Annual Report 2022/23

Oterra A/S
Agern Allé 24
2970 Hørsholm
Denmark
Company Reg. (CVR) No. 35638784

Adopted at the Annual General Meeting
on 27 February 2024

Chair of the meeting
Cecilie Dohn

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DKK'000	Sep 1, 2022-Aug 31, 2023	Sep 1, 2021-Aug 31, 2022	Sep 1, 2020-Aug 31, 2021	Sep 1, 2019-Aug 31, 2020	Sep 1, 2018-Aug 31, 2019
Income statement					
Revenue	1,099,083	1,170,519	1,077,608	936,561	980,874
Gross profit	138,818	270,583	354,277	244,916	293,104
Operating profit/loss	(427,300)	(331,118)	(61,327)	70,617	126,849
Net financials	(138,793)	(126,263)	(8,266)	744	(5,556)
Profit//loss before tax	(567,441)	(457,381)	(69,593)	71,360	121,293
Profit/loss for the year	(485,366)	(428,464)	(61,513)	55,199	94,842
Balance sheet					
Total assets	3,010,349	3,243,177	1,674,163	780,155	702,084
Purchase of property, plant and equipment	24,022	10,022	24,774	50,809	9,843
Equity	37,232	(332,159)	96,305	581,805	526,606

	Sep 1, 2022-Aug 31, 2023	Sep 1, 2021-Aug 31, 2022	Sep 1, 2020-Aug 31, 2021	Sep 1, 2019-Aug 31, 2020	Sep 1, 2018-Aug 31, 2019
Financial ratios					
Gross margin	12.6%	23.1%	32.9%	26.2%	29.9%
Operating margin	(38.9%)	(28.3%)	(5.7%)	7.5%	12.9%
Return on invested capital	(14.2%)	(10.2%)	(3.7%)	9.1%	18.1%
Return on equity	(1.303.6%)	(129.0%)	(63.9%)	9.5%	18.0%
Equity ratio	1.2%	(10.2%)	5.8%	74.6%	75.0%
Other key figures					
Average number of employees (FTEs)	226	220	179	155	145

Refer to accounting policies on page 21 for details on calculation of financial ratios.

Management's review

Management commentary

Oterra A/S is a company within the Spring TopCo DK ApS Group (Oterra Group), and 100% owned by Oterra Holding ApS. Oterra has +140 years of experience in natural colors. Today we develop, produce and sell natural colors and coloring food products to customers across the food and beverage industry. We are a vertically integrated operation with the widest portfolio in the market, focused exclusively on natural colors and coloring foods.

Highlights for the Year

The past year has been another year where we continued to build and streamline the company, continuously drove operational excellence projects, and also invested into assets and innovation driving launches well through 2024.

Highlights of the year for the Oterra Group include investment in the Akay Group and the launch of Akay Bioactives, a new brand combining the group's bioactive ingredients for the health and nutrition industry.

During the 2022/23 fiscal year, Oterra A/S continued its transformation journey with a focus on simplifying and improving the operating model to enable efficiency and execution.

Financial review

The 2022/23 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:

- Further strengthening of the existing teams
- Continued focus on simplifying the business and operating model

Performance for the year was also impacted by macro-economic challenges, with global supply chains adjusting to the post-Covid landscape. High industry inventories affected the entire sector.

Oterra proactively managed capacity and inventory levels to align with industry dynamics. Development on inflations rates have primarily impacted personnel and energy cost. Increased interest rates mainly affected new borrowings and are taken into consideration.

Despite the challenging year, we continue to experience a solid pipeline of opportunities.
This includes a fundamental support from the consumer interest in healthy natural products, as well as regulatory support for continued adoption of natural colors. We experience continued interest in converting from artificial to natural colors and expect this trend to continue going forward.

