# Ecooking A/S

Gl. Skartved 11
6091 Bjert
CVR No. 38271725

## Annual report 2023

The Annual General Meeting adopted the annual report on 11.07.2024

**Henning Bröchner**
Chairman of the General Meeting

# Contents

# Entity details

## Entity

Ecooking A/S
Gl. Skartved 11
6091 Bjert

Business Registration No.: 38271725
Registered office: Kolding
Financial year: 01.01.2023 - 31.12.2023

## Board of Directors

Tina Søgaard, chairman
Henning Bröchner
Mads Jomo Elg

## Executive Board

Mads Jomo Elg
Andreas Haugsted Outzen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Ecooking A/S for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Bjert, 11.07.2024

## Executive Board

**Mads Jomo Elg**

**Andreas Haugsted Outzen**

## Board of Directors

**Tina Søgaard**
chairman

**Henning Bröchner**

**Mads Jomo Elg**

# Independent auditor's report

**To the shareholders of Ecooking A/S**

## Opinion

We have audited the financial statements of Ecooking A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

## Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Kolding, 11.07.2024

**Deloitte**
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

**Lars Ørum Nielsen**
State Authorised Public Accountant
Identification No (MNE) mne26771

# Management commentary

## Financial highlights

| | 2023<br>DKK'000 | 2022<br>DKK'000 | 2021<br>DKK'000 | 2020<br>DKK'000 | 2019<br>DKK'000 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Gross profit/loss | 26,530 | (975) | 13,120 | 19,505 | 10,243 |
| Operating profit/loss | (23,680) | (50,396) | (25,777) | 9,051 | 6,984 |
| Net financials | (4,205) | (2,924) | (2,762) | (752) | (326) |
| Profit/loss for the year | (38,177) | (41,694) | (22,315) | 6,437 | 5,181 |
| Total assets | 85,633 | 106,870 | 129,437 | 45,580 | 21,349 |
| Investments in property, plant and equipment | 10,182 | 1,758 | 7,681 | 541 | 650 |
| Equity | (10,619) | 12,558 | 11,777 | 13,617 | 7,180 |
| | | | | | |
| **Ratios** | | | | | |
| Equity ratio (%) | (12.40) | 11.75 | 9.10 | 29.87 | 33.63 |

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

**Equity ratio (%):**

$$\frac{\text{Equity} * 100}{\text{Total assets}}$$

## Primary activities

When Tina Søgaard started to blend her own skincare, she did not realize that this was the beginning of a new skincare brand and a new business adventure. At that time, she had just been through a difficult divorce, which had a negative effect on her skin which was looking tired and pale. With her profound experience within skincare, she knew which ingredients to use to give her skin the necessary booster.

She started to blend creams and serums and oils in her own kitchen. It did not take long until the family and friends of Tina noticed the improvement with her skin, and therefore wanted to test the products themselves. They brought all possible sorts of containers to be able to sample the products for their own use.

Helping family and friends with their skin problems became therapeutical for Tina. It was never the intention to market the products commercially. However, the effectiveness soon became well known among cosmetologists and beauty retailers, who wanted to carry Tina's products as part of their assortment. From there the rest is history, as ECOOKING as a brand was born. A Danish skincare brand which first and foremost has focus on effectiveness and secondly on as much natural and ecologic ingredients as possible.

"Our ambition is, that we will be the leading Danish skincare brand internationally. We aim for being the best at combining effective skincare with natural and ecological ingredients, never compromising on effectiveness or content. We always base our work on our values of Transparency, Honesty, Decency".

## Development in activities and finances

The ECOOKING organization has been strengthened considerably during 2023 to support future national and international growth as well as creating stronger internal support functions. The focus on stronger international growth will be increased in the coming years while still seeking to optimize and grow our national market.

A primary focus area has been to build our own web-shop; www.ecooking.dk and www.ecooking.com and the supporting organization, and also on focusing on our international markets where we have recruited specialists within their fields to support these areas going forward.

The focus in the coming period is to continue the growth journey as well as supporting the international brand-building of ECOOKING. Additionally, there are many activities geared towards strengthening the internal structure to support the consumer experience in this important field.

