

CHR. HANSEN NATURAL COLORS A/S

Agern Allé 24, 2970 Hørsholm

CVR no. 35 63 87 84

Annual report 2020/21

Approved at the Company's annual general meeting on 28 January 2022

Chair of the meeting:

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The logo for Oterra, featuring the word "Oterra" in a bold, rounded, orange-red font. A small "TM" trademark symbol is positioned to the upper right of the final letter "a".

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Key figures and financial ratios

DKK thousands	2020/21	2019/20	2018/19	2017/18	2016/17
<i>Income statement</i>					
Revenue	1,077,608	936,561	980,874	1,034,989	924,217
Gross income/(loss)	354,277	244,916	293,104	232,826	218,732
Operating income/(loss) (EBIT)	(61,327)	70,616	126,849	104,861	114,174
Net financial items	(8,266)	744	(5,556)	(1,806)	1,934
Income/(loss) for the year before tax	(69,593)	71,360	121,293	103,055	116,621
Income/(loss) for the year	(61,513)	55,199	94,842	80,038	90,598
<i>Balance sheet</i>					
Inventory	172,283	161,057	158,963	170,653	85,473
Total assets	1,674,163	780,155	702,084	688,439	506,396
Equity	96,305	581,805	526,606	431,764	351,726
Investments in in- & tangible asset	65,260	59,562	27,265	32,290	25,977
<i>Ratios, %</i>					
Gross margin	33	26	30	22	24
Operating margin	(6)	8	13	10	12
Return on invested capital	(4)	9	18	16	23
Return on equity	(64)	9	18	19	26
Equity ratio	6	75	75	65	69

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of CHR. HANSEN NATURAL COLORS A/S for the financial year 1 September 2020 – 31 August 2021.

The annual report has been 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 2021 and of the results of its operations for the financial year 1 September 2020 – 31 August 2021.

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.

28 January 2022

Executive Board:

.....
Odd Erik Hansen

Board of Directors:

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Cornelis de Jong
Chair

.....
Mads Munkholt Ditlevsen
Vice

.....
Xiangwei Gong

.....
Christoffer Erik Mathies Lorenzen

.....
Anne Louise Eberhard

.....
Carl Martin Borchert

Independent auditor's report

To the shareholders of CHR. HANSEN NATURAL COLORS A/S

Opinion

We have audited the financial statements of CHR. HANSEN NATURAL COLORS A/S for the financial year 1 September 2020 – 31 August 2021, 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 2021 and of the results of the Company's operations for the financial year 1 September 2020 – 31 August 2021 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 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

28 January 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Torben Bender
State Authorized
Public Accountant
mne21332

Mads Vinding
State Authorized
Public Accountant
mne42792

Management's review

CHR. HANSEN NATURAL COLORS A/S is a company within the Spring TopCo DK ApS Group (Oterra Group) and is 100% owned by Holdingselskabet af 18. September 2020 ApS a holding company within the Oterra Group.

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 CHR. HANSEN NATURAL COLORS A/S. The newly established stand-alone group, now branded 'Oterra', is owned by the leading Nordic private equity firm EQT.

Primary activity

CHR. HANSEN NATURAL COLORS A/S is the market leader on the global market for natural colors and has a solid platform for growth in this area. The global market for natural colors has been growing in recent years due to increased focus on safe and natural food that is free from artificial ingredients. The company's primary activities comprise sale, production and development of natural colors.

Statutory report on social responsibility pursuant to ÅRL 99a

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 March 15 – August 31, 2021 issued by the parent company Spring TopCo DK ApS, cvr. no. 42217506.

Statutory diversity report pursuant to ÅRL 99b

Oterra is an equal opportunity employer. We value and want to ensure a diverse workforce where respecting each other, building intercultural competencies, and ensuring flexibility and work-life balance are key elements. We employ 40 different nationalities across our 29 countries of operations. Oterra strives to create a work environment 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 by the look of it. 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 the diverse and dynamic teams that consistently drive our results.