Management's review
Management commentary (continued)

Result of the year summary

In the financial year 2022/23, Oterra A/S generated net revenues of DKK 1,099,083 thousand and an operating loss (EBIT) of DKK -427,301 thousand (2021/22: DKK -331,118 thousand). As a combination of revenues not increasing as expected, a more challenging market, and too high stock, leading to scrapping and lower utilization of assets, EBIT has decreased since 2021/22.

The negative result was below Management's expectations and considered disappointing however, this is considered the result of prioritizing our customers and investing in the business to build the right foundation for the future.

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 can keep operating without financial difficulties.

Outlook

Whereas Oterra's performance for 2022/23 was below our expectation due the market slow-down, Oterra remains focused on its transformative journey, demonstrating adaptability and resilience in the face of industry dynamics. The strategic initiatives undertaken lay the foundation for future growth.

Oterra remains resilient in its commitment to right-sizing its operating base, ensuring alignment with current activity levels while maintaining flexibility for anticipated revenue between DKK 990,000-1,210,000 thousand and EBIT between DKK 0 and 5,000 thousand. The ongoing dedication to simplifying operations, coupled with strategic investments and the integration of acquired entities, positions the company for sustained success in the dynamic market landscape.

Events after the balance sheet date

The Company has received a Group Contribution from Spring TopCo DK ApS subsequent to the balance sheet date of EUR 25.0 million (equivalent to DKK 186.5 million).
No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

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 2022 – August 31, 2023, issued by the parent company Spring TopCo DK ApS, cvr. no. 42217506.

Statutory gender distribution in management pursuant to ÅRL 99b

Oterra is a truly international company serving more than 130 markets globally, employing colleagues from more than 40 different nationalities, across 26 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.

Management's review

Management commentary (continued)

Oterra strives to create a culture that provides employees and managers 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.

While we work with diversity on a broad basis, we do believe that gender is an important parameter to pay attention to. This year, the percentage of female leaders in Oterra A/S was 45% at Extended Leadership Team (ELT) level, and Oterra A/S thereby retains its equal gender representation as defined under the Danish law.

The Board of Directors of Oterra A/S consists of four professional board members. At the end of 2022/23, our Board had a gender representation split 50-50% amongst our externally appointed board members. Therefore, it retains 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 2022 – August 31, 2023, issued by the parent company Spring TopCo DK ApS, cvr. no. 42217506.

Research and development

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 2022 – 31 August 2023, Oterra A/S spent DKK 42.7 million on research and development activities (1 September 2021 – 31 August 2022: DKK 118.6 million). Of these DKK 14.6 million was capitalized relating to new products and processes (1 September 2021 – 31 August 2022: DKK 9.0 million).

Social and staffing

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.

At Oterra, we have a diverse workforce that brings together over 50 different nationalities with different skills, experience and backgrounds. Diversity and inclusion are essential to realize our strategic goals and we work to enable a culture of belonging, attract a diverse talent pool and ensure equal opportunities for all employees.

It is Oterra's ambition to have a diverse representation in terms of work experience, nationality, culture, international experience, and gender. We know that multiple dimensions differentiate our people and are important to enable diversity of thought.

Statement of the Board of Directors and the Executive Board

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Oterra A/S for the financial year ended August 31, 2023.

The Annual Report has been prepared in accordance with the Danish financial statements act and optionally chosen international reporting standards in accordance with EU.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at August 31, 2023 and the results of the Company's operations for the financial year September 1, 2022 – August 31, 2023.

In our opinion, the Management's review includes a true and fair account of the development in the operations and financial circumstances of the Company, of their results of operations for the year, and of the financial position of the Company, as well as a description of the most significant risks and elements of uncertainty facing the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hørsholm, 27 February 2024

Executive Board:

Martin Sonntag
CEO

Board of Directors:

Cornelis de Jong Chair	Mads Munkholt Ditlevsen Vice Chair	Christoffer Erik Mathies Lorenzen
Xiangwei Gong	Nils Philipp Ketter	Thijs William Bakker

Independent auditor's report
Report on the audit of the financial statements

Opinion

We have audited the financial statements of Oterra A/S for the financial year 1 September 2022 – 31 August 2023, 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 2023 and of the results of the Company's operations for the financial year 1 September 2022 - 31 August 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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 based on 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.