In 2023 there were few but important product launches in ECOOKING within our skincare range. We successfully launched a new Day Cream with SPF20 and Vitamin A capsules in two variants. All products were received very well by our consumers both nationally and internationally.

## Profit/loss for the year in relation to expected developments

The net result for 2023 is a loss of tDKK 38,177 (2022: tDKK -41,693) which is not in line with expectations.

The equity of Ecooking A/S is tDKK -10.619 (2022: tDKK 12,558).

## Outlook

2024 will be another transition year for ECOOKING. Focus will be to grow our Nordic and Danish business as well as prepare our international activities for strong growth. This involves building a stronger commercial organization as well as building stronger internal processes. In the beginning of 2024, there has been several important recruitments to support the future growth agenda:

- Marie-Clémentine Kaeppelin Lyngsø has joined the company as new CMO
- Hanne Frøling Kriegbaum has joined the company as new Sales Director

## Use of financial instruments

### Business risks

The Group's key business risks are related to its ability to maintain a strong position in the markets in which the ECOOKING brand is sold. Throughout 2023, ECOOKING has continued the work to strengthen the brands' DNA and design as well as physical presence.

This process will continue in the coming years with a view to strengthen ECOOKING's profile and enhance the international commercial aspects of the concept, and thus develop and reinforce the brand's position.

### Financial risks

Given its operations, investments and financing structure, Terzo D HoldCo ApS is exposed to changes in exchange and interest rates. The Group pursues a low-risk financial policy approved by the Board of Directors in order to ensure that currency risks arise only as a result of commercial conditions. The Group has not applied derivative financial instruments in 2023.

## Knowledge resources

In order to be able to continuously strengthen its international profile and supply competitive products at the right price and quality, it is essential that the Group can recruit and retain the most talented employees. The Group is to some extent still dependent on product and brand development by the founder. There are activities planned to reduce this dependency.

## Environmental performance

Needs and requirements for reporting on environmental performance and ESG are increasing. European legislation as well as consumers' demands for insights has motivated the company to streamline ESG-initiatives and 2023 was the second year in a five-year strategy for sustainability. Focus is primarily on energy consumption and climate impact, and on packaging and social impacts; internally and externally.

2021 has been chosen as baseline year for a wide range of KPI's – some already defined and some which will be implemented in the coming years. An up-to-date Code of Conduct for suppliers has been implemented, and there are plans for enhancing the amount of organic and / or natural ingredients in place, most packaging solution has been revisited and plans has been developed for improvements as part of new product launches.

2023 was the first year where the Group participated in a ESG software system to enhance our ability to report on non-financial data. Going forward the Group will report on non-financial data each quarter through this ESG software.

## Research and development activities

The Company develops and maintains most products internally, and thus owns IP rights to these formulas. There is an internal laboratory with experienced employees who develop and test all formulas before manufacturing takes place. Most of the production takes place with skilled external suppliers. The Company has a variety of sourcing alternatives, which reduces the dependency on single suppliers.

# Income statement for 2023

| | Notes | 2023<br>DKK | 2022<br>DKK |
|---|---|---|---|
| **Gross profit/loss** | | **26,529,999** | **(974,767)** |
| Staff costs | 3 | (40,559,318) | (45,339,415) |
| Depreciation, amortisation and impairment losses | 4 | (7,923,277) | (3,616,890) |
| Other operating expenses | | (1,726,924) | (464,587) |
| **Operating profit/loss** | | **(23,679,520)** | **(50,395,659)** |
| Other financial income | 5 | 38,353 | 4,260 |
| Other financial expenses | 6 | (4,242,890) | (2,928,435) |
| **Profit/loss before tax** | | **(27,884,057)** | **(53,319,834)** |
| Tax on profit/loss for the year | 7 | (10,293,207) | 11,626,207 |
| **Profit/loss for the year** | 8 | **(38,177,264)** | **(41,693,627)** |