We are proud of the diversity of our workforce today, and will continue our focus on creating awareness as to 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 managers in Oterra Group was 46% and at Leadership Team level, the percentage was 36% female members.

On the Board of Directors of the Oterra Group, the gender representation is split between 33% female board members and 67% male members, 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.

Research and development

To CHR. HANSEN NATURAL COLORS A/S, innovation is an important contributor to business growth and we work closely with our customers and our suppliers to develop both new products as well as new applications for our existing products.

CHR. HANSEN NATURAL COLORS 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.

Social and staffing

As a knowledge-based group, Oterra is very dependent on having committed and motivated employees as well as skilled leaders.

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.

Share capital and ownership

In the financial year 1 September 2020 – 31 August 2021 CHR. HANSEN NATURAL COLORS A/S has purchased 797,842 treasury shares at the nominal value of DKK 797,842 corresponding to 8.7% of the Company's share capital per 31 August 2021. The total cost of the repurchase amounted to DKK 623,987 thousand. Following acquisition of the treasury shares, a capital reduction of DKK 798 thousand was performed.

Shares were bought back during the year as an element in the optimisation of the Company's capital structure.

COVID-19

With a global production and sourcing program as well as a global distribution network, Covid-19 could have an impact on timely deliveries to CHR. HANSEN NATURAL COLORS A/S' customers as well as our logistics cost.

As the Covid-19 pandemic is not considered a material risk, no policy or actions have been introduced in this financial year.

Financial review

In the financial year 2020/21, CHR. HANSEN NATURAL COLORS A/S generated net revenues of DKK 1,077,608 thousand and an operating loss (EBIT) of DKK 61,327 thousand. EBIT has been negatively impacted by non-recurring expenses related to build-up costs of DKK 146,862 thousand following the carve-out from Chr. Hansen per 31 March 2021.

The carve-out has also resulted in more goods being invoiced from CHR. HANSEN NATURAL COLORS A/S directly to external customers as CHR. HANSEN NATURAL COLORS A/S, before completion of the carve-out 31 March 2021, leveraged on the distribution network within Chr. Hansen to perform some of these activities. This has also increased the amount of trade receivables and trade payables recognized compared to the previous year.

Additionally, CHR. HANSEN NATURAL COLORS A/S has in the financial year 2020/21 acquired the shares in Oterra Colors Spain S.L. which is a holding company in the Secna Natural Ingredients Group (Secna Group). The investment consists of an equity investment of DKK 403,031 thousand and a loan of DKK 594,505 thousand. The investment and loan is financed through loans from group companies within the Oterra Group.

Management considers the results of operations for the financial year satisfactory.

Outlook

In 2021/22, revenues are expected to increase from organic growth and a positive EBIT is expected.

CHR. HANSEN NATURAL COLORS A/S will continue to optimize operations and processes and to invest in innovative solutions with an ambition to create value for our customers, partners, and shareholders.

Besides the general market development, developments in commodity prices, currency fluctuations and Covid-19 impact on logistic cost and our ability to deliver goods timely to our customers are associated with uncertainty.

Events after the balance sheet date

Effective December 29, 2021, the Oterra Group acquired Diana Food's natural food coloring business. All intangible assets related to acquisition was acquired by Chr. Hansen Natural Colors A/S while all tangible assets were acquired by other Oterra Group companies. The estimated acquisition price of the intangible assets is DKK 102.6 million.

No further events which could have a significant impact on the financial statements have occurred subsequently to August 31, 2021.