- 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 disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained 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 statement 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 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender State Authorized Public Accountant mne21332	Mads Vinding State Authorized Public Accountant mne42792

Income statement

DKK'000	Note	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Revenue	4	1,099,083	1,170,519
Production costs	5, 6	(960,265)	(899,936)
Gross income/(loss)		**138,818**	**270,583**
Distribution costs	5, 6	(66,540)	(79,514)
Administrative costs	5, 6	(380,982)	(412,515)
Research and development costs	5, 6	(118,596)	(109,672)
Operating profit/loss		**(427,300)**	**(331,118)**
Other operating expenses		(1,348)	-
Profit/loss before net financials		**(428,648)**	**(331,118)**
Financial income	7	138,242	35,094
Financial expenses	8	(277,035)	(161,357)
Profit/loss before tax		**(567,441)**	**(457,381)**
Income taxes	9	82,075	28,917
Income/(loss) for the year		**(485,366)**	**(428,464)**
Transferred over the appropriation of profit/loss		**(485,366)**	**(428,464)**

Balance sheet

DKK'000	Note	2023	2022
Assets			
Non-current assets			
Intangible assets	**10**		
Software		117,210	118,352
Patents & rights		776,079	794,149
Development projects		32,238	38,262
Development projects in progress		46,116	31,534
Total intangible assets		**971,643**	**982,297**
Property plant and equipment	**11**		
Land and buildings		26,380	29,382
Plant and machinery		36,108	27,752
Fixtures and fittings, other plant and equipment		11,523	14,759
Property, plant and equipment under construction		13,759	19,920
Total property plant and equipment		**87,770**	**91,813**
Investments	**12**		
Investments in subsidiaries		471,481	441,348
Other securities and investments		95,185	95,066
Total investments		**566,666**	**536,414**
Total non-current assets		**1,626,079**	**1,610,524**

DKK'000	Note	2023	2022
Current assets			
Inventories			
Raw materials and consumables		71,362	111,505
Work in progress		48,276	54,493
Finished goods and goods for resale		68,133	88,692
Total inventories		**187,771**	**254,690**
Receivables			
Deposits		3,051	3,003
Trade receivables		157,530	270,817
Receivables from group entities		778,361	1,045,376
Deferred tax assets	**13**	100,572	30,347
Other receivables		1,926	1,890
Prepayments		8,281	8,318
Total receivables		**1,049,721**	**1,359,751**
Cash		**146,778**	**18,212**
Total current assets		**1,384,270**	**1,632,653**
Total assets		**3,010,349**	**3,243,177**

Balance sheet

DKK'000	Note	2023	2022
Equity and liabilities			
Equity			
Share capital	**14**	9,202	9,202
Reserve for development costs		25,147	29,844
Retained earnings		2,883	(371,205)
Total equity		**37,232**	**(332,159)**
Liabilities			
Non-current liabilities other than provisions			
Borrowings		916,136	655,299
Lease liabilities		25,373	29,085
Payables to group entities		-	1,244,972
Other payables		10,749	10,474
Total non-current liabilities other than provisions	**15**	**952,258**	**1,939,830**
Current liabilities other than provisions			
Borrowings		21,293	72,399
Lease liabilities		7,337	1,000
Trade payables		115,357	198,195
Payables to group entities		1,820,809	1,243,702
Corporation tax payable		-	20,004
Other payables		56,063	100,206
Current liabilities other than provisions		**2,020,859**	**1,635,506**
Total liabilities other than provisions		**2,973,117**	**3,575,336**
Total Equity and liabilities		**3,010,349**	**3,243,177**