# Balance sheet at 31.12.2023

## Assets

| | Notes | 2023 DKK | 2022 DKK |
|---|---|---|---|
| Completed development projects | 10 | 712,542 | 200,000 |
| Acquired intangible assets | | 782,926 | 525,300 |
| Acquired patents | | 0 | 0 |
| Acquired licences | | 0 | 0 |
| Acquired rights | | 929,143 | 1,489,266 |
| Goodwill | | 1,151,259 | 1,825,422 |
| **Intangible assets** | 9 | **3,575,870** | **4,039,988** |
| Other fixtures and fittings, tools and equipment | | 4,963,782 | 4,977,765 |
| Leasehold improvements | | 1,545,790 | 1,560,092 |
| Leased assets | | 3,862,984 | 0 |
| **Property, plant and equipment** | 11 | **10,372,556** | **6,537,857** |
| Investments in group enterprises | | 35,845 | 35,845 |
| Deposits | | 883,544 | 892,654 |
| **Financial assets** | 12 | **919,389** | **928,499** |
| **Fixed assets** | | **14,867,815** | **11,506,344** |
| Manufactured goods and goods for resale | | 32,012,523 | 39,690,005 |
| **Inventories** | | **32,012,523** | **39,690,005** |
| Trade receivables | | 28,627,607 | 34,454,276 |
| Receivables from group enterprises | | 0 | 963,769 |
| Deferred tax | 13 | 7,700,000 | 17,993,207 |
| Other receivables | | 746,078 | 838,359 |
| Prepayments | 14 | 1,224,253 | 850,974 |
| **Receivables** | | **38,297,938** | **55,100,585** |
| **Cash** | | **454,263** | **573,202** |
| **Current assets** | | **70,764,724** | **95,363,792** |
| **Assets** | | **85,632,539** | **106,870,136** |

## Equity and liabilities

| | Notes | 2023 DKK | 2022 DKK |
|---|---|---|---|
| Contributed capital | 15 | 400,000 | 400,000 |
| Retained earnings | | (11,018,929) | 12,158,335 |
| **Equity** | | **(10,618,929)** | **12,558,335** |
| | | | |
| Lease liabilities | | 1,064,489 | 0 |
| Other payables | 16 | 880,790 | 1,056,915 |
| **Non-current liabilities other than provisions** | 17 | **1,945,279** | **1,056,915** |
| | | | |
| Current portion of non-current liabilities other than provisions | 17 | 2,744,088 | 0 |
| Bank loans | | 68,311,115 | 73,061,055 |
| Trade payables | | 18,250,567 | 16,399,195 |
| Payables to group enterprises | | 1,534,174 | 2,022,364 |
| Payables to shareholders and management | | 555,750 | 569,349 |
| Other payables | 18 | 2,910,495 | 1,202,923 |
| **Current liabilities other than provisions** | | **94,306,189** | **93,254,886** |
| | | | |
| **Liabilities other than provisions** | | **96,251,468** | **94,311,801** |
| | | | |
| **Equity and liabilities** | | **85,632,539** | **106,870,136** |
| | | | |
| Going concern | 1 | | |
| Events after the balance sheet date | 2 | | |
| Unrecognised rental and lease commitments | 19 | | |
| Contingent liabilities | 20 | | |
| Assets charged and collateral | 21 | | |
| Related parties with controlling interest | 22 | | |
| Transactions with related parties | 23 | | |
| Group relations | 24 | | |

# Statement of changes in equity for 2023

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|
| Equity beginning of year | 400,000 | 12,158,335 | 12,558,335 |
| Group contributions etc | 0 | 15,000,000 | 15,000,000 |
| Profit/loss for the year | 0 | (38,177,264) | (38,177,264) |
| **Equity end of year** | **400,000** | **(11,018,929)** | **(10,618,929)** |

# Notes

### 1 Going concern

The company's equity is negative as of 31.12.2023. Management's assessment is that the equity will be re-established through future earnings.

In the first half of 2024, management has already taken initiatives and adjusted the organization to ensure future earnings.

Management has confirmed that the company's owners will provide a group contribution in 2024. In addition, liquidity to ensure operations is secured through credit Institute, which will maintain the existing credit line through new guarantees from the company's owners.

