

Claudio BidCo A/S

Dandyvej 19, 7100 Vejle

CVR no. 38 20 50 72

Annual report 2021

Approved at the Company's annual general meeting on 27 May 2022

Chairman:



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Michael Thomsen

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Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Claudio BidCo A/S for the financial year 1 January - 31 December 2021.

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

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 2021 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.


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

Vejle, 27 May 2022
Executive Board:


Peter Halling

Board of Directors:

Jacek Olczak
Chairman


Emmanuel Andre Mane
Babeau
Peter Halling

Independent auditor's report

To the shareholders of Claudio BidCo A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Claudio BidCo A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 2021 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ 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 note 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.

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.

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 27 May 2022

EY Godkendt Revisionspartnerselskab

CVR no. 2770 02 28



Tom B. Lassen
State Authorised
Public Accountant
mne24820



Tobias Ormann
State Authorised
Public Accountant
mne46362

Management's review

Financial highlights for the Group

DKK million	2021	2020	2019	2018
Key figures				
Revenue	1,012	1,067	956	816
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	247	352	256	180
Profit/loss from net financials	-59	-65	-70	-69
Profit/loss for the year	-93	17	-58	-101
Assets and Equity				
Fixed assets	2,694	2,762	2,870	2,925
Non-fixed assets	455	489	400	453
Total assets	3,149	3,251	3,270	3,378
Portion relating to investments in items of property, other plant and equipment	-140	-72	-76	-218
Equity	1,074	1,164	1,150	1,204
Cash flows				
Cash flows from operating activities	225	300	186	76
Cash flow from investing activities	-225	-139	-187	-266
Cash flows from financing activities	-23	-108	-18	240
Total cash flows	-23	53	-19	49
Financial ratios				
Current ratio	26.0%	96.8%	80.2%	94.2%
Equity ratio	34.1%	35.8%	35.2%	35.7%
Return on equity	-8.3%	1.5%	-4.9%	-8.3%
Employees				
Average number of full-time employees	827	811	731	738

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

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

Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity excl.non-controlling interest,year-end} \times 100}{\text{Total equity and liabilities,year-end}}$
Return on equity	$\frac{\text{Profit or Loss for the year excl.non-controlling interest} \times 100}{\text{Average equity excl.non-controlling interest}}$

Management's review

Business Activities

Claudio BidCo A/S ("the Group") was founded in 2017 with the purpose of investing in the fully owned subsidiaries Fertin Pharma A/S, NordicCan A/S and NCP NextGen A/S.

The Group is a specialist Contract Development and Manufacturing Organization ("CDMO") offering innovative, high-quality pharmaceutical and nutraceutical products for oral and intra-oral delivery. The Group's current main product formats ("delivery systems") are chewing gum, lozenges, powders, fast dissolvable tablets, Zapliq® chewables, and Zapliq® chewing gum.

The Group is the world's largest independent developer and manufacturer of medicated chewing gum and has over recent years expanded into other specialized solid dosage oral and intra-oral delivery systems. The Group strives to develop innovative oral and intra-oral delivery systems that offer convenient and pleasurable delivery of active pharmaceutical ingredients ("APIs") and nutraceutical ingredients ("AIs") to patients and consumers. In 2021, the largest category continues to be high-quality chewing gum and lozenges systems applied within Nicotine Replacement Therapy ("NRT") category. Following the current diversification strategy, the Group is still utilizing its highly flexible delivery systems to grow business outside the NRT category, applying a wider range of APIs and AIs for OTC pharma and nutraceutical categories. During 2021, execution of the strategy has been materially impacted by the COVID-19 pandemic, which has caused delays in customer's plans to bring new products to market.

The Group is headquartered in Vejle, Denmark, where it owns and operates US FDA and EU GMP approved R&D and manufacturing facilities. Furthermore, the Group owns and operates commercial, R&D and manufacturing facilities in India and Canada.

The ultimate ownership of the Group has changed as of 15 September 2021, as Philip Morris International acquired full ownership from the previous owners EQT Mid-Market Europe and the Bagger-Sørensen family.

Business Review and Outlook

In 2021, the Group continued the planned diversification of the business, aimed at growing the product and customer base across delivery platforms, API's, and nutraceutical ingredients as well as geographies.