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Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development cost	Retained earnings	Total
18	**2021**				
	Equity at September 1, 2021	9,202	31,970	55,133	**96,305**
	Transferred, see "Appropriation of loss"	-	(2,126)	(426,338)	**(428,464)**
	Equity at August 31, 2022	**9,202**	**29,844**	**(371,205)**	**(332,159)**
18	**2022**				
	Equity at September 1, 2022	9,202	29,844	(371,205)	**(332,159)**
	Transferred, see "Appropriation of loss"	-	(4,697)	(480,669)	**(485,366)**
	Capital contribution	-	-	854,757	**854,757**
	Equity at August 31, 2023	**9,202**	**25,147**	**2,883**	**37,232**

The Board of Directors has decided not to propose any ordinary dividend for the financial year September 1, 2022 – August 31, 2023.

Notes

1 Accounting policies

The annual report of Oterra A/S for 2022/23 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities. 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.

With reference to section 96(3) the fee to the statutory auditors have not been presented.

The accounting policies used in the preparation of the financial statements are consistent with those of last year. The functional split (P&L), Other securities and investments, Deposits, Other receivables, and prepayments in prior year financial statements have been reclassified to conform to the current period's presentation. Financial highlights have 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 recognized 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 recognized in the most recent financial statements is recognized 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.

Notes

1 Accounting policies (continued)

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 is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It 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, next 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 considerations 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 recognized in revenue.

Production costs

Production costs comprise the cost of products sold. Cost comprises the purchase price of raw-materials, consumables and goods for resale, direct labor 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 costs for salaries to sales personnel, advertising and exhibition expenses, depreciations, etc.

Administrative costs

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

Other operating expenses

Other operating expenses comprise the cost related to retirement of assts before time, and the net value of that asset when retired.

Notes

1 Accounting policies (continued)

Amortization/depreciation

The item comprises amortization/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	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, property, plant and equipment under construction, and development projects are not depreciated/amortised.

Financial income and expenses

Financial income and expenses are recognized in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

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 recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

The entity is jointly taxed with other 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.

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost. Research costs 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 based on various factors, including future use of the project, the fair value of estimated future earnings or savings, interest rates, and risks.

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

Parents 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, plants and equipment in progress are not depreciated. Gains and losses from the disposal of property, plant and equipment are recognized in the income statement as other operating income or other operating expenses. Gains or losses are calculated as the difference between the selling price fewer selling costs and the carrying amount at the date of disposal.

Notes

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 lessee's right to use an asset for a period. 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 than 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, buildings, 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, and 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 recognized 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 exceed 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

Other securities and equity investments comprise unlisted shares that Management considers long-term investments. Unlisted shares are measured at cost price.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment, investments in subsidiaries, other securities and investments 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).

Notes

1 Accounting policies (continued)

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated as the sales amount less costs of completion and expenses required to affect the sale and is determined considering 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 labor and indirect production overheads.

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

Deposits

Deposits consist of receivable financial asset related to leasing of land and buildings, deposits are measured at amortized cost.

Receivables

Receivables are measured at amortized cost.

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

An impairment loss is recognized if there is objective evidence that a receivable or a group of receivables are impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognized 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 realizable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as a discount rate.

Cash

Cash at bank and in hand comprise cash and bank deposits.

Given the nature of the Groups cash pool arrangement, cash pool balances are not considered cash, but are recognized under "Receivables from group entities”.

Notes

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Corporation tax and deferred tax

Current tax payables and receivables are recognized 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 recognized 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 recognized at the expected value of their utilization; 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 recognized in the income statement.

Liabilities

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

Other liabilities are measured at net realizable 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.

Notes

1 Accounting policies (continued)

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	$\frac{\text{Equity end of year}}{\text{Total assets}}$

Notes

2 Going concern

The company has realized a loss of DKK 485.4 million in the financial year 2022/23. Equity has due to capital contributions still been kept at a positive DKK 37.2 million, 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. Further capital contributions have also been made after the balance sheet date as noted in the management review.

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 received a Group Contribution of DKK 186.5 million from its parent company, Spring TopCo DK ApS.

Besides the above there are no subsequent events which could have an impact on the financial statements at 31. August 2023.

