost of products sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labour costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration, and management of factories.

Distribution costs

Distribution costs include expenses for salaries to sales personnel, advertising and exhibition expenses, depreciations, etc.

Administrative expenses

Administrative expenses include expenses for administrative personnel, IT and management, including office expenses, salaries, depreciation, etc.

Research and development costs

Research and development costs include labor costs, amortization and other costs directly or indirectly associated with the company's research and development activities.

Development projects related to new products and processes that are clearly defined and identifiable, while having a high degree of technical utilization, sufficient resources and where a potential future market or development potential within the company can be proved, and where it is the intention to manufacture, market and utilize the project, are recognized as intangible assets if there is sufficient certainty that the capital value of future earnings will cover the production costs, sales and administrative expenses, as well as the development costs.

Development projects that do not comply with the requirements for recognition in the balance sheet are recognized in the income statement as costs are incurred.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life.

The expected useful lives of the assets are as follows:

| | |
|--|---------------|
| Buildings | 25 - 50 years |
| Plant and machinery | 5 - 20 years |
| Fixtures and fittings, other plant and equipment | 3 - 10 years |
| Software | 5 - 10 years |
| Patents & rights | 5 - 20 years |
| Development projects | 3 - 20 years |

Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

Land and Property, plant and equipment under construction are not depreciated.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses, charges in respect of finance leases, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other Danish group entities. 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

On initial recognition, intangible assets are measured at cost.

Research expenses are recognized in the income statement as incurred. Development costs are recognized as intangible assets if the costs are expected to generate future economic benefits.

Costs related to the development and implementation of substantial software and IT systems are capitalized and amortized over the expected useful lives of the assets.

Finished development projects are reviewed at the time of completion and on an annual basis to determine whether there is any indication of impairment. If so, an impairment test is carried out for the individual development projects. For development projects in progress, however, an annual impairment test is always performed. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of estimated future earnings or savings, interest rates, and risks.

For development projects in progress, Management estimates on an ongoing basis whether each individual project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated based on both technical and commercial criteria.

Patents and rights consist of acquired patents and rights in relation to acquisitions within the group and are measured at cost less accumulated amortization.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use, and re-establishment expenses, provided that the corresponding provision is made at the same time. Borrowing costs for the construction phase of assets of PP&E are capitalized when directly attributable to the construction and the construction period is substantial.

Property, plant and equipment is depreciated on a straight-line basis over the expected useful life of the asset.

Land and property, plant and equipment in progress are not depreciated.

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

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

1 Accounting policies (continued)

Leases

The company has chosen IFRS 16 as interpretation for classification and recognition of leases.

Lease assets are "right-of-use assets", which is a contract or part of a contract that conveys the leasee's right to use an asset for a period of time. Right-of-use assets are initially measured as the present value of future fixed lease payments plus upfront payments and/or other initial direct costs incurred, less any lease incentives received. If, on the inception of the lease, it is reasonably certain that an extension or purchase option will be exercised, future lease payments will be included. Lease liabilities are measured using the Company's average incremental borrowing rate.

Lease assets are classified alongside owned assets of a similar type under "Property, plant and equipment".

Lease assets are depreciated using the straight-line method over the lease term. Lease assets are tested when there is an indication of impairment.

Short-term leases and leases of low value are recognized as expenses in the income statement on a straight-line basis over the lease term.

Oterra A/S' portfolio of leases includes land, building, cars, and equipment.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Cost includes the consideration measured at fair value plus direct acquisition costs. In case of indication of impairment, an impairment test is conducted. Investments are written down to the lower of the carrying amount and the recoverable amount.

Dividends from investments in group entities, which are measured at cost, are recognised in the income statement in the financial year when the dividends are declared. If the dividends received exceeds the proportionate share of the income/loss for the year or the carrying amount of investments exceeds the proportionate share of the net assets in the underlying entity, this is an indication of impairment, which requires that an impairment test is prepared.

Other securities and investments

Securities which the Company intends to hold to maturity are measured at amortised cost, using the effective interest rate method at the date of acquisition. Value adjustments are recognised in the income statement under "Net financials".

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Receivables

Receivables are measured at amortised cost.