During 2021, while overall positive, the business has been challenged by continuing effects from COVID-19, impacting sales across all categories. The NRT category still forms the backbone of the business and has also proven to be more resilient to impact from the COVID-19 pandemic, compared to products in other categories more recently introduced to the market.

Materially reduced foot-traffic in stores, combined with general uncertainty surrounding the development in and related effects from the pandemic, has resulted in customers postponing and - in some cases - cancelling their planned commercial launches of new products.

Even though the current pipeline remains strong, uncertainty around the future impact from the COVID-19 pandemic continues to slow down processes leading to development and introduction of new products in the market.

During 2021, the Group continued the planned investment programme, redirecting a material proportion of its earnings back into R&D and CAPEX investments, supporting the diversification strategy and future growth.

Management expects the 2022 result to continue to be materially impacted by effects from COVID-19, incl. an increasing impact from a negative development in raw materials, logistics, and energy prices, in the range of an estimated 40-50 mDKK. As a result, Management expects the 2022 result to drop by 20-40 mDKK compared to 2021. Revenue is expected in the range of 950 to 1,150 mDKK.

Financial Review

The Group reported revenue of 1,012 MDKK in 2021 (2020: 1,067 MDKK) and EBITDA of 247 MDKK (2020: 352 MDKK).

Management's review

This year's result (EBITDA) has been impacted by 27 mDKK in extraordinary salary costs. The costs are related to a one-off payment to all employees from the Group's new owners.

In addition, depreciations have been impacted by 23 mDKK related to impairment adjustments across the R&D pipeline. The value is higher than normal, which is primarily driven by the impact from COVID-19 as described above.

Overall, the financial result of the year is regarded to be satisfactory.

Investments

In 2021 investments have been focused on increased manufacturing capacity for pharmaceutical products and expanded R&D capabilities, supporting the development in demand from existing and new customers.

Knowledge resources

It is essential for the Group's continued growth to attract and retain highly educated employees with expertise in the development and production of pharmaceutical and nutraceutical products. The Group offers both internal and external training programs.

Special risks apart from generally occurring risks in industry

Currency risks

The Group primarily invoices in DKK and EUR and most goods purchased are denominated in DKK or EUR and to a lesser extent USD. Any identified significant risks are hedged using financial instruments.

Interest-rate risks

Revolving credit facilities are based on floating interest rates.

Credit risks

In accordance with the Group's policy for assuming credit risks, all major customers and other business partners are credit rated. The credit risk relating to individual customers or partners is considered relatively low.

Research and development activities in and for reporting entity

Investments in research and development activities have been as expected.

Data Ethical Code of Conduct

Apart from coherence with the Group's Code of Conduct and general GDPR legislation, Management does not find it relevant to implement additional, independent policies on data ethical code of conduct. In forming this opinion, Management has put emphasis to the fact that the Group does not engage in comprehensive or larger scale collection, storage, or analysis of external personnel data, as a part of the Group's main activity.

Statutory report on corporate social responsibility

The company's main activity is ownership in Fertin Pharma A/S and reference is therefore made to the Group's report on corporate social responsibility matters and can be found at the following link:

<https://fertin.com/about-us/corporate-social-responsibility>

Management's review

Statutory report on gender distribution in management

The Board of Directors currently consists of three men. The Company has a target of getting at least one female board member by 2026. The Company has previously had an equal gender distribution; however, due to a restructuring of the Board of Directors, the target has not been reached in 2021.

Since the company has less than 50 employees and the management consists of one person, no further goals for the gender distribution in other managerial positions have been established.