### 2 Events after the balance sheet date

In order to support the company's capital readiness, capital grants have been pledged in 2024.

No other events have occured af the balance sheet date, which would influence the evaluation of this annual report.

### 3 Staff costs

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Wages and salaries | 36,062,603 | 41,163,010 |
| Pension costs | 2,148,133 | 2,026,038 |
| Other social security costs | 498,506 | 692,211 |
| Other staff costs | 1,850,076 | 1,458,156 |
| | **40,559,318** | **45,339,415** |

| | | |
|---|---|---|
| Average number of full-time employees | **62** | **75** |

| | Remuneration of Management<br>2023<br>DKK |
|---|---|
| Executive Board | 3,171,225 |
| | **3,171,225** |

## 4 Depreciation, amortisation and impairment losses

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Amortisation of intangible assets | 1,762,272 | 1,079,993 |
| Depreciation of property, plant and equipment | 6,161,005 | 2,536,897 |
| | **7,923,277** | **3,616,890** |

## 5 Other financial income

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Other interest income | 38,353 | 4,260 |
| | **38,353** | **4,260** |

## 6 Other financial expenses

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Financial expenses from group enterprises | 477,717 | 0 |
| Other interest expenses | 3,661,105 | 2,698,093 |
| Exchange rate adjustments | 103,664 | 230,342 |
| Other financial expenses | 404 | 0 |
| | **4,242,890** | **2,928,435** |

## 7 Tax on profit/loss for the year

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Change in deferred tax | 10,293,207 | (11,626,207) |
| | **10,293,207** | **(11,626,207)** |

## 8 Proposed distribution of profit and loss

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Retained earnings | (38,177,264) | (41,693,627) |
| | **(38,177,264)** | **(41,693,627)** |

## 9 Intangible assets

| | Completed development projects DKK | Acquired intangible assets DKK | Acquired patents DKK | Acquired licences DKK | Acquired rights DKK |
|---|---|---|---|---|---|
| Cost beginning of year | 500,435 | 1,189,609 | 80,000 | 69,249 | 2,460,573 |
| Additions | 712,542 | 794,662 | 0 | 0 | 0 |
| Disposals | (500,435) | (316,658) | (80,000) | (69,249) | 0 |
| **Cost end of year** | **712,542** | **1,667,613** | **0** | **0** | **2,460,573** |
| Amortisation and impairment losses beginning of year | (300,435) | (664,309) | (80,000) | (69,249) | (971,307) |
| Amortisation for the year | (11,111) | (516,875) | 0 | 0 | (560,123) |
| Reversal regarding disposals | 311,546 | 296,497 | 80,000 | 69,249 | 0 |
| **Amortisation and impairment losses end of year** | **0** | **(884,687)** | **0** | **0** | **(1,531,430)** |
| **Carrying amount end of year** | **712,542** | **782,926** | **0** | **0** | **929,143** |

| | Goodwill DKK |
|---|---|
| Cost beginning of year | 2,307,491 |
| Additions | 0 |
| Disposals | (285,000) |
| **Cost end of year** | **2,022,491** |
| Amortisation and impairment losses beginning of year | (482,069) |
| Amortisation for the year | (674,163) |
| Reversal regarding disposals | 285,000 |
| **Amortisation and impairment losses end of year** | **(871,232)** |
| **Carrying amount end of year** | **1,151,259** |

## 10 Development projects

Devolopment cost consists costs for the entitys website incl. webshop.

## 11 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment DKK | Leasehold improvements DKK | Leased assets DKK |
|---|---|---|---|
| Cost beginning of year | 9,368,560 | 1,867,481 | 0 |
| Additions | 2,645,175 | 248,818 | 7,288,026 |
| Disposals | (977,974) | (88,194) | 0 |
| **Cost end of year** | **11,035,761** | **2,028,105** | **7,288,026** |
| Depreciation and impairment losses beginning of year | (4,390,795) | (307,389) | 0 |
| Depreciation for the year | (2,518,793) | (217,170) | (3,425,042) |
| Reversal regarding disposals | 837,609 | 42,244 | 0 |
| **Depreciation and impairment losses end of year** | **(6,071,979)** | **(482,315)** | **(3,425,042)** |
| **Carrying amount end of year** | **4,963,782** | **1,545,790** | **3,862,984** |