The company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to trigger as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

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

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

| | |
|----------------------------|---|
| Operating profit/loss | Profit/loss before financial items adjusted for other operating income and other operating expenses |
| Gross margin | $\frac{\text{Gross profit/loss}}{\text{Revenue}}$ |
| Operating margin | $\frac{\text{Operating profit/loss}}{\text{Revenue}}$ |
| Return on invested capital | $\frac{\text{Operating profit/loss}}{\text{Total assets}}$ |
| Return on equity | $\frac{\text{Profit/loss for the year}}{\text{Equity end of year}}$ |
| Equity ratio | $\frac{\text{Equity end of year}}{\text{Total assets}}$ |

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

2 Going concern uncertainties

The Company has realized a loss of DKK 428.5 million in the financial year 2021/22. Consequently, equity is negative by DKK 332.2 million at 31 August 2022. By reference to note 3, Events after the balance sheet date, the equity and share capital has been re-established through a Group Contribution from Oterra Holding ApS subsequent to the balance sheet date. Further, referring to the Managements review, a letter of support is obtained from the parent company confirming that intercompany loans will not be recalled and that additional funds will be provided by the parent company, if necessary.

Based on the above, there are no such material going concern uncertainties and the Annual Report has been prepared on the basis that Oterra A/S will continue to operate as going concern.

3 Events after the balance sheet date

After the balance sheet date, the Company has received a Group Contribution of DKK 488.3 million from its parent company, Oterra Holding ApS.

Besides the above there are no subsequent events which could have an impact on the financial statements at 31 August 2022.

| DKK'000 | <u>2021/22</u> | <u>2020/21</u> |
|--|------------------|------------------|
| 4 Segment information | | |
| Breakdown of revenue by geographical segment: | | |
| Denmark | 12,742 | 168,501 |
| Europe (excl. Denmark) | 604,542 | 610,358 |
| North America | 85,669 | 16,078 |
| Other markets | 467,566 | 282,671 |
| | <u>1,170,519</u> | <u>1,077,608</u> |

5 Staff costs

| | | |
|-----------------------------|----------------|----------------|
| Wages/salaries | 179,626 | 124,774 |
| Pensions | 14,710 | 11,517 |
| Other social security costs | 1,141 | 1,479 |
| Other staff costs | 0 | 2,121 |
| Transferred capitalization | -10,593 | -3,735 |
| | <u>184,884</u> | <u>136,156</u> |

Wages and salaries are included in production costs, research and development costs, distribution costs, and administrative expenses.

| | | |
|---------------------------------------|------------|------------|
| Average number of full-time employees | <u>220</u> | <u>179</u> |
|---------------------------------------|------------|------------|

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

| DKK'000 | <u>2021/22</u> | <u>2020/21</u> |
|--|----------------|----------------|
| 6 Amortisation/depreciation of intangible assets and property, plant and equipment | | |
| Amortisation of intangible assets | 38,729 | 8,987 |
| Depreciation of property, plant and equipment | <u>16,759</u> | <u>17,274</u> |
| | <u>55,488</u> | <u>26,261</u> |
| <p>Amortisation/depreciation of intangible assets and property, plant and equipment is recognised in the income statement under the following items:</p> | | |
| Production costs | 12,934 | 17,483 |
| Distribution costs | 17,632 | 268 |
| Administrative expenses | 19,663 | 1,644 |
| Research costs | <u>5,259</u> | <u>6,866</u> |
| | <u>55,488</u> | <u>26,261</u> |
| <p>The impairment of development projects in progress amounted to DKK 0 thousand (2020/21: DKK 0 thousand).</p> | | |
| 7 Financial income | | |
| Interest income from Group companies | 17,968 | 4,007 |
| Other financial income | <u>17,126</u> | <u>6,531</u> |
| | <u>35,094</u> | <u>10,538</u> |
| 8 Financial expenses | | |
| Interest expenses to Group companies | 10,874 | 7,879 |
| Other financial expenses | <u>150,483</u> | <u>10,925</u> |
| | <u>161,357</u> | <u>18,804</u> |
| 9 Tax for the year | | |
| Estimated tax charge for the year | 0 | 20,246 |
| Deferred tax adjustments in the year | -28,606 | -28,452 |
| Tax adjustments, prior years | <u>-311</u> | <u>126</u> |
| | <u>-28,917</u> | <u>-8,080</u> |