Consolidated financial statements and parent company financial statements

1 January - 31 December

Income statement

Note	DKK'000	Group		Parent Company	
		2021	2020	2021	2020
3	Revenue	1,012,156	1,067,253	0	0
4,5	Production costs	-958,052	-932,719	0	0
	Gross margin	54,104	134,534	0	0
4	Distribution costs	-20,038	-21,938	0	0
4,5	Administrative expenses	-61,741	-43,569	-175	-410
	Operating profit/loss	-27,675	69,027	-175	-410
	Other operating income	0	40,200	10,913	7,591
	Other operating expenses	-2,228	0	-11,175	-7,533
	Profit/loss before net financials	-29,903	109,227	-437	-352
9	Share of net profit/loss in subsidiaries	0	0	-60,816	54,075
	Financial income	129	326	2,522	1,386
	Financial expenses	-59,563	-65,501	-32,488	-38,236
	Profit/loss before tax	-89,337	44,052	-91,219	16,873
6	Tax for the year	-3,868	-26,901	-1,986	278
	Profit/loss for the year	-93,205	17,151	-93,205	17,151

Consolidated financial statements and parent company financial statements

1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent Company	
		2021	2020	2021	2020
	ASSETS				
	Fixed assets				
7	Intangible assets				
	Completed development projects	138,100	74,169	0	0
	Customer relationships and technology	509,359	594,949	0	0
	Patents and licences	83,167	91,110	0	0
	Goodwill	558,982	604,288	0	0
	Development projects in progress	166,911	197,322	0	0
		<u>1,456,519</u>	<u>1,561,838</u>	<u>0</u>	<u>0</u>
8	Property, plant and equipment				
	Land and buildings	550,147	579,110	0	0
	Equipment and machinery	520,708	536,368	0	0
	Fixtures and fittings, plant and other equipment	17,589	12,468	0	0
	Leasehold improvements	9,601	2,761	0	0
	Property, plant and equipment under construction	140,119	69,146	0	0
		<u>1,238,164</u>	<u>1,199,853</u>	<u>0</u>	<u>0</u>
	Investments				
9	Equity investments in subsidiaries	0	0	1,671,098	1,848,278
		<u>0</u>	<u>0</u>	<u>1,671,098</u>	<u>1,848,278</u>
	Total fixed assets	<u>2,694,683</u>	<u>2,761,691</u>	<u>1,671,098</u>	<u>1,848,278</u>
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	134,762	87,966	0	0
	Work in progress	17,532	27,302	0	0
	Finished goods and goods for resale	62,416	58,185	0	0
		<u>214,710</u>	<u>173,453</u>	<u>0</u>	<u>0</u>
	Receivables				
	Trade receivables	164,053	215,959	0	0
	Intercompany receivables	0	0	929,266	64,833
	Joint taxation receivables	0	0	385	1,241
	Deferred tax assets	0	0	0	2,371
	Other receivables	18,170	22,494	217	148
	Prepayments	6,552	3,034	182	0
		<u>188,775</u>	<u>241,487</u>	<u>930,050</u>	<u>68,593</u>
	Cash	<u>51,144</u>	<u>74,304</u>	<u>432</u>	<u>56</u>
	Total non-fixed assets	<u>454,629</u>	<u>489,244</u>	<u>930,482</u>	<u>68,649</u>
	TOTAL ASSETS	<u>3,149,312</u>	<u>3,250,935</u>	<u>2,601,580</u>	<u>1,916,927</u>

Consolidated financial statements and parent company financial statements

1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent Company	
		2021	2020	2021	2020
	EQUITY AND LIABILITIES				
	Equity				
10	Share capital	9,729	9,729	9,729	9,729
	Translation reserve	3,209	-3,613	3,209	-3,613
	Retained earnings	1,061,393	1,157,788	1,061,393	1,157,788
	Dividend proposed for the year	0	0	0	0
	Total equity	1,074,331	1,163,904	1,074,331	1,163,904
	Provisions				
11	Deferred tax	287,884	293,064	0	0
	Total provisions	287,884	293,064	0	0
	Liabilities other than provisions				
12	Non-current liabilities other than provisions				
	Debt to credit institutions	0	1,252,391	0	654,845
	Other payables	37,195	36,350	0	215
		37,195	1,288,741	0	655,060
	Current liabilities other than provisions				
12	Current portion of non-current liabilities other than provisions	0	90,000	0	90,000
12	Debt to credit institutions	0	200,000	0	0
	Trade payables	104,889	64,935	0	0
	Payables to group companies	1,537,265	18,193	1,524,508	0
	Income taxes	6,572	4,581	0	0
	Other payables	101,176	127,517	2,741	7,963
		1,749,902	505,226	1,527,249	97,963
	Total liabilities other than provisions	1,787,097	1,793,967	1,527,249	753,023
	TOTAL EQUITY AND LIABILITIES	3,149,312	3,250,935	2,601,580	1,916,927

