Annual report 2022/23

Together Towards Natural

Oterra Holding ApS
Agern Allé 24
DK-2970 Hørsholm
Company reg. no: 41686774

Contents

Management's review

Financial statements

Throughout this report, '2022/23' refers to our financial year starting 1 Sep and ending 31 Aug, while '2022' or '2023' refers to the calendar year.

Oterra at a glance

No one knows color like nature. And no one knows natural colors like us

What we do
Oterra has +140 years of experience in natural colors. Today we develop, produce and sell natural colors and coloring food products to customers across the food and beverage industry. We are a vertically integrated operation with the widest portfolio in the market, focused exclusively on natural colors and coloring foods.

A global mindset
Oterra's commitment to a global mindset is embedded in our identity. Our international presence and diverse team contribute to a dynamic environment, which fosters a culture of adaptability and innovation, where we embrace change. In a world that is constantly evolving, our international perspective equips us to navigate the complexities of the global market.

40+
Locations for Oterra's employees

26
Countries with office, lab or production facility

EUR 405m
Pro-forma net revenue 2022/23

3,125
Customers large and small

130+
Countries actively served

EUR 66m
Pro-forma EBITDA 2022/23

1876
First butter & cheese color based on Annatto launched at world fair in the US

2021
First year as independent company and rebranded as Oterra

Bioactives – a new growth driver
Oterra has launched Akay Bioactives, a new brand combining the group's bioactive ingredients for the health and nutrition industry.

Driven by a clear purpose to amplify nature's ability to enhance human health, Akay Bioactives sustainably transforms natural resources into bioactives with substantiated health outcomes. Our dedicated clinical research and cutting-edge delivery technologies unlock a new potential of nature's abilities and realizing synergies from Oterra's supply chain.

Unlock nature through science

Global reach, local touch
Oterra's impact is felt across 130 plus countries, serving over 3,100 customers. Even though we cover such a vast area, our team takes pride in offering localized solutions and customized support to our clients.

Commitment to excellence
At Oterra we are united by our shared commitment to excellence. Our highly engaged team is the driving force behind our relentless pursuit of growth and our passion for providing top quality.

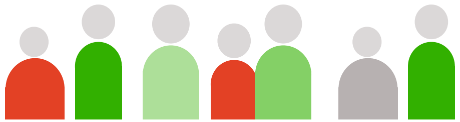
Performance highlights

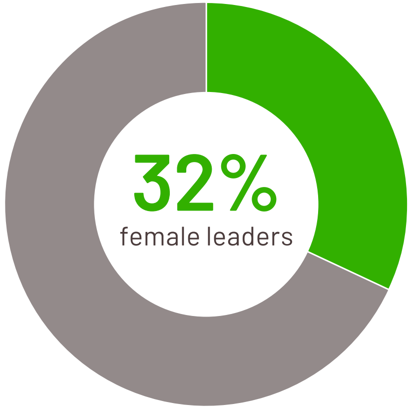
At Oterra, our entire business is founded on the principle that 'nature got it right'. Sustainability lies at the heart of Oterra's operations.

We recognize the crucial link between nature and health, understanding that the well-being of our planet directly impacts the well-being of its inhabitants.

1,230
employees

51
nationalities





100%
renewable electricity at main production sites

More information on page 26

In 2022/23, we launched our ambitious sustainability strategy

GHG emissions baseline (2022)	GHG emissions baseline (2022)	GHG emissions baseline (2022)
Scope 1	Scope 2	Scope 3
12,311 tCO_2e	422 tCO_2e market based	238,808 tCO_2e
Science based GHG emissions reduction targets	**Science based GHG emissions reduction targets**	**Science based GHG emissions reduction targets**
42% absolute reduction	42% absolute reduction	25% absolute reduction

18%
Revenue growth

9%
EBITDA margin before special items

A message from our Chairman and CEO

Continued transformation during a challenging year for the industry

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

During 2022/23, Oterra experienced the effects of temporary destocking in the food and beverage industry, leading to lower volume demands than expected as customers rebalanced their inventory levels and adjusted to the current demand landscape and pricing.

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

The continued CAPEX investments into the operating backbone of the business supports our strategy of maintaining our position as the world's largest provider of natural colors and preparing the company for future growth. During 2022/23, we continued the work to improve our processes and operations, which had temporary effects on our revenue and earnings.