## 12 Financial assets

| | Investments in group enterprises DKK | Deposits DKK |
|---|---|---|
| Cost beginning of year | 35,845 | 892,654 |
| Additions | 0 | 34,220 |
| Disposals | 0 | (43,330) |
| **Cost end of year** | **35,845** | **883,544** |
| **Carrying amount end of year** | **35,845** | **883,544** |

| **Investments in subsidiaries** | **Registered in** | **Corporate form** | **Equity interest %** | **Equity DKK** | **Profit/loss DKK** |
|---|---|---|---|---|---|
| Ecooking NO AS | Ytre Enebakk, Norway | AS | 100.00 | (1,600,344) | (783,896) |

## 13 Deferred tax

| | 2023 DKK | 2022 DKK |
|---|---|---|
| Intangible assets | (368,306) | (368,306) |
| Property, plant and equipment | 704,634 | 704,634 |
| Liabilities other than provisions | 140,014 | 140,014 |
| Tax losses carried forward | 7,223,658 | 17,516,865 |
| **Deferred tax** | **7,700,000** | **17,993,207** |

| Changes during the year | 2023 DKK | 2022 DKK |
|---|---|---|
| Beginning of year | 17,993,207 | 6,367,000 |
| Recognised in the income statement | (10,293,207) | 11,626,207 |
| **End of year** | **7,700,000** | **17,993,207** |

**Deferred tax assets**

The deferred tax asset is recognized on the expectation that it can be used within a maximum of 3-5 years, based on prepared budgets and strategic plans. The utilization of the deferred tax asset is depended on future earnings within 3-5 years and has therefore been written down to 7,7 mDKK on the basis of expected utilization for the next 3-5 years.

The company has an unrecognized tax asset of 16 mDKK and therefore sufficient tax depreciation base to avoid having to pay tax for a number of years.

## 14 Prepayments

Prepayments relate to various prepaid items.

## 15 Share capital

| | Number | Par value DKK | Nominal value DKK | Recorded par value DKK |
|---|---|---|---|---|
| Shares | 400,000 | 1.00 | 400,000 | 400,000 |
| | **400,000** | | **400,000** | **400,000** |

## 16 Other payables

| | 2023 DKK | 2022 DKK |
|---|---|---|
| Holiday pay obligation | 880,790 | 1,056,915 |
| | **880,790** | **1,056,915** |

## 17 Non-current liabilities other than provisions

| | Due within 12 months 2023 DKK | Due after more than 12 months 2023 DKK | Outstanding after 5 years 2023 DKK |
|---|---|---|---|
| Lease liabilities | 2,744,088 | 1,064,489 | 0 |
| Other payables | 0 | 880,790 | 880,790 |
| | **2,744,088** | **1,945,279** | **880,790** |

## 18 Other payables

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Wages and salaries, personal income taxes, social security costs, etc payable | 1,743,121 | 111,042 |
| Holiday pay obligation | 1,100,932 | 1,037,772 |
| Other costs payable | 66,442 | 54,109 |
| | **2,910,495** | **1,202,923** |

## 19 Unrecognised rental and lease commitments

| | 2023<br>DKK | 2022<br>DKK |
|---|---|---|
| Liabilities under rental or lease agreements until maturity in total | **893,682** | **5,003,741** |

## 20 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Terzo D Holdco ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

## 21 Assets charged and collateral

Bank loans are secured by the way of mortgage deed of DKK 101,500k nominal total. The carrying amount of mortgaged assets is DKK 70,727k.

## 22 Related parties with controlling interest

Bluegem III, SCSp Luxembourg owns 70% of the shares in the Entity, thus exercising control.

## 23 Transactions with related parties

The annual report discloses only transactions with related parties that have not been conducted on arms length terms. No such transactions have been carried out during the financial year.

## 24 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest and largest group: Terzo D Holdco ApS, 6091 Bjert, Business Registration No. 42 15 66 47.