Financial statements 1 September – 31 August

Income statement

Note	DKK thousands	2020/21	2019/20
4	Revenue	1,077,608	936,561
4	Cost of sales	(723,331)	(691,645)
	Gross income/(loss)	354,277	244,916
4	Research and development expenses	(93,645)	(69,769)
4	Sales and marketing expenses	(57,321)	(67,197)
4	Administrative expenses	(264,638)	(37,329)
4	Other operating expenses	-	(5)
	Operating income/(loss) (EBIT)	(61,327)	70,616
5	Financial income	10,538	6,285
5	Financial expenses	(18,804)	(5,541)
	Income/(loss) before tax	(69,593)	71,360
6	Income taxes	8,080	(16,161)
	Income/(loss) for the year	(61,513)	55,199

Financial statements 1 September – 31 August

Balance sheet

Note	DKK thousands	2021	2020
	ASSETS		
	Non-current assets		
8	Intangible assets		
	Development projects	41,292	45,225
	Software	11,367	11,749
	Intangible assets in progress	60,928	35,241
		113,587	92,215
9	Property, plant and equipment		
	Land and buildings	35,678	27,846
	Plant and machinery	32,675	35,830
	Fixtures and fittings, tools and equipment	18,114	12,733
	Property, plant and equipment in progress	15,386	18,349
		101,853	94,758
	Financial assets		
10	Investments in subsidiaries	403,031	-
	Loans to group companies	594,505	-
	Deferred tax assets	1,741	-
		999,277	-
	Total non-current assets	1,214,717	186,973
	Current assets		
	Inventories		
	Raw materials and consumables	90,244	76,916
	Work in progress	31,829	28,582
	Finished goods and goods for resale	50,210	55,559
		172,283	161,057
	Receivables		
	Receivables from group entities	27,569	26,842
	Trade receivables	165,474	19,292
	Other receivables	21,217	5,126
		214,260	51,260
	Cash	72,903	380,865
	Total current assets	459,446	593,182
	TOTAL ASSETS	1,674,163	780,155

Financial statements 1 September – 31 August

Balance sheet

Note	DKK thousands	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	9,202	10,000
	Reserve for development projects	31,970	33,225
	Retained earnings	55,133	538,580
	Total equity	96,305	581,805
	Provisions		
12	Deferred tax	-	26,549
	Total provisions	-	26,549
	Liabilities other than provisions		
13	Borrowings	185,944	-
13	Loans from Group companies	1,141,245	-
13	Lease liabilities	29,897	25,577
13	Tax payables	20,247	15,829
	Total non-current liabilities other than provisions	1,377,333	41,406
	Current liabilities other than provisions		
13	Lease liabilities	8,129	4,502
13	Tax payable	14,775	22,095
	Trade payables	106,386	63,407
13	Loans from Group companies	-	1,671
	Other payables	71,235	38,720
	Total current liabilities other than provisions	200,525	130,395
	Total liabilities other than provisions	1,577,858	171,801
	TOTAL EQUITY AND LIABILITIES	1,674,163	780,155

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- 7 Distribution of profit/loss
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- 15 Related parties
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Financial statements 1 September – 31 August

Statement of changes in equity

DKK thousands	Share capital	Treasury shares	Share premium	Reserve for development projects	Retained earnings	Total
Equity at 1 September 2019	10,000	-	-	28,950	487,656	526,606
Reserve for development projects	-	-	-	4,275	(4,275)	-
Transferred; see distribution of profit/loss	-	-	-	-	55,199	55,199
Equity at 1 September 2020	10,000	-	-	33,225	538,580	581,805
Purchase of treasury shares	-	798	423,189	-	(423,987)	-
Capital reduction	(798)	(798)	(423,189)	-	798	(423,987)
Transferred; see distribution of profit/loss	-	-	-	(1,255)	(60,258)	(61,513)
Equity at 31 August 2021	9,202	-	-	31,970	55,133	96,305

The share capital consists of shares of DKK 1 each or multiple thereof.

Financial statements 1 September – 31 August

Notes

1 Accounting policies

The annual report of CHR. HANSEN NATURAL COLORS A/S for 2020/21 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large enterprises of reporting class C.

Pursuant to section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of CHR. HANSEN NATURAL COLORS A/S and its group entities are included in the consolidated financial statements of Spring TopCo DK ApS, business registration no. 42 21 75 06.