- 1 Accounting policies
- 2 Special Items
- 13 Contractual obligations and contingencies
- 14 Mortgages and collateral
- 15 Related parties
- 16 Fees paid to auditors appointed at the annual general meeting
- 20 Events after the balance sheet date

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Group				
		Share capital	Translation reserve	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2021	9,729	-3,613	1,157,788	0	1,163,904
18	Transfer. see "Appropriation of profit/loss"	0	0	-93,205	0	-93,205
	Adjustment of investments through foreign exchange adjustments	0	6,822	-3,190	0	3,632
	Equity at 31 December 2021	9,729	3,209	1,061,393	0	1,074,331

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Parent				
		Share capital	Translation reserve	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2021	9,729	-3,613	1,157,788	0	1,163,904
18	Transfer, see "Appropriation of profit/loss"	0	0	-93,205	0	-93,205
	Adjustment of investments through foreign exchange adjustments	0	6,822	-3,190	0	3,632
	Equity at 31 December 2021	9,729	3,209	1,061,393	0	1,074,331

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

Note	DKK'000	Group	
		2021	2020
	Profit/loss before net financials	-29,903	109,227
	Amortisation/depreciation charges	276,919	242,743
	Other adjustments of non-cash operating items	0	0
	Cash generated from operations before changes in working capital	247,016	351,970
18	Changes in working capital	22,805	13,095
	Cash generated from operations	269,821	365,065
	Interest received	129	326
	Interest paid	-37,924	-59,207
	Income taxes paid/received	-7,038	-6,588
	Cash flows from operating activities	224,988	299,596
7	Acquisition of intangible assets	-72,697	-67,264
8	Acquisition of property, other plant and equipment	-139,924	-72,218
	Disposal of property, other plant and equipment	0	0
	Acquisition of subsidiaries and activities	-12,644	0
	Cash flows from investing activities	-225,265	-139,482
	Loan financing:		
	Repayment of non-current liabilities	-1,252,391	-85,000
	Proceeds from loans	0	0
	Contracting of other short-term liabilities	-290,000	-22,495
	Debt from shareholders	1,519,508	0
	Cash flows from financing activities	-22,883	-107,495
	Net cash flows	-23,160	52,619
	Cash and cash equivalents, beginning of year	74,304	21,685
19	Cash and cash equivalents, year-end	51,144	74,304

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Claudio BidCo A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company Claudio BidCo A/S and subsidiaries controlled by Claudio BidCo A/S.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing if the Parent Company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly owned are included in the Group's profit/loss and equity, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed, and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities, contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from divestment or winding-up of subsidiaries which imply that control is no longer maintained are calculated as the difference between, on the one hand, the selling price less selling expenses and, on the other hand, the proportionate share of the carrying amount of net assets. If the entity still holds equity investments in the divested entity, the remaining proportionate share of the carrying amount forms the basis for the measurement of equity investments in associates or securities and equity investments.

Foreign currency translation

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

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries which are considered part of the total investment in the subsidiary are taken directly to equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at closing rates. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity must be transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Fair value adjustments of derivative financial instruments held to hedge net investments in separate foreign subsidiaries or associates are recognised directly in equity.

Income statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating revenue for the year. Such costs include direct and indirect costs related to raw materials and consumables, wages and salaries, rent and leases as well as impairment losses on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising and exhibitions.

Administrative expenses

Administrative expenses comprise expenses paid in the year to manage and administer the Company, including expenses related to administrative staff, management, office premises, office expenses and amortisation/depreciation.

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and items of property, plant and equipment.

Other operating expenses

Other operating expenses comprise items secondary to the entities' activities, including losses on disposal of intangible assets and items of property, plant and equipment.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment. The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development costs	5-20 years
Customer relationships and technology	10-12 years
Software	3-10 years
Goodwill	10-20 years

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

The basis of depreciation, 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:

Land and buildings	10-70 years
Equipment and machinery	5-20 years
Fixtures and fittings, plant and other equipment	3-5 years
Leasehold improvements	6-30 years

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Profit/loss from equity investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

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

The entity is jointly taxed with other subsidiaries. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption). Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 20 years. The amortisation period is fixed on the basis of the expected repayment horizon.