4 Segment information

Breakdown of revenue by geographical segment:

DKK'000	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
APAC	245,601	238,612
EEMEA	403,829	279,545
LATAM	153,051	75,538
North America	137,460	29,877
Western Europe	159,142	546,947
Total	**1,099,083**	**1,170,519**

Revenue relates to sale of natural colors and coloring food products.

5 Staff costs

DKK'000	2022/23	2021/22
Wages/salaries	184,608	179,626
Pensions	16,536	14,710
Other social security costs	653	1,141
Transferred capitalization	(9,354)	(10,593)
Total	**192,443**	**184,884**

Notes

Staff costs are recognized as follows in the financial statement:

DKK'000	2022/23	2021/22
Production costs	104,667	110,157
Distribution costs	18,005	21,360
Administrative costs	67,502	49,718
Research and development costs	2,269	3,649
Total	**192,443**	**184,884**
Average amount of employees	226	220

Remuneration to Management, comprising the two CEOs during the year, amounted to DKK 4,264 thousand in 2022/23 - hereof, pensions totaling DKK 587 thousand.
Part of remuneration to Management is allocated from Oterra Holding ApS through management fee under administration costs.
For 2021/22, remuneration to Management was not disclosed with reference to section 98b(3), (iii), of the Danish Financial Statements Act.

6 Amortization/depreciation of intangible assets and property, plant, and equipment

DKK'000	2022/23	2021/22
Amortization of intangible assets	58,836	38,729
Depreciation of property plant and equipment	25,819	16,759
Total	**84,655**	**55,488**

Amortization/depreciation of intangible assets and property, plant and equipment are recognized in the income statement under the following items:

DKK'000	2022/23	2021/22
Production costs	26,108	12,934
Distribution costs	31,456	17,632
Administrative costs	22,297	19,633
Research and development costs	4,794	5,259
Total	**84,655**	**55,488**

The impairment of development projects in progress amounted to DKK 0 thousand (2021/22: DKK 0 thousand).

7 Financial income

DKK'000	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Interest income from Group companies	31,038	17,968
Other financial income	107,204	17,126
Total	**138,242**	**35,094**

Notes

8 Financial expenses

DKK’000	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Interest expenses to Group companies	157,399	10,874
Other financial expenses	119,636	150,483
Total	**277,035**	**161,357**

9 Tax for the year

DKK’000	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Estimated tax charge for the year	(11,207)	-
Deferred tax	(91,610)	(28,606)
Tax adjustment prior years	(4,500)	(311)
Valuation allowance	25,242	-
Total	**(82,075)**	**(28,917)**

10 Intangible assets

DKK’000	Software	Patents & rights	Development projects	Development projects in progress	Total
Cost at 1 September 2022	**135,894**	**820,123**	**79,011**	**31,534**	**1,066,562**
Additions	11,866	21,990	7	14,582	48,445
Transferred	-	-	(263)	-	(263)
Cost at 31 August 2023	**147,760**	**842,113**	**78,755**	**46,116**	**1,114,744**
Impairment losses and amortization at 1 September 2022	**(17,542)**	**(25,974)**	**(40,749)**	**-**	**(84,265)**
Amortization for the year	(13,008)	(40,060)	(5,768)	-	(58,836)
Impairment losses and amortization at 31 August 2023	**(30,550)**	**(66,034)**	**(46,517)**	**-**	**(143,101)**
Carrying amount at 31 August 2023	**117,210**	**776,079**	**32,238**	**46,116**	**971,643**

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 based that the products have a technical and commercial likelihood at the present market and to existing customers.