In accordance with section 86(4) of the Danish Financial Statements Act, CHR. HANSEN NATURAL COLORS 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 for the financial year 2020/21 is presented in DKK thousands.

In accordance with section 98(b) of the Danish Financial Statements Act, CHR. HANSEN NATURAL COLORS 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.

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 rate at the transaction date and the rate at 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.

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.

CHR. HANSEN NATURAL COLORS 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 CHR. HANSEN NATURAL COLORS A/S expects to be entitled.

Revenue from a straightforward 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.

Rebates

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 recognised as revenue only to the extent that it is highly possible that significant revenues will not occur subsequently.

Trade receivables

A trade receivable is recognized when the customer obtains control of the goods and an invoice is issued, as this is the point in time when the consideration is unconditional and only the passage of time is required before the payment is due. Typical payment terms are around 45 days, but there may be country-specific deviations from typical payment terms.

Costs

The income statement is presented based on costs classified by function.

Cost of sales

Cost of sales 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.

Research and development costs

Research and development costs include labor cost, 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.

Sales and marketing expenses

Sales and marketing expenses 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.

Financial income and expenses

Financial income and expenses comprise interest income and interest expenses, commission, the interest component of payments under finance leases, surcharges and refunds under Denmark's on-account tax scheme, and value adjustments of financial fixed assets and items denominated in foreign currencies.

Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

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.

Amortization is carried out systematically over the expected useful lives of the assets:

- Software 5-10 years
- Development projects 3-20 years

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.

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 a corresponding provision is made at the same time. Borrowing costs in respect of construction of assets are capitalized when it takes more than 12 months for the assets to be ready for use.

The useful lives of the individual groups of assets are estimated as follows:

- Buildings 25-50 years
- Plant and machinery 5-20 years
- Other fixtures and equipment 3-10 years

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

Depreciation is provided on a straight-line basis.

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.

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 lessee's right to use an asset for a period of time. Lease 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.

CHR. HANSEN NATURAL COLORS A/S' portfolio of leases includes land, buildings, cars, and equipment.

Financial assets

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 exceed 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.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the carrying amount and the 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.

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

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of goods for resale and raw materials and consumables comprises the purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to its current stage of completion and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery, buildings and equipment, and production administration and management.

Receivables

Receivables are measured at amortized cost, usually equalling nominal value less provisions for bad and doubtful debts. The provisions are based on a specific assessment of the individual receivable.

Corporation tax and deferred tax

Current tax liabilities and receivables are recognized in the balance sheet at the amounts calculated on the taxable income for the year, adjusted for tax on taxable incomes for prior years and for taxes paid on account.

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Liabilities other than provisions

Financial liabilities comprising amounts payable to credit institutions, trade payables and payables to group entities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Amortized cost is calculated as the original cost less instalments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

The portion of the debt maturing after one year is recognized as non-current debt and the remainder as current debt.

Financial liabilities also include the capitalised residual lease commitment in respect of finance leases.

Key figures and financial ratios

Explanation of key figures and financial ratios:

$$\text{Gross margin} = \frac{\text{Gross income/(loss)}}{\text{Revenue}} \times 100$$

$$\text{Operating margin} = \frac{\text{Operating income/(loss) (EBIT)}}{\text{Revenue}} \times 100$$

$$\text{Return on invested capital} = \frac{\text{Operating income/(loss) (EBIT)}}{\text{Total assets}} \times 100$$

$$\text{Return on equity} = \frac{\text{Income/(loss) for the year}}{\text{Equity end of year}} \times 100$$

$$\text{Equity ratio} = \frac{\text{Equity end of year}}{\text{Total assets}} \times 100$$

Financial statements 1 September – 31 August**Notes****2 Events after the balance sheet date**

Effective December 29, 2021, the Oterra Group acquired Diana Food's natural food coloring business. All intangible assets related to acquisition was acquired by Chr. Hansen Natural Colors A/S while all tangible assets were acquired by other Oterra Group companies. The estimated acquisition price of the intangible assets is DKK 102.6 million.