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

10 Intangible assets

| DKK'000 | Software | Patents & rights | Development projects | Development projects in progress and prepayments for intangible assets | Total |
|--|----------------|------------------|----------------------|--|----------------|
| Cost at 1 September 2021 | 22,398 | 0 | 75,797 | 60,928 | 159,123 |
| Additions | 78,344 | 820,123 | 3,214 | 5,758 | 907,439 |
| Transferred | 35,152 | 0 | 0 | -35,152 | 0 |
| Cost at 31 August 2022 | 135,894 | 820,123 | 79,011 | 31,534 | 1,066,562 |
| Impairment losses and amortisation at 1 September 2021 | 11,031 | 0 | 34,505 | 0 | 45,536 |
| Amortisation for the year | 6,511 | 25,974 | 6,244 | 0 | 38,729 |
| Impairment losses and amortisation at 31 August 2022 | 17,542 | 25,974 | 40,749 | 0 | 84,265 |
| Carrying amount at 31 August 2022 | 118,352 | 794,149 | 38,262 | 31,534 | 982,297 |

Development projects

Development projects relate to design, construction and testing of existing production within natural color products. The projects are being carried out based on demand from existing customers, and varies in time for finalization. The projects are performed based on the resources management has allocated hereto. It is expected that the products have a technical and commercial likelihood at the present market and to existing customers.

11 Property, plant and equipment

| DKK'000 | Land and buildings | Plant and machinery | Fixtures and fittings, other plant and equipment | Property, plant and equipment under construction | Total |
|---|--------------------|---------------------|--|--|---------------|
| Cost at 1 September 2021 | 44,204 | 164,241 | 34,967 | 15,386 | 258,798 |
| Additions | 181 | 1,991 | 3,316 | 4,534 | 10,022 |
| Disposals | -410 | 0 | -2,893 | 0 | -3,303 |
| Cost at 31 August 2022 | 43,975 | 166,232 | 35,390 | 19,920 | 265,517 |
| Impairment losses and depreciation at 1 September 2021 | 8,526 | 131,566 | 16,853 | 0 | 156,945 |
| Depreciation | 6,067 | 6,914 | 3,778 | 0 | 16,759 |
| Impairment losses and depreciation at 31 August 2022 | 14,593 | 138,480 | 20,631 | 0 | 173,704 |
| Carrying amount at 31 August 2022 | 29,382 | 27,752 | 14,759 | 19,920 | 91,813 |
| Property, plant and equipment include finance leases with a carrying amount totalling | 29,382 | 2,368 | 2,493 | 1,497 | 35,740 |

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

12 Investments

| DKK'000 | Investments in group enterprises | Receivables from group enterprises | Other securities and investments | Total |
|--|--|--|-------------------------------------|----------------|
| Cost at 1 September 2021 | 403,031 | 594,505 | 0 | 997,536 |
| Foreign exchange adjustments | 388 | 19,060 | 0 | 19,448 |
| Additions | 37,929 | 0 | 92,950 | 130,879 |
| Transferred | 0 | -613,565 | 0 | -613,565 |
| Cost at 31 August 2022 | 441,348 | 0 | 92,950 | 534,298 |
| Carrying amount at 31 August 2022 | 441,348 | 0 | 92,950 | 534,298 |

Receivables from group companies have been transferred to current assets as of 31 August 2022 as the intercompany loans are short-term loans.

| Name | Domicile | Interest |
|--|----------|----------|
| Subsidiaries | | |
| Oterra Colors Spain SLU | Spain | 100% |
| The representative office of Oterra A/S in Ho Chi Minh City | Vietnam | 100% |
| Secna Natural Ingredients Group SLU | Spain | 100% |
| Sociedad Española de Colorantes Naturales y Afines SAU | Spain | 100% |
| Vitivinícola Ramírez sl | Spain | 50% |
| Società Italiana Coloranti Naturali e Affini - S.I.C.N.A. S.r.l. | Italy | 100% |
| EG industriale S.r.l. | Italy | 100% |
| Secna Natural ingredients Group Stabile Organizzazione Italiana | Italy | 100% |
| Erkon Konsantre Sanayi Ve Ticaret Anonim Sirketi | Turkey | 50% |

13 Share capital

The share capital comprises 9,202,158 shares of nominal DKK 1.0 each.