During the year, we streamlined our global footprint and closed minor production sites while institutionalizing strong BCPs.

Whereas Oterra's performance for 2022/23 was below our expectation due the market slow-down, we expect revenue to return to growth in 2023/24 and our EBITDA margin to improve compared to 2022/23.

As part of the journey to consolidate Oterra's leadership position and build on the platform, Chief Executive Officer Martin Sonntag joined the company on January 1st 2024.

At the Board of Directors we are delighted to welcome Martin on board. He brings wealth of experience from the industry and we are confident that he will be a valuable contributor to driving growth and value creation going forward.

> "Following a challeging year, we expect Oterra to revert to growth and improved earnings trajectory during the coming year.

We can always rely on the professional Oterra colleagues in every part of the Oterra group, and want to thank them for their dedication, continuously driving building our company. We also want to thank our clients and partners for their continued support in working with Oterra to provide high quality products to consumers across the globe.

Sincerely,

Martin Sonntag
CEO

Cornelis de Jong
Chairman

Consolidated key figures

EUR millions	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 – Aug 31, 2021
Income statement			
Revenue	396.0	335.7	108.4
Gross income	87.5	86.3	35.3
EBITDA before special items	35.5	35.7	16.2
EBIT before special items and impairment	(10.0)	0.5	4.1
EBIT	(84.9)	(248.7)	(50.1)
Net financial items	(35.7)	(20.1)	(7.3)
Income/(loss) for the year	(110.8)	(259.7)	(52.7)
Cash flow			
Cash flow from operating activities	(27.3)	(85.9)	4.1
Cash flow from investing activities	(172.1)	(177.2)	(930.5)
Cash flow from financing activities	226.1	235.6	974.1
Purchase of property, plant and equipment	(36.9)	(14.1)	(7.9)
Free cash flow	(64.2)	(100.0)	(926.4)
Free cash flow before special items and acquisitions	99.1	80.0	45.3
Balance sheet			
Total assets	1,318.7	1,220.7	1,176.0
Invested capital	1,138.8	1,065.9	1,058.8
Net working capital	151.4	143.5	84,7
Equity	564.4	555.9	681,8
Net interest-bearing debt	495.9	434.0	265.6

EUR millions	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022	Sep 18, 2020 – Aug 31, 2021
Financial ratios			
Gross margin, %	22.1	25.7	32.6
EBITDA margin before special items, %	9.0	10.6	14.9
EBIT margin before special items and impairment, %	(2.5)	(0.1)	3.8
EBIT, %	(21.4)	(74.1)	(46.2)
Other key figures			
Average number of employees (FTEs)	894	836	643
Pro forma net revenue*	405.2	430.9	N/A
Pro forma EBITDA before special items*	65.9	64.7	N/A

* Pro forma net revenue and pro forma EBITDA before special items illustrate on a pro forma basis how net revenue and EBITDA before special items would have looked if the acquisitions of the group had full year contribution and if extraordinary costs had not occurred, related to the ERP migration.

The calculation principles related to key figures and financial ratios are presented in note 1.1.

Our business

In this section

Oterra:

A legacy of innovation and global expansion

In the world of natural colors, Oterra represents more than 140 years of innovation. This journey blends tradition with technology and embraces sustainability

The Chr. Hansen legacy

Oterra's roots trace back to Chr. Hansen A/S, a Danish bioscience company with a remarkable 149-year legacy. Founded in 1874, Chr. Hansen has always been committed to natural colors, making its international debut in 1876 at the World Exhibition in Philadelphia. This commitment laid the foundation for Oterra's journey.

Expansion taking off

In the 20th century, Chr. Hansen's dedication to colors grew stronger. In 1929, they established a research and development facility in Milwaukee, USA, specializing in extraction, liquid blending, powder blending, and filling. In 1939, the company expanded its natural color range, offering red beet, grape skin and paprika to the world.

Milestones in the 20th Century

The mid-20th century brought pivotal moments for Chr. Hansen, including the inauguration of a carmine production facility in Quilmes, Argentina, in 1964. In 1979, Chr. Hansen was listed on the Copenhagen stock exchange, attracting new investors to its growth journey. During the late 1980s and early 1990s, the company made significant acquisitions, and continued to invest in broadening its capabilities and commitment to sustainable sourcing.