DKK thousands	<u>2020/21</u>	<u>2019/20</u>
3 Revenue		
Revenue by geographical allocation		
Denmark	168,501	40,631
Europe (excl. Denmark)	610,358	550,580
North America	16,078	45,158
Other markets	282,671	300,192
	<u>1,077,608</u>	<u>936,561</u>

The geographical segmentation is based on customer location.

4 Production, research and development costs, sales, marketing and administrative expenses as well as other operating income and other operating expenses**Staff expenses**

Cost of sales, research and development expenses, sales and marketing expenses, and administrative expenses and other operating expenses include wages and salaries etc, which are distributed as follows:

Wages and salaries etc.	124,774	95,778
Transferred capitalization	(3,735)	(1,280)
Pensions	11,517	9,232
Other social security costs	1,479	1,158
Other employee expenses	2,121	3,001
	<u>136,156</u>	<u>107,889</u>
Remuneration of the Executive Board*	-	-
Average number of full-time employees	<u>179</u>	<u>155</u>

*During the financial year 2020/21 only one Executive Director has received remuneration from the Company and therefore the figures are not shown which is in accordance with section 98 B(3) of the Danish Financial Statements Act. The remuneration of the current Executive Director consists of a management fee to the parent company Holdingselskabet af 18. september 2020 ApS.

Financial statements 1 September – 31 August**Notes****Depreciation and amortisation**

Depreciation and amortization are included in cost of sales, research and development expenses, sales and marketing expenses and administrative expenses and are distributed as follows:

DKK thousands	2020/21	2019/20
Cost of sales	17,483	15,416
Research and development expenses	6,866	6,137
Sales and marketing expenses	269	1,170
Administrative expenses	1,644	-
	26,262	22,723

The impairment of development projects in progress amounted to DKK 0 thousand.

5 Financial income and expenses

Interest income and other financial income:

Interest income from Group companies	4,007	-
Interest income and other financial gains	6,531	6,285
	10,538	6,285

Interest expenses and other financial expenses:

Interest expenses to Group companies	(7,879)	-
Interest expenses and other financial losses	(10,925)	(5,541)
	(18,804)	(5,541)

6 Income taxes

Income taxes are distributed as follows:

Current tax on operating profit	(20,247)	(14,743)
Change in deferred tax concerning operating profit	28,452	(850)
Other taxes	-	(28)
Changes in income tax previous years	36	(541)
Changes in deferred tax previous years	(162)	-
	8,080	(16,161)

7 Distribution of profit/loss

Proposed dividend for the financial year

Reserve for development projects	(1,255)	4,275
Transferred to equity reserves	(60,258)	50,924
	(61,513)	55,199

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8 Intangible assets

DKK thousands	Develop- ment projects	Software	Intangible assets in progress	Total intangible assets
Cost at 1 September 2020	73,331	20,193	35,241	128,765
Transferred	3,644	1,943	(5,587)	-
Additions	633	262	39,591	40,486
Disposals	(1,811)	-	(8,317)	(10,128)
Cost at 31 August 2021	75,797	22,398	60,928	159,123
Amortization and impairment losses at 1 September 2020	28,106	8,444	-	36,550
Amortization for the year	6,399	2,587	-	8,986
Amortization and impairment losses at 31 August 2021	34,505	11,032	-	45,536
Carrying amount at 31 December 2020	41,292	11,367	60,928	113,587

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 marked and to existing customers.

