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# *Sprout Holding ApS*

Sydhavns Plads 12, 3., DK-2450 Copenhagen

## Annual Report for 2022

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CVR No. 35 86 67 87

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 16/5 2023

Michael Stausholm  
Christiansen  
Chairman of the  
general meeting



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# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Consolidated Financial Statements and Parent Company Financial Statements of Sprout Holding ApS for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

Copenhagen, 16 May 2023

## Executive Board

Michael Stausholm Christiansen

## Board of Directors

Michael Stausholm Christiansen  
Chairman

Johan Askari Bülow

Sidsel Maria Lundtang Rasmussen

# Independent Auditor's report

To the shareholder of Sprout Holding ApS

## Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sprout Holding ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

## 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

# Independent Auditor's report

## Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

# Independent Auditor's report

Ringsted, 16 May 2023

**PricewaterhouseCoopers**  
Statsautoriseret Revisionspartnerselskab  
*CVR No 33 77 12 31*

Martin Langhoff Hansen  
State Authorised Public Accountant  
mne36027

## Company information

<b>The Company</b>	Sprout Holding ApS Sydhavns Plads 12, 3. DK-2450 Copenhagen  CVR No: 35 86 67 87 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
<b>Board of Directors</b>	Michael Stausholm Christiansen, chairman Johan Askari Bülow Sidsel Maria Lundtang Rasmussen
<b>Executive board</b>	Michael Stausholm Christiansen
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Eventyrvej 16 4100 Ringsted

# Group Chart

<u>Company</u>	<u>Residence</u>	<u>Ownership</u>
<b>Sprout Holding ApS</b>	<b>Copenhagen, Denmark</b>	
SproutWorld ApS	Copenhagen, Denmark	100%
Sprout IP ApS	Copenhagen, Denmark	100%
Sprout USA Inc.	USA	100%



# Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

	<b>Group</b>				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	47,627	31,951	26,233	34,146	19,490
Profit/loss of ordinary primary operations	2,056	196	1,082	5,097	2,028
Profit/loss before financial income and expenses	2,135	394	1,089	5,097	2,028
Profit/loss of financial income and expenses	-529	-217	-71	-187	-503
Net profit/loss	856	286	834	3,803	1,213
<b>Balance sheet</b>					
Balance sheet total	19,969	18,048	10,951	12,536	8,302
Investment in property, plant and equipment	0	-350	0	0	-4
Equity	4,891	4,591	4,258	3,504	-299
<b>Cash flows</b>					
Cash flows from:					
- operating activities	-2,317	866	1,619	4,049	3,431
- investing activities	-468	-3,436	-622	-1,517	-1,302
- financing activities	3,309	3,984	-1,012	-1,358	-1,688
Change in cash and cash equivalents for the year	524	1,414	-15	1,174	441
Number of employees	17	15	14	12	9
<b>Ratios</b>					
Profit margin	4.5%	1.2%	4.2%	14.9%	10.4%
Return on assets	10.7%	2.2%	9.9%	40.7%	24.4%
Solvency ratio	24.5%	25.4%	38.9%	28.0%	-3.6%
Return on equity	18.1%	6.5%	21.5%	237.3%	254.3%

# Management's review

## Key activities

The primary purpose of the corporation is development, marketing, and sales of green and sustainable consumer products. The vision of the corporation is to reduce the global use of resources and to actively advocate for sustainability issues regarding production, green consumer products and businesses. We aim to inspire both businesses and consumers to be more sustainable in their behaviour. Our motto is: From small things, big things grow.

## Development in the year

The income statement of the Group for 2022 shows a profit of DKK 855,620, and at 31 December 2022 the balance sheet of the Group shows positive equity of DKK 4,890,927.

The management of the corporation is satisfied with these results from 2022.

## The past year and follow-up on development expectations from last year

The corporation expected a growth of 50% for 2022 which was succeeded. This growth was based on a focused sales effort and great focus on brand marketing, PR, sustainability initiatives and investments as well as focus on a well-functioning and resistant supply chain with production facilities only in the EU and the USA.

## Targets and expectations for the year ahead

The objectives of the corporation for 2023 are growth on all primary markets and sales channels as well as further development on existing products. The goal is a 20% growth.