Customer relationships and technology

Customer relationships and technology is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Customer relationships and technology is amortised on a straight-line basis over the amortisation period, which is 10-12 years. The amortisation period is fixed on the basis of the expected repayment horizon.

Development projects, patents and licences

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities. Some external customers are paying for part of the development costs. These payments are offset against the booked asset.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years and cannot exceed 20 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 20 years.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects. Investment in software programs includes the cost of direct software cost and internally as externally related labour cost regarding the development process.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

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

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed in contingencies, etc.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity investments in subsidiaries and associates

Equity investments in subsidiaries and associates are measured according to the equity method in the parent company financial statements. Equity investments in associates are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and equity investments in subsidiaries and associates is tested annually for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

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

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads. Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

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Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

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

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit 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 net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of equity investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Income tax and deferred tax

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

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Income tax receivable" or "Income tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting neither the profit/loss for the year nor the 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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

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

Other liabilities are measured at net realisable value.

Cash flow statement

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to only minor risks of changes in value.

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Notes

	Group		Parent	
	2021	2020	2021	2020
DKK'000				
2 Special items				
Income				
Compensation	0	40.200	0	0
Expenses				
Extraordinary impairment adjustments on development projects due to COVID-19	-23,585	0	0	0
Extraordinary one-off salary payment to all employees due to the sale of Claudio BidCo A/S Group	-27,288	0	-369	0
	<u>-50,873</u>	<u>0</u>	<u>-369</u>	<u>0</u>
Special items consist of a non-recurring compensation from a customer and are recognised in the below items of the financial statement:				
Other operating income	0	40,200	0	0
Production cost	-44,209	0	0	0
Distribution cost	-1,218	0	0	0
Administration cost	-5,446	0	-369	0
	<u>-50,873</u>	<u>40,200</u>	<u>-369</u>	<u>0</u>
3 Segment information				
Activities – primary segment				
Medical products	828,758	925,985	0	0
Other products	183,398	141,268	0	0
	<u>1,012,156</u>	<u>1,067,253</u>	<u>0</u>	<u>0</u>
Geographic				
North America	615,913	674,576	0	0
Europe	280,851	270,062	0	0
Other	115,392	122,615	0	0
	<u>1,012,156</u>	<u>1,067,253</u>	<u>0</u>	<u>0</u>
4 Expenses				
Wages and salaries	404,150	349,055	10,632	6,869
Pensions	31,577	31,602	535	654
Other social security costs	5,946	7,044	8	10
	<u>441,673</u>	<u>387,701</u>	<u>11,175</u>	<u>7,533</u>
Staff costs are recognised in the financial statements under the following line items:				
Production costs	389,802	352,467	0	0
Distribution costs	15,171	19,749	0	0
Administrative expenses	36,700	15,485	0	0
Other operating expenses	0	0	11,175	7,533
	<u>441,673</u>	<u>387,701</u>	<u>11,175</u>	<u>7,533</u>

Average number of full-time employees	<u>827</u>	<u>811</u>	<u>2</u>	<u>2</u>
Remuneration and pensions to the members of the Parent Company's Executive Board and Board of Directors:				
Remuneration and pension	<u>7,630</u>	<u>5,907</u>	<u>0</u>	<u>0</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

DKK'000	Group		Parent	
	2021	2020	2021	2020
5	Amortisation/depreciation and impairment losses			
Intangible assets	153,158	149,479	0	0
Impairment of intangible assets	23,585	0	0	0
Property, plant and equipment	100,175	93,264	0	0
	<u>276,918</u>	<u>242,743</u>	<u>0</u>	<u>0</u>
Amortisation/depreciation charges and impairment losses are recognised in the financial statements under the following line items:				
Production costs	262,860	231,715	0	0
Distribution costs	424	299	0	0
Administrative expenses	13,634	10,729	0	0
	<u>276,918</u>	<u>242,743</u>	<u>0</u>	<u>0</u>
6	Tax for the year			
Current tax charge for the year	-9,029	-7,467	385	1,241
Adjustment of the deferred tax charge for the year	5,161	-19,434	-2,371	-963
	<u>-3,868</u>	<u>-26,901</u>	<u>-1,986</u>	<u>278</u>
Analysed as follows:				
Tax for the year	-3,868	-26,901	-1,986	278
Tax on changes in equity	0	236	0	236
	<u>-3,868</u>	<u>-26,665</u>	<u>-1,986</u>	<u>514</u>