14 Deferred tax

Deferred tax relates to:

| DKK'000 | 2021/22 | 2020/21 |
|-------------------------------|----------------|---------------|
| Intangible assets | 35,410 | 28,476 |
| Property, plant and equipment | -194 | 0 |
| Receivables | 0 | 2,445 |
| Liabilities | -6,666 | 3,089 |
| Tax loss | -58,897 | -35,751 |
| | -30,347 | -1,741 |

Deferred tax has been recognised at 22%.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as the Company estimates that the tax assets can be utilised within a foreseeable future by offsetting against future positive taxable income.

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

15 Non-current liabilities other than provisions

| DKK'000 | Total debt at 31/8 2022 | Repayment, next year | Long-term portion | Outstanding debt after 5 years |
|----------------------------|----------------------------|-------------------------|----------------------|-----------------------------------|
| Borrowings | 727,698 | 72,399 | 655,299 | 0 |
| Lease liabilities | 30,085 | 1,000 | 29,085 | 0 |
| Payables to group entities | 2,064,816 | 819,844 | 1,244,972 | 0 |
| Other payables | 104,880 | 94,406 | 10,474 | 10,406 |
| | <u>2,927,479</u> | <u>987,649</u> | <u>1,939,830</u> | <u>10,406</u> |

16 Contractual obligations and contingencies, etc.

The company is jointly taxed with its Parent Company Spring TopCo DK ApS, which acts as management company, and is jointly and severely liable with other jointly taxed group entities for payment of Danish corporation taxes.

The Company has jointly with other group entities provided an absolute guarantee of DKK 587.3 million to Oterra Holding ApS and DKK 85.5 million to Oterra Operations ApS.

Furthermore, shares in Oterra Colors Spain SLU comprising DKK 441.3 million have been pledged with first priority pursuant to a share pledge agreement in favour of the company's bank.

Financial statements 1 September 2021 - 31 August 2022

Notes to the financial statements

17 Related parties

Oterra A/S' related parties comprise the following:

Parties exercising control

| <u>Related party</u> | <u>Domicile</u> | <u>Basis for control</u> |
|----------------------|---------------------------------|--------------------------|
| Oterra Holding ApS | Agern Allé 24, 2970 Hørsholm | Participating interest |

Information about consolidated financial statements

| <u>Parent</u> | <u>Domicile</u> |
|---------------------|---------------------------------|
| Spring TopCo DK ApS | Agern Allé 24, 2970 Hørsholm |
| Oterra Holding ApS | Agern Allé 24, 2970 Hørsholm |

Related party transactions

Oterra A/S was engaged in the below related party transactions:

| <u>DKK'000</u> | <u>2021/22</u> | <u>2020/21</u> |
|---|----------------|----------------|
| Recharges, Parent company | 1,237 | 0 |
| Interest expenses, Parent company | 6,634 | 0 |
| Sale of goods, Other companies in the group | 381,213 | 648,312 |
| Purchase of goods, Other companies in the group | 278,310 | 195,442 |
| Recharges, Other companies in the group | 226,289 | 89,667 |
| Interest income, Other companies in the group | 17,968 | 4,007 |
| Interest expenses, Other companies in the group | 4,240 | 7,879 |
| Receivables from Parent company at 31 Aug | 538 | 0 |
| Payables to Parent Company at 31 Aug | 20,410 | 0 |
| Payable loans to Parent company at 31 Aug | 1,244,972 | 157,089 |
| Receivables from other companies in the group at 31 Aug | 431,273 | 27,569 |
| Receivables loans to other companies in the group at 31 Aug | 403,448 | 594,505 |
| Payables to other companies in the group at 31 Aug | 613,565 | 0 |
| Payable loans from other companies in the group at 31 Aug | 819,844 | 984,156 |

18 Appropriation of profit/loss

Recommended appropriation of profit/loss

| | | |
|------------------------------------|-----------------|----------------|
| Reserve for development costs | -2,126 | -1,255 |
| Retained earnings/accumulated loss | -426,338 | -60,258 |
| | <u>-428,464</u> | <u>-61,513</u> |