# Accounting policies

## Reporting class
This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

## Changes in accounting policies
The Entity has decided to change its accounting policy on recognition of leases.

To better achieve a fair presentation of the Entity's financial position and results, leases are recognised in accordance with the accounting principles of the International Financial Reporting Standard IFRS 16 Leases, effective 1 January 2023. IFRS 16 does not distinguish between operating leases and finance leases but requires the recognition of a lease asset (right-of-use asset) and a lease liability when entering into leases, except for leases with a lease term ending within 12 months (short-term leases) and contracts to lease assets of low value.

**Application of transition requirements**
According to the transition requirements of the Danish Financial Statements Act, the comparative figures are not restated, and the cumulative effect of the transition is recognised in equity at the beginning of the financial year. The change only includes leases stretching into the current financial year.

Moreover, the following transition requirements of IFRS 16 have been applied:

- Amounts previously recognised for leases classified and recognised as a finance lease have not been changed.
- For leases previously classified as an operating lease, the following is applicable:
- Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Entity's incremental borrowing rate at the date of initial application on 1 January 2023.
- Lease assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.
- Lease assets are written down to the lower of recoverable amount and carrying amount.
- Leases for which the lease term ends within 12 months on 1 January 2023 are accounted for in the same way as short-term leases, despite the original lease term, thus not recognised as a lease asset or a lease liability.
- Direct costs paid at the inception of a lease are excluded from the measurement of the lease assets.

**Interpretation of changes in accounting policies due to the application of IFRS 16**
Leases previously classified as operating leases
The application of IFRS 16 changes the treatment of leases previously classified as operating leases, thus not recognised in the balance sheet. Lease payments from operating leases were previously recognised on a straight-line basis in the income statement as Other external expenses over the lease term.

Lease payments from short-term leases (with a maximum lease term of 12 months and with no option to extend) and contracts to lease assets of low value (e.g. computers and office furniture) are still recognised on a straight-line basis over the term of the contract. The lease payments are recognised as Other external expenses in the income statement.

For all other leases:

a) Lease assets and lease liabilities are recognised in the balance sheet, initially measured at the present value of future lease payments.

b) Depreciation and impairment losses on lease assets and interest on lease liabilities are recognised in the income statement.

c) The total lease payment is separated into repayment of the lease liability (i0and interest (d

Lease assets are written down to the lower of recoverable amount and carrying amount, replacing the former requirement of recognising a provision for onerous leases.

The change in accounting policies has led to an decrease in other external expenses of kDKK 3.435 respectively an increase in depresiations of 3.425 kDKK and an increase in financial costs of 188 kDKK. Consequently, the total effect of the change in accounting policies is a increase in this year's pre-tax loss with kDKK 178. Tax for the year incumbent on the change in accounting policies, consisting of an adjustment of deferred tax, amounts to kDKK 39, after which net loss for the year increases by kDKK 139. The balance sheet total increases by kDKK 3.863, while equity decreases by kDKK 139 at 31.12.2023.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

## Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Business combinations

The uniting-of-interests method is applied on mergers of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from the sale of intangible assets and property, plant and equipment, and salary refunds.

### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

### Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to equipment and intangible assets comprise depreciation for the financial year, and gains and losses from the sale of equipment.

**Other operating expenses**
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from the sale of intangible assets and property, plant and equipment.

**Other financial income**
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on transactions in foreign currencies and tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Balance sheet

**Goodwill**
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

**Intellectual property rights etc**
Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

**Property, plant and equipment**
Fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | Useful life |
|---|---|
| Other fixtures and fittings, tools and equipment | 3-10 years |

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

**Investments in group enterprises**
Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

The accounting policies applied to material financial statement items of group enterprises are:

Other investments comprising listed securities and unlisted investments are measured at fair value.

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Receivables**
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

**Deferred tax**
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Prepayments**
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**
Cash comprises cash in hand and bank deposits.

**Lease liabilities**
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**Operating leases**
Lease payments regarding items with a value below 5,000$ considers as operating leases and are recognised on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

## Cash flow statement
Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Terzo D Holdco ApS, Business Reg. No. 42156647.