Entering the new millennium

In 2003, Chr. Hansen acquired a carmine production facility in La Molina, Peru, reinforcing its global footprint. Innovations like I-Colors® in 2011 and the FruitMax® range highlighted Chr. Hansen's commitment to addressing global food quality concerns.

The birth of Oterra

In April 2021, Swedish private equity firm EQT acquired Chr. Hansen's natural colors business, giving rise to Oterra. This transition marked the beginning of a new journey driven by sustainability, innovation and a diverse array of natural color solutions.

Strategic mergers

In July 2021, Oterra acquired Secna Group, a Spanish company specializing in organic caramelized sugar and anthocyanins, strenghtening our capabilities. In December 2021, Diana Food's natural coloring business joined Oterra, enriching our palette of colors sourced from nature.

Global expansion and expertise

At the end of 2021, Oterra solidified its position by acquiring Food Ingredient Solutions, an American producer of colors and natural antioxidants. This strategic step bolstered our presence in the American market.

In October 2022, Oterra acquired the Indian-based Akay Group, adding expertise in natural colors and nutraceutical ingredients, reinforcing our position as a global leader in natural color innovation.

With a strategic focus on backward integration, Oterra has consistently strengthened our market position in crucial pigments. Through strategic acquisitions and a relentless commitment, we position us for sustained success, ensuring control over the entire pigment supply chain and reinforcing our commitment to excellence through competitive products and prices towards our customers.

Oterra is a market leader ready to create a future where colors reflect the true essence of nature, creativity, and with a dedication to making the world and nutrition better and more sustainable

1874
Chr. Hansen founded in Denmark

1876
First butter & cheese color based on Annatto launched at world fair in the US

1929
1st factory in the US opens in Milwaukee, Wisconsin

1980
Natural Colors expands production with natural vegetable colors

1999
Acquired facility in Canossa, Italy

2000
Building of the production facility in Avedøre, Denmark

2007
Conversion trend to Natural Colors on the back of the Southampton study

2012
Launched 1st generation of FRUITMAX® range of clean label colors

2014
Global Expertise Center opens in Shanghai, China (4th of its kind)

2018
Enters exclusive partnership to bring blue Huito to the market

2019
Received IFT2 Food Expo Innovation Award FIEI and Innovation Award for Hansen Sweet Potato™

2021
EQT acquires the Chr. Hansen natural colors and Oterra™ is born.

Oterra™ aqcuires three group companies.

2022
Oterra™ acquires the Akay Group

Business model

Our business

No one knows color like *nature*.
No one knows natural colors like *us*

Raw materials

We have complete backward integration for many of our products ensuring supply consistency, competitive pricing, sustainable sourcing and superior quality through close partnerships with our agricultural suppliers

R&D

We drive innovation for our customers through knowledge of raw materials, natural ingredients and applications. Our portfolio is available in every application imaginable

Production

We have the largest, and most technologically advanced manufacturing footprint in our industry

Sales

We have global sales presence, a customer-centric concept, and a full palette of natural colors for the food and beverage industry

Value created

Customer value

We create and retain long-term customer relationships that support the conversion to natural

Natural products

We offer the power of nature's true colors

Safety and well-being at work

Relentless focus on the wellbeing and safety of our workforce

Planet

Committed to deliver on our ambitious GHG reduction targets

Shareholder value

Responsible growth and healthy profitability

Expanding the Oterra family

Expanding our global presence through a series of deliberate strategic acquisitions

In the wake of Oterra's emergence as a standalone company in 2021, we have undertaken four strategic acquisitions with the purpose of solidifying our value chain, expanding our global presence, and enhancing the diversity of our product portfolio.

We continue to explore options to further develop our fully integrated business model through evaluating partnerships, cooperation, or acquisitions, all aimed at providing the best value proposition for our customers across the globe.

We are deeply committed to natural colors and will continue to develop solutions for customers to comfortably go all in natural.