## Statement of corporate social responsibility

In the Annual Report for 2022, we want to reflect on the importance of the climate in our management report. Climate change is one of the biggest challenges facing the world today, and as a responsible company, we are keen to address this issue proactively. We recognize that climate change has serious consequences for the planet, society, and the economy. There is scientific consensus that human activity, especially the emission of greenhouse gases such as carbon dioxide (CO<sub>2</sub>), is the main cause of climate change. As a company, we are dedicated to helping to reduce our own climate footprint and to taking responsibility for contributing to the transition to a low-carbon economy.

In 2022 we had our first GHG report done. The first step is to measure and document the CO<sub>2</sub> eq and then you can set targets to reduce. At SproutWorld we pledged to reach Net-Zero by 2040. One of our biggest challenges is that we can't reach our Net-Zero goal without our suppliers committing to play their part. We must work with our suppliers to also work purposefully to reduce their own CO<sub>2</sub> eq and minimize waste. In addition, they need to have a green energy strategy. We are interdependent throughout the whole supply chain, and a weak link destroys the strength of the entire chain.

We have set several targets to reduce our climate footprint and improve our sustainable practices. This includes investing in energy efficiency measures, reducing emissions from our production process, and promoting the use of renewable energy. We will also focus on reducing our waste and improving resource management to minimize our negative impact on the environment. Furthermore, we will integrate climate risk into our risk management process to identify and manage the potential consequences of climate change on our operations and supply chain. This includes the Life Cycle Assessment of all products. Today we have on our pencils and makeup liners. If new products are launched, they, too, will have an LCA.

We also recognize the importance of engaging with stakeholders, including communities, customers, and partners, to promote understanding and action related to climate change. We actively seek dialogue and cooperation with various stakeholders and communities such as B Corp - and UN Global Compact members, to exchange knowledge, experience, and best practice to strengthen our efforts to tackle climate change.

## Management's review

We are also committed to reporting our efforts and progress in climate and sustainability transparently. This includes following current guidelines and standards for sustainability reporting, such as the Global Compact Report on Communication on Progress and B Corp certification, to ensure that we communicate relevant and reliable information to our stakeholders. Likewise, our development of a blockchain supports the documentation of the production, usage, and end-of-life cycle of our products. The EU just launched Green Claims Rules to Protect Consumers from Greenwashing (<https://www.esgtoday.com/eu-launches-green-claim-rules-to-protect-consumers-from-greenwashing/>). Blockchain is the perfect tool for documentation. We call it “show – don’t tell”. For instance, in our own Blockchain 1.0 version, we have included an impact calculator so that consumers can see how much CO2 was produced in the making of a plantable pencil. We understand that climate change can also represent opportunities for innovation, growth, and competitive advantage. We will therefore continue to search for new solutions and business opportunities that contribute to reducing the CO2 eq.

From 2023 we will make our Corporate Social Responsibility Disclosure, CSRD. CSRD can take various forms and in our case, it will be an integrated report that combines financial and non- financial information. This disclosure will help us communicate about our social and environmental impacts, as well as our efforts to address them. This will help us to be totally transparent and accountable concerning our social, environmental, and ethical practices.

### Unusual events

The financial position at 31 December 2022 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022 have not been affected by any unusual events.

### Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income statement 1 January - 31 December

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Revenue		47,626,534	31,950,624	0	0
Other operating income		168,000	346,957	0	0
Expenses for raw materials and consumables		-21,056,025	-14,186,040	0	0
Other external expenses		-12,627,789	-8,306,681	-26,840	-56,020
<b>Gross profit</b>	<b>2</b>	<b>14,110,720</b>	<b>9,804,860</b>	<b>-26,840</b>	<b>-56,020</b>
Staff expenses	3	-10,662,634	-8,556,039	0	0
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	4	-1,223,797	-705,551	0	0
Other operating expenses		-88,868	-148,938	0	0
<b>Profit/loss before financial income and expenses</b>		<b>2,135,421</b>	<b>394,332</b>	<b>-26,840</b>	<b>-56,020</b>
Income from investments in subsidiaries		0	0	992,532	310,431
Financial income	5	114,116	134,691	61,000	225,259
Financial expenses	6	-643,270	-351,890	-209,689	-201,103
<b>Profit/loss before tax</b>		<b>1,606,267</b>	<b>177,133</b>	<b>817,003</b>	<b>278,567</b>
Tax on profit/loss for the year	7	-750,647	108,467	38,617	7,033
<b>Net profit/loss for the year</b>	<b>8</b>	<b>855,620</b>	<b>285,600</b>	<b>855,620</b>	<b>285,600</b>