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7 Intangible assets

DKK'000	Group					Total
	Completed development projects	Customer relationships and technology	Patents and licences	Goodwill	Development projects in progress	
Cost at 1 January 2021	132,967	933,300	126,851	753,590	198,019	2,144,727
Additions	0	0	242	0	72,455	72,697
Disposals	0	0	0	0	-408	-408
Transferred	78,867	0	4,458	-5,317	-78,873	-865
Cost at 31 December 2021	211,834	933,300	131,281	748,273	191,193	2,215,881
Amortisation and impairment losses at 1 January 2021	58,798	338,351	35,471	149,302	697	582,619
Amortisation	14,936	85,590	12,643	39,989	0	153,158
Impairment losses for the year	0	0	0	0	23,585	23,585
Amortisation, disposals	0	0	0	0	0	0
Amortisation and impairment losses at 31 December 2021	73,734	423,941	48,114	189,291	24,282	759,362
Carrying amount at 31 December 2021	138,100	509,359	83,167	558,982	166,911	1,456,519
Amortised over	5-20 years	10-12 years	3-10 years	10-20 years	-	

Rationale for choice of goodwill amortisation periods

Fertin Pharma A/S

The Group's investment in the subsidiary is considered to be strategically important to the Company. Due to the Group's expected plans to increase the level of activity and earnings, the economic life of goodwill has been set at 10-20 years.

Development projects

Development of medical products is defined as products with an active pharmaceutical ingredient requiring regulatory approval for the product to be developed, manufactured and sold legally.

Development projects regarding medical products comprise salaries, wages and other costs for development and test of products for customers.

The carrying amount of completed projects is 138,100 tDKK. The impairment test shows a higher commercial value.

The carrying amount of projects in progress is 166,911 tDKK. The impairment test shows a higher commercial value.

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1 January – 31 December

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8 Property, plant and equipment

	Group					Total
	Land and buildings	Equipment and machinery	Fixtures and fittings, plant and other equipment	Leasehold improvements	Property, plant and equipment under construction	
DKK'000						
Cost at 1 January 2021	694,404	725,831	51,507	7,597	69,146	1,548,485
Additions	0	542	8,088	4,104	127,190	139,924
Transferred	3,999	51,782	297	5,603	-56,187	5,494
Disposals	0	0	-57	0	-30	-87
Cost at 31 December 2021	698,403	778,155	59,835	17,304	140,119	1,693,816
Depreciation and impairment losses at 1 January 2021	115,294	189,463	39,039	4,836	0	348,632
Depreciation	32,962	62,755	3,729	730	0	100,176
Transferred	0	5,229	-522	2,137	0	6,844
Disposals	0	0	0	0	0	0
Depreciation and impairment losses at 31 December 2021	148,256	257,447	42,246	7,703	0	455,652
Carrying amount at 31 December 2021	550,147	520,708	17,589	9,601	140,119	1,238,164
Depreciated over	10-70 years	5-20 years	3-5 years	6-30 years	-	

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DKK'000	Parent	
	2021	2020
9 Equity investments in subsidiaries		
Cost at 1 January	2,235,096	2,235,096
Additions	10,000	0
Cost at 31 December	2,245,096	2,235,096
Value adjustments at 1 January	-386,818	-276,821
Foreign exchange adjustment and adjustment of hedging instruments	3,209	-3,613
Dividend distribution	-130,000	-160,000
Profit/loss for the year and goodwill amortisation	-60,389	53,616
Value adjustments at 31 December	-573,998	-386,818
Carrying amount at 31 December	1,671,098	1,848,278
Non-amortised differences	1,091,584	1,214,992

Differences on recognition of the subsidiary Fertin Pharma A/S total DKK 968 million, including goodwill of DKK 528 million.