"We scale large and global"

July 2021

Oterra acquires Secna Group. A Spanish business with expertise in organic caramelized sugar and anthocyanins

Key strengths

- 60+ years of expertise in caramel and anthocyanin production
- Strengthening our supply chain in black carrot, grape and caramel

secna

December 2021

Oterra acquires Diana Food's natural coloring business. A European business with expertise in organic red beet and orange carrot

Key strengths

- Organic certification and production
- Provides additional strength in key color pigments
  - Beet
  - Orange carrot
  - Black carrot

dianafood

December 2021

Oterra acquires Food Ingredient Solutions, a leading American producer of colors and natural antioxidants

Key strengths

- Provides additional strengths in natural colors and the attractive North American market
- Two certified processing facilities in North America

Food Ingredient Solutions

October 2022

Oterra acquires Indian based Akay Group, a leading business specializing in natural colors and nutraceutical ingredients

Key strengths

- Provides additional strength in key color pigments
  - Paprika
  - Turmeric
- Strong nutraceutical ingredient portfolio
- State-of-the-art manufacturing plants and strong R&D capabilities

akay

Exploring Oterra's diverse industry leading portfolio

As the world's largest provider of natural colors and coloring food stuff for the food and beverage manufacturers all over the world, our products are used in a wide range of applications and reach consumers in more than 130 countries worldwide.

With our industry-leading crop understanding, sourcing and supply-chain setup - in combination with how we serve our customers from addressing application challenges, understanding consumer needs and delivering regulatory advisory across the globe, really sets us apart in providing the best color and shade outcomes, along with a robust supply-chain solution.

Meeting consumer demands of a growing planet-friendly and health-conscious market

The growing consumer demand for transparency, clean-label products and the increasing emphasis on health and wellness underscore the industry's evolution towards natural colors and a departure away from artificial colorants. Oterra recognizes this shift, and our natural colors not only infuse products with vibrant hues but also align with the rising trend of avoiding synthetic additives.

Regulatory movements are driving change

As the demand for cleaner and more transparent product labelling continues to surge, the natural colors industry has experienced solid growth. Regulatory tailwinds can accelerate the conversion towards natural. For example, in the US the California Food Safety Act (effective 2027) will prohibit artificial colorant Red 3 in food for human consumption, influencing both retail and restaurants.

> We experience a growing demand for clean-label products and increasing emphasis on health and wellness among consumers, which further drives the transition towards more natural colors.

Geographies

130+
countries

Products

Unique technologies for the best pigment performance

FruitMax®, CapColors®, I-Colors, DairyMax®

Industries

Food
Beverages
Pet

Oterra delivers a full palette of colors from nature

We carefully choose the best from nature to craft a comprehensive palette of enticing shades. Our natural food colors meet the demand for safe and high-quality ingredients, helping deliver trusted consumer products of the highest quality.

A diverse and adaptable portfolio, customized to precisely fulfill customer requirements, featuring over 900 products

~15
Core pigments
(Anthocyanin, beta-carotene, curcumin)

~20
Different shade platforms
(Warm yellow, violet, pink)

~40
Customer applications
(Bakery, confectionery and beverage)

~130
End-markets served
(Vietnam, Italy, the US)

+900
products offered to customers

Based on client needs, each product can be specifically customised to meet regulatory requirements and specific product claims

Regulatory expertise

Products conforming to regulatory regimes across the world
(US, EU, Codex, China)

Product claims

Solutions in compliance with product regulation for claims
(Vegan, clean label, organic, kosher, halal, palm oil free, and more)

Global footprint and market reach

Oterra's influence extends far beyond our product portfolio. We have established our presence across the globe, fostering valuable partnerships and serving a wide range of industries.

Following the Carve-out from Chr. Hansen and subsequent acquisitions, we have during 2022/23 streamlined our operations to have the optimal global focus for our customers.

- North America: Oterra has a strong foothold in the North American market, catering to the demands of an environmentally conscious and health-focused consumer base. Our products have found homes in a multitude of consumer goods, emphasizing transparency and quality.
- Europe: Oterra's European operations reflect our commitment to the continent's rich heritage of natural products and wellness. With natural colors and ingredients that resonate in all countries, we are an integral part of the region's evolving consumer landscape.
- Asia-Pacific: In the dynamic Asia-Pacific region, Oterra's products contribute to the growth of a burgeoning clean-label and natural movement. Our commitment to innovation aligns with the region's ever-evolving preferences.