## Balance sheet 31 December

### Assets

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Acquired patents		6,051,059	6,406,186	0	0
Acquired other similar rights		736,132	1,066,781	0	0
<b>Intangible assets</b>	9	<b>6,787,191</b>	<b>7,472,967</b>	<b>0</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		0	0	0	0
Leasehold improvements		279,680	349,600	0	0
<b>Property, plant and equipment</b>	10	<b>279,680</b>	<b>349,600</b>	<b>0</b>	<b>0</b>
Investments in subsidiaries	11	0	0	8,663,963	7,649,225
Deposits	12	182,715	182,715	0	0
<b>Fixed asset investments</b>		<b>182,715</b>	<b>182,715</b>	<b>8,663,963</b>	<b>7,649,225</b>
<b>Fixed assets</b>		<b>7,249,586</b>	<b>8,005,282</b>	<b>8,663,963</b>	<b>7,649,225</b>
Finished goods and goods for resale		3,238,865	2,190,782	0	0
<b>Inventories</b>		<b>3,238,865</b>	<b>2,190,782</b>	<b>0</b>	<b>0</b>
Trade receivables		2,395,196	2,290,517	0	0
Receivables from group enterprises		644,333	365,345	1,714,081	1,615,092
Other receivables		2,151,956	1,161,122	0	0
Deferred tax asset	14	0	0	0	5,371
Corporation tax		0	274,368	43,988	276,751
Prepayments	13	60,541	55,796	0	0
<b>Receivables</b>		<b>5,252,026</b>	<b>4,147,148</b>	<b>1,758,069</b>	<b>1,897,214</b>
<b>Cash at bank and in hand</b>		<b>4,228,606</b>	<b>3,704,437</b>	<b>342,729</b>	<b>0</b>
<b>Current assets</b>		<b>12,719,497</b>	<b>10,042,367</b>	<b>2,100,798</b>	<b>1,897,214</b>
<b>Assets</b>		<b>19,969,083</b>	<b>18,047,649</b>	<b>10,764,761</b>	<b>9,546,439</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Share capital		62,367	62,367	62,367	62,367
Reserve for net revaluation under the equity method		0	0	3,686,150	3,249,225
Reserve for exchange rate conversion		29,771	-32,896	0	0
Retained earnings		4,248,789	4,561,443	592,410	1,279,322
Proposed dividend for the year		550,000	0	550,000	0
<b>Equity</b>		<b>4,890,927</b>	<b>4,590,914</b>	<b>4,890,927</b>	<b>4,590,914</b>
Provision for deferred tax	14	770,358	310,971	0	0
Provisions relating to investments in group enterprises		0	0	459,780	0
<b>Provisions</b>		<b>770,358</b>	<b>310,971</b>	<b>459,780</b>	<b>0</b>
Credit institutions		1,888,425	2,377,503	0	0
Other payables		171,006	340,049	0	0
<b>Long-term debt</b>	15	<b>2,059,431</b>	<b>2,717,552</b>	<b>0</b>	<b>0</b>
Credit institutions	15	6,001,573	2,488,750	0	55
Prepayments received from customers		831,372	819,867	0	0
Trade payables		3,523,353	6,002,104	0	0
Payables to group enterprises		285,284	0	5,340,477	4,887,719
Payables to owners and Management		20	0	0	0
Corporation tax		14,174	0	0	0
Other payables	15	1,592,591	1,117,491	73,577	67,751
<b>Short-term debt</b>		<b>12,248,367</b>	<b>10,428,212</b>	<b>5,414,054</b>	<b>4,955,525</b>
<b>Debt</b>		<b>14,307,798</b>	<b>13,145,764</b>	<b>5,414,054</b>	<b>4,955,525</b>
<b>Liabilities and equity</b>		<b>19,969,083</b>	<b>18,047,649</b>	<b>10,764,761</b>	<b>9,546,439</b>

## Balance sheet 31 December

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## Statement of changes in equity