9 Property, plant and equipment

DKK thousands	Land and buildings	Plant and machinery	Other fixtures and equipment	Assets under construction	Total tangible assets
Cost at 1 September 2020	31,201	159,513	25,889	18,349	234,952
Transferred	-	4,361	6,013	(10,374)	-
Additions	13,003	656	3,704	7,411	24,774
Disposals	-	(289)	(639)	-	(928)
Cost at 31 August 2021	44,204	164,241	34,967	15,386	258,798
Depreciation and impairment losses at 1 September 2020	3,355	123,683	13,156	-	140,194
Depreciation for the year	5,171	7,957	4,146	-	17,274
Depreciation of disposals for the year	-	(74)	(449)	-	(523)
Depreciation and impairment losses at 31 August 2021	8,526	131,566	16,853	-	156,946
Carrying amount at 31 August 2021	35,678	32,675	18,114	15,386	101,853
Hereof leased assets	35,678	527	159	1,497	37,861

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10 Investments in subsidiaries

DKK thousands	2020/21	2019/20
Cost at 1 September	-	-
Additions	403,031	-
Cost at 31 August	403,031	-
Carrying amount at 31 August	403,031	-

Key figures for the Company's subsidiaries at August 31, 2021:

Name and registered office (DKK thousands)	Country	Ownership interest
Oterra Colors Spain S.L.	Spain	100%
The representative office of Chr. Hansen Natural Colors A/S in Ho Chi Minh City	Vietnam	100%
Secna Natural Ingredients Group S.L.	Spain	100%
Sociedad Española de Colorantes Naturales y Afines, S.A.U.	Spain	100%
Vitivinícola Ramírez S.L.	Spain	50%
Società Italiana Coloranti Naturalied Affini S.r.l	Italy	100%
EG Industriale S.r.l.	Italy	100%
Secna Natural Ingredients Group SL Stabile Organizzazione	Italy	100%
Erkon Konsantre Sanayi ve Ticaret A.Ş.	Turkey	50%

11 Share capital

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

12 Deferred tax

Deferred tax relates to:

DKK thousands	2021	2020
Intangible assets	28,476	23,903
Current assets	2,445	2,843
Other assets, deferred commitments and liabilities	3,089	(197)
Tax losses carry forward	(35,751)	-
	(1,741)	26,549

Deferred tax has been recognized at 22%.

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13 Non-current liabilities	2021	2020
DKK thousands		
Due after 5 years		
Borrowings	185,944	-
Loans from Group companies	1,141,245	-
Lease liabilities	10,382	12,763
	1,337,571	12,763
Due within 1 – 5 years		
Lease liabilities	19,515	12,814
Tax payables	20,247	15,829
	39,762	28,643
	1,377,333	41,406

14 Contractual obligations and contingencies, etc.

Since March 31, 2021 the Company is jointly taxed with its Parent Company Spring TopCo DK ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of Danish corporation taxes for the income year 2021 onwards.

For periods prior to March 31, 2021 the company was jointly taxed with the other Danish companies in the Group, Chr. Hansen Holding A/S and BacThera Denmark A/S, and the companies were jointly liable for the joint taxes.

DKK'000	2021
Individual assets directly pledged	
Equity investment in Oterra Colors Spain S.L.	403,031
Carrying amount of pledged individual assets	403,031

15 Related parties

Related parties are defined as parties with control or significant influence over CHR. HANSEN NATURAL COLORS A/S. Management assess that all transactions are made on market terms:

Holdingselskabet af 18. September 2020 ApS
 Agern Allé 24
 2970 Hørsholm

Holdingselskabet af 18. September 2020 ApS is holding 100% of the share capital of CHR. HANSEN NATURAL COLORS A/S.

Chr. Hansen Holding A/S
 Bøge Allé 10 – 12
 2970 Hørsholm

Chr. Hansen Holding A/S held 100% of the share capital of CHR. HANSEN NATURAL COLORS A/S prior to March 31, 2021.

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16 Accounting relations

The annual report of CHR. HANSEN NATURAL COLORS A/S is included in the consolidated financial statements of the parent companies Spring TopCo DK ApS and Holdingselskabet af 18. September 2020 ApS. The consolidated financial statements can be obtained by request to Spring TopCo DK ApS and Holdingselskabet af 18. September 2020 ApS:

Spring TopCo DK ApS
Agern Allé 24
2970 Hørsholm

Holdingselskabet af 18. September 2020 ApS
Agern Allé 24
2970 Hørsholm