Notes

11 Property, plant, and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Property, plant, and equipment in progress	Total
Cost at 1 September 2022	**43,975**	**166,232**	**35,390**	**19,920**	**265,517**
Additions	9,903	4,191	324	9,604	24,022
Disposals	(2,443)	(1,891)	(122)	(171)	(4,627)
Transferred	318	14,549	-	(15,594)	(727)
Cost at 31 August 2023	**51,753**	**183,081**	**35,592**	**13,759**	**284,185**
Impairment losses and depreciation at 1 September 2022	**(14,593)**	**(138,480)**	**(20,631)**	**-**	**(173,704)**
Depreciations for the year	(11,891)	(10,384)	(3,544)	-	(25,819)
Depreciation retirements	1,111	1,891	106	-	3,108
Impairment losses and depreciation on 31 August 2023	**(25,373)**	**(146,973)**	**(24,069)**	**-**	**(196,415)**
Carrying amount on 31 August 2023	**26,380**	**36,108**	**11,523**	**13,759**	**87,770**
Property plant and equipment include finance leases with a carrying amount totaling	26,265	1,577	1,763	-	29,605

Notes

12 Investments

DKK'000	Investment in group enterprises	Other securities and investments	Total
Cost at 1 September 2022	**441,348**	**95,066**	**536,414**
Additions	30,133	119	30,252
Cost at 31 August 2023	**471,481**	**95,185**	**566,666**
Carrying amount at 31 August 2023	**471,481**	**95,185**	**566,666**

Legal entity name	Domicile	Interest	DKK'000 Equity	DKK'000 Result
Oterra Colors Spain SLU	Spain	100%	458,445	(22,340)
Secna Natural Ingredients Group SLU	Spain	100%	20,765	(5,855)
Socieda Española de Colorantes Naturales y Afines SAU	Spain	100%	206,294	41,184
Vitivinícola Ramírez sl	Spain	50%	15,615	1,043
Società Italiana Coloranti Naturali e Affini – S.I.C.N.A. S.r.l	Italy	76%	26,205	9,349
EG industriale S.r.l.	Italy	57%	28,143	(2,657)
Oterra Italia S.p.A	Italy	58%	58,052	(21,528)
Erkon Konsantre Sanayi Ve Ticaret Anonim Şirketi	Turkey	50%	120,893	74,310

Equity and result for year are based on consolidated IFRS figures.

13 Deferred tax

Deferred tax relates to:

DKK'000	2022/23	2021/22
Intangible assets	42,995	35,410
Property plant and equipment	(4,787)	(194)
Receivables	-	-
Liabilities	(7,653)	(6,666)
Tax loss	(131,127)	(58,897)
Total	**(100,572)**	**(30,347)**

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 utilized within the foreseeable future by offsetting against future positive taxable income.

Notes

14 Share capital

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

15 Non-current liabilities other than provisions

DKK'000	Total debt at Aug 31, 2023	Repayment next year	Long-term portion	Outstanding debt after 5 years
Borrowings	937,429	21,293	916,136	-
Lease liabilities	32,710	7,337	25,373	-
Other payables	66,812	56,063	-	10,749
Total	**1,036,951**	**84,693**	**941,509**	**10,749**

16 Contractual obligations and contingencies

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 664,951 thousand to Oterra Holding ApS,

Furthermore, shares in Oterra Colors Spain S,L,U, comprising DKK 471.5 million have been pledged with priority pursuant to a share pledge agreement in favour of the Company's bank.

Notes

17 Related parties

Oterra A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Oterra Holding ApS	Agern Allé 24, 2970 Hørsholm	Parent entity

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Parent	Domicile
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:

DKK'000	2022/23	2021/22
Recharges	(249,354)	(227,526)
Interest expenses	(157,399)	(10,874)
Interest income	31,038	17,968
Sale of goods	336,231	381,213
Purchase of goods	(178,754)	(278,310)
Capital contributions	854,757	-
Receivables at 31 Aug	778,361	1,045,376
Payables at 31 Aug	1,820,810	1,243,702

18 Appropriation of loss

Recommended appropriation of loss

DKK'000	2022/23	2021/22
Reserve for development costs	(4,697)	(2,126)
Retained earnings/accumulated loss	(480,669)	(426,338)
Total	**(485,366)**	**(428,464)**