### Group

	Share capital	Reserve for exchange rate conversion	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	62,367	-32,896	4,561,443	0	4,590,914
Net effect of correction of material misstatements	0	0	-618,274	0	-618,274
Adjusted equity at 1 January	62,367	-32,896	3,943,169	0	3,972,640
Exchange adjustments	0	62,667	0	0	62,667
Net profit/loss for the year	0	0	305,620	550,000	855,620
<b>Equity at 31 December</b>	<b>62,367</b>	<b>29,771</b>	<b>4,248,789</b>	<b>550,000</b>	<b>4,890,927</b>

### Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	62,367	3,249,225	1,279,322	0	4,590,914
Net effect of correction of material misstatements	0	-618,274	0	0	-618,274
Adjusted equity at 1 January	62,367	2,630,951	1,279,322	0	3,972,640
Exchange adjustments	0	62,667	0	0	62,667
Net profit/loss for the year	0	992,532	-686,912	550,000	855,620
<b>Equity at 31 December</b>	<b>62,367</b>	<b>3,686,150</b>	<b>592,410</b>	<b>550,000</b>	<b>4,890,927</b>



## Cash flow statement 1 January - 31 December

	Note	Group	
		2022	2021
		DKK	DKK
Result of the year		855,620	285,600
Adjustments	16	2,503,598	814,283
Change in working capital	17	-5,206,772	-119,997
<b>Cash flow from operations before financial items</b>		<b>-1,847,554</b>	<b>979,886</b>
Financial income		176,783	181,207
Financial expenses		-643,270	-351,890
<b>Cash flows from ordinary activities</b>		<b>-2,314,041</b>	<b>809,203</b>
Corporation tax paid		-2,718	56,954
<b>Cash flows from operating activities</b>		<b>-2,316,759</b>	<b>866,157</b>
Purchase of intangible assets		-468,101	-3,022,975
Purchase of property, plant and equipment		0	-349,600
Fixed asset investments made etc		0	-182,715
Sale of property, plant and equipment		0	119,351
<b>Cash flows from investing activities</b>		<b>-468,101</b>	<b>-3,435,939</b>
Raising of loans from credit institutions		3,023,745	3,984,155
Raising of payables to group enterprises		285,284	0
<b>Cash flows from financing activities</b>		<b>3,309,029</b>	<b>3,984,155</b>
<b>Change in cash and cash equivalents</b>		<b>524,169</b>	<b>1,414,373</b>
Cash and cash equivalents at 1 January		3,704,437	2,290,064
<b>Cash and cash equivalents at 31 December</b>		<b>4,228,606</b>	<b>3,704,437</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4,228,606	3,704,437
<b>Cash and cash equivalents at 31 December</b>		<b>4,228,606</b>	<b>3,704,437</b>

# Notes to the Financial Statements

## 1. Uncertainty relating to recognition and measurement

The group has recognized an acquired patent under intangible assets, which per 31 December 2022 has a book value of DKK 2,133 thousand.

At present, it is uncertain what level of demand there is for the patented product, which may indicate that there is an uncertainty associated with the valuation of the patent. Initial correspondence with potential customers has been positive and it is the management's expectation that during 2023 the product will be able to be extended to the existing customer base and thereby ensure a reasonable return on it. Based on this it is the management's assessment that there is no need for further impairment on the patent per 31 December 2022.

Group		Parent company	
2022	2021	2022	2021
DKK	DKK	DKK	DKK

## 2. Special items

Covid-19 compensation	0	342,821	0	0
	<b>0</b>	<b>342,821</b>	<b>0</b>	<b>0</b>

Group		Parent company	
2022	2021	2022	2021
DKK	DKK	DKK	DKK

## 3. Staff Expenses

Wages and salaries	9,740,934	8,054,642	0	0
Pensions	358,693	247,115	0	0
Other social security expenses	164,409	120,197	0	0
Other staff expenses	398,598	134,085	0	0
	<b>10,662,634</b>	<b>8,556,039</b>	<b>0</b>	<b>0</b>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	17	15	0	0
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## Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
<b>4. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment</b>				
Amortisation of intangible assets	1,153,877	693,464	0	0
Depreciation of property, plant and equipment	69,920	12,087	0	0
	<b>1,223,797</b>	<b>705,551</b>	<b>0</b>	<b>0</b>