Name and registered office	Voting rights and ownership
Fertin Pharma A/S, Vejle, Denmark	100%
Fertin Pharma R&D India Pv. Ltd., India	100%
Fertin India Private Ltd., India	100%
Tab Labs Inc., Canada	100%
Cogent International Manufacturing Inc., Canada	100%
NordicCan A/S	100%
NCP NextGen A/S	100%

All subsidiaries are considered separate entities.

10 Share capital

The share capital comprises:

9,729,640 shares of DKK 1 each.

There are no new shares in 2021.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

DKK'000	Group		Parent	
	2021	2020	2021	2020
11 Deferred tax				
Deferred tax at 1 January	293,064	273,309	-2,371	-3,334
Adjustment of the deferred tax charge for the year	-5,161	19,434	2,371	963
Other adjustments	-19	85	0	-236
Addition of subsidiary	0	0	0	0
Deferred tax on equity	0	236	0	236
Deferred tax at 31 December	287,884	293,064	0	-2,371

The deferred tax charge relates to:

Intangible assets	197,455	210,659	0	0
Property, plant and equipment	83,322	81,246	0	0
Investments (internal gains)	-615	-494	0	0
Current assets	7,917	7,586	0	0
Liabilities	0	-5,738	0	-2,371
Net operating losses	-195	-195	0	0
	287,884	293,064	0	-2,371

Deferred tax is recognised in the balance sheet as follows:

Deferred tax assets	0	0	0	-2,371
Deferred tax liabilities	287,884	293,064	0	0
	287,884	293,064	0	-2,371

12 Debt to mortgage credit institutions and other credit institutions

Analysis of liabilities:

Credit institutions				
Long-term	0	1,252,391	0	654,845
Short-term	0	90,000	0	90,000
Overdraft facility	0	200,000	0	0
	0	1,542,391	0	744,845
Non-current liabilities falling due more than five years after the financial year-end (carrying amount)	0	0	0	0

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13 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with its parent, Claudio Holdco A/S and its subsidiaries, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities.

Operating lease liabilities

The group entities have entered into operating leases. The leases have a remaining term of 0-8 years and a total, nominal residual lease liability of 28,898 tDKK.

14 Mortgages and collateral

DKK'000	Group		Parent	
	2021	2020	2021	2020
The following assets have been placed as collateral for the Group's debt to credit institutions:				
Land and buildings with a carrying amount of	0	522,537	0	0

15 Related parties

Claudio BidCo A/S' related parties comprise the following:

Parties exercising control

Claudio Holdco A/S, Vejle holds the majority of the share capital in the entity.

Related party transactions

DKK'000	2021	2020
Group		
Interest expenses to group companies	1,575	629
Payables to group companies	1,537,265	18,193

Remuneration/fees to members of the Executive Board and the Board of Directors of the Parent Company are reflected in note 4.

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16 Fees paid to auditors appointed at the annual general meeting

DKK'000	Group		Parent	
	2021	2020	2021	2020
Total fee to EY				
Fee for statutory audit	336	325	13	10
Fees for tax advisory services	178	396	6	6
Assurance engagements	0	81	0	0
Other assistance	1,343	259	14	15
	<u>1,857</u>	<u>1,061</u>	<u>33</u>	<u>31</u>

17 Appropriation of profit/loss

DKK'000	Parent	
	2021	2020
Recommended appropriation of profit/loss		
Transferred to reserves under equity	<u>-93,205</u>	<u>17,151</u>

18 Changes in working capital

DKK'000	Group	
	2021	2020
Change in inventories	-41,257	27,604
Change in receivables	51,906	-55,137
Change in trade and other payables	12,156	41,699
Fair value adjustments of hedging instruments recognised in equity	0	-1,071
	<u>22,805</u>	<u>13,095</u>

19 Cash and cash equivalents

Cash and cash equivalents at 31 December comprise:

Cash	51,144	74,304
Short-term debt to banks	0	0
	<u>51,144</u>	<u>74,304</u>

20 Events after the balance sheet date

No significant events have occurred after the balance sheet date.