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
<b>5. Financial income</b>				
Interest received from group enterprises	7,895	0	54,042	216,733
Other financial income	6,992	19,870	0	0
Exchange adjustments	6,958	0	6,958	8,526
Exchange gains	92,271	114,821	0	0
	<b>114,116</b>	<b>134,691</b>	<b>61,000</b>	<b>225,259</b>

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
<b>6. Financial expenses</b>				
Interest paid to group enterprises	0	0	202,484	195,821
Other financial expenses	481,490	194,169	7,205	5,282
Exchange adjustments, expenses	0	90,379	0	0
Exchange loss	161,780	67,342	0	0
	<b>643,270</b>	<b>351,890</b>	<b>209,689</b>	<b>201,103</b>

## Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
<b>7. Income tax expense</b>				
Current tax for the year	191,789	-58,618	-43,988	-1,662
Deferred tax for the year	459,387	-49,849	5,371	-5,371
Adjustment of tax concerning previous years	99,471	0	0	0
	<b>750,647</b>	<b>-108,467</b>	<b>-38,617</b>	<b>-7,033</b>

	Parent company	
	2022	2021
	DKK	DKK
<b>8. Profit allocation</b>		
Proposed dividend for the year	550,000	0
Reserve for net revaluation under the equity method	992,532	310,431
Retained earnings	-686,912	-24,831
	<b>855,620</b>	<b>285,600</b>

## 9. Intangible fixed assets

### Group

	Acquired patents	Acquired other similar rights
	DKK	DKK
Cost at 1 January	10,156,765	1,153,858
Additions for the year	454,860	13,241
Cost at 31 December	<b>10,611,625</b>	<b>1,167,099</b>
Impairment losses and amortisation at 1 January	3,750,578	87,078
Amortisation for the year	809,988	343,889
Impairment losses and amortisation at 31 December	<b>4,560,566</b>	<b>430,967</b>
<b>Carrying amount at 31 December</b>	<b>6,051,059</b>	<b>736,132</b>
Amortised over	<b>8-12 years</b>	<b>5 years</b>

# Notes to the Financial Statements

## 10. Property, plant and equipment

### Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	12,605	349,600
Cost at 31 December	12,605	349,600
Impairment losses and depreciation at 1 January	12,605	0
Depreciation for the year	0	69,920
Impairment losses and depreciation at 31 December	12,605	69,920
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>279,680</b>
Amortised over	3-5 years	5 years

# Notes to the Financial Statements

	<u>Parent company</u>	
	2022	2021
	DKK	DKK
<b>11. Investments in subsidiaries</b>		
Cost at 1 January	4,400,000	400,000
Additions for the year	<u>0</u>	<u>4,000,000</u>
Cost at 31 December	<u>4,400,000</u>	<u>4,400,000</u>
Value adjustments at 1 January	3,249,225	2,891,834
Exchange adjustment	62,667	46,960
Net profit/loss for the year	992,532	310,431
Other equity movements, net	<u>-618,274</u>	<u>0</u>
Value adjustments at 31 December	<u>3,686,150</u>	<u>3,249,225</u>
Equity investments with negative net asset value amortised over receivables	<u>118,033</u>	<u>0</u>
Equity investments with negative net asset value transferred to provisions	<u>459,780</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>8,663,963</u></b>	<b><u>7,649,225</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
SproutWorld ApS	Copenhagen	DKK 80,000	100%
Sprout IP ApS	Copenhagen	DKK 50,000	100%
Sprout USA inc.	USA	USD 0	100%

## 12. Other fixed asset investments

### Group

	<u>Deposits</u>
	DKK
Cost at 1 January	<u>182,715</u>
Cost at 31 December	<u>182,715</u>
<b>Carrying amount at 31 December</b>	<b><u>182,715</u></b>

## Notes to the Financial Statements

### 13. Prepayments

Periodeafgrænsningsposter udgøres af forudbetalte omkostninger vedrørende husleje, forsikringspræmier, abonnementer og renter.

<b>Group</b>		<b>Parent company</b>	
<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
DKK	DKK	DKK	DKK

### 14. Provision for deferred tax

Deferred tax liabilities at 1 January	310,971	360,820	-5,371	0
Amounts recognised in the income statement for the year	459,387	-49,849	5,371	-5,371
<b>Deferred tax liabilities at 31 December</b>	<b><u>770,358</u></b>	<b><u>310,971</u></b>	<b><u>0</u></b>	<b><u>-5,371</u></b>

# Notes to the Financial Statements

## 15. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2022 DKK	2021 DKK	2022 DKK	2021 DKK
<b>Credit institutions</b>				
After 5 years	0	317,211	0	0
Between 1 and 5 years	1,888,425	2,060,292	0	0
Long-term part	<u>1,888,425</u>	<u>2,377,503</u>	<u>0</u>	<u>0</u>
Within 1 year	500,080	488,233	0	0
Other short-term debt to credit institutions	5,501,493	2,000,517	0	55
Short-term part	<u>6,001,573</u>	<u>2,488,750</u>	<u>0</u>	<u>55</u>
	<b>7,889,998</b>	<b>4,866,253</b>	<b>0</b>	<b>55</b>
<b>Other payables</b>				
After 5 years	0	0	0	0
Between 1 and 5 years	171,006	340,049	0	0
Long-term part	<u>171,006</u>	<u>340,049</u>	<u>0</u>	<u>0</u>
Within 1 year	64,077	58,251	64,077	58,251
Other short-term payables	1,528,514	1,059,240	9,500	9,500
Short-term part	<u>1,592,591</u>	<u>1,117,491</u>	<u>73,577</u>	<u>67,751</u>
	<b>1,763,597</b>	<b>1,457,540</b>	<b>73,577</b>	<b>67,751</b>



## Notes to the Financial Statements

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	DKK	DKK
Financial income	-114,116	-134,691
Financial expenses	643,270	351,890
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,223,797	705,551
Tax on profit/loss for the year	750,647	-108,467
	<u>2,503,598</u>	<u>814,283</u>

### 16. Cash flow statement - Adjustments

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	DKK	DKK

### 17. Cash flow statement - Change in working capital

Change in inventories	-1,048,083	-1,345,953
Change in receivables	-1,379,246	-1,606,569
Change in trade payables, etc	-2,779,443	2,832,525
	<u>-5,206,772</u>	<u>-119,997</u>

<u>Group</u>		<u>Parent company</u>	
<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
DKK	DKK	DKK	DKK

### 18. Contingent assets, liabilities and other financial obligations

#### Charges and security

The following assets have been placed as security with bankers:

Mortgage deeds registered to the mortgagor totalling TDKK 4,000 (2021: TDKK 3,000) providing security on land and buildings as well as other property, plant and equipment at a total carrying amount of:	12,349,726	5,299,401	0	0
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# Notes to the Financial Statements

## Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	20,480	35,484	0	0
	<u>20,480</u>	<u>35,484</u>	<u>0</u>	<u>0</u>

Lease obligations, period of non-terminability 3-27 months (2021: 3-39 months)	1,577,882	2,275,215	0	0
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## Other contingent liabilities

The parent company has provided a surety bond against bank involvement in subsidiary company.

The parent company has submitted a statement of support to the subsidiary company, Sprout IP ApS. The parent company undertakes to support the company financially if the need should arise, so that the subsidiary can continue its operations. Declaration of support is valid until 30 June 2024.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Stausholm Invest ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 19. Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Stausholm Invest ApS, Sydhavns Plads 12, 3., 2450 Copehagen SV	Shareholder
Michael Stausholm Christiansen, Copenhagen	Owner

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

# Notes to the Financial Statements

## 20. Accounting policies

The Annual Report of Sprout Holding ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022 are presented in DKK.

### Correction of material misstatements

The group has identified that other payables has not been allocated correctly in previous years. As a result, the equity as 1. of January has been corrected by TDKK 618. Other payables has been corrected by TDKK 793 and corporation tax has been corrected by TDKK 174.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Sprout Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

### Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

# Notes to the Financial Statements

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

## Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income statement

### Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve the consolidated revenue for the year.

### Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

### Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

# Notes to the Financial Statements

## Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

## Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

## Balance sheet

### Intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 12 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

# Notes to the Financial Statements

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

## Other fixed asset investments

Other fixed asset investments consist of

## Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

## Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

## Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

## Equity

### Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

# Notes to the Financial Statements

## Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

## Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

## Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

# Notes to the Financial Statements

## Financial Highlights

### Explanation of financial ratios

Profit margin	$\text{Profit before financials} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit before financials} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$