Oterra's journey continues as we pursue our commitment to innovation, sustainability, and global impact. With a diverse product portfolio and a strategic presence in many markets, we remain committed to providing solutions that meet the evolving needs of consumers and industries alike.

Oterra's global production and process capabilities

Oterra's production and process capabilities are highly advanced when it comes to providing high-quality natural colors and ingredients to a global customer base. With a network of strategically-located production plants, we offer a diverse range of products and services to meet the ever-evolving needs of our customers worldwide.

Through acquisitions, Oterra is backward integrated in certain important pigments which is deemed to be an advantage in the global transition to natual colors.

Oterra's widespread production and process capabilities ensure that we are able to consistently deliver excellence in natural colors and ingredients to customers worldwide.

Oterra's production footprint

Overview of Oterra production plants in scope and process capabilities

Application Process

- Extraction
- Liquid blending
- Powder blending
- Filling

Strategy

Because nature got it right the first time

Our strategy is based on our ambition to be the preferred partner for natural color solutions for food and beverage manufacturers worldwide. Through innovative and sustainable solutions, we want to drive the conversion to natural colors as we believe everyone deserves food and beverages that are safe and made from natural ingredients that they can trust.

Our purpose gives us a clear and common direction, attracts talent and loyal customers and drive innovation and new thinking in our industry.

Long term customer relationships
We create and retain long-term customer relationships that support the conversion to natural

Scalable and secure supply
We deliver supply security, scalability and cost competitiveness allowing our customers to grow

Leading product portfolio
We offer the industry-leading product portfolio while driving simplicity of choice for customers

Innovation and expertise
We drive innovation for our customers through knowledge of raw materials, natural ingredients and applications

Focus on people
We empower our passionate team to achieve great things together and drive development using our Ways of Working

Commitment to sustainability
We are a responsible partner committed to ensuring sustainability at Oterra and beyond

Financial review

In this section

Financial review

In the second full year as a standalone Group, Oterra has maintained the commitment to a transformative strategy, marked by the successful acquisition of the Akay Group. Despite facing challenges such as short-term market destocking and ongoing business transformation, the Group achieved an 18% increase in revenue.

Financial performance

The financial performance for the year showed an EBITDA before special items of EUR 35.5 million, a decrease of 0.6%. The special item costs accounted to EUR 31.9 million, resulting in a negative EBIT of EUR 84.9 million.

The result for 2022/23 reflects the journey that Oterra has been on, building a market leader with significant investments into improvements of the business.

Throughout the year, focus has been on operational improvements to support a scalable platform, enabling strong integration of the acquired companies subsequent to the carve-out from Chr. Hansen. This initiative is pivotal in enhancing our business processes, fostering data-driven decision-making, and enabling more robust planning capabilities, continuously ongoing. Further, the group prioritized right-sizing the company.

During the financial year 2022/23 the following key events impacted the development of the Oterra Group:

- Acquisition of the Akay Group
- Further strengthening the organization and management team
- Continued focus on simplifying the business and operating model
- Restructuring of production sites in UK and the US with closing of three factories
- Post acquisition integration of Food Ingredient Solutions LLC and Diana Foods SAS
- Investments in production sites in the US and Peru

Market challenges

The financial year unfolded a backdrop of macro-economic challenges, with global supply chains adjusting to the post-Covid landscape. High industry inventories affected the entire sector, influencing the performance. Oterra proactively managed capacity and inventory levels to align with industry dynamics. Development on inflations rates have primarily impacted personnel and energy cost. Increased interest rates mainly affected new borrowings and are taken into consideration.

Revenue

Net revenue increased by 18.0% to EUR 396.0 million (2021/22: EUR 335.7 million) which meet expectations. Hereof EUR 49.0 million are coming from impact from acquisitions of Akay. Organic growth accounted for the remaining EUR 11.3 million net revenue increase, primarily coming from Latin and North America.

Gross margin

Gross profit increased by EUR 1.2 million to EUR 87.5 million (2021/22: EUR 86.3 million). This increase of 1.4% is driven by higher revenue as the gross margin is 22.1% (2021/22: 25.7%). The lower gross margin is a result of a combination of a more challenging market, too high stock, leading to scrapping and lower utilization of assets.

22.1%
Gross margin

Special items
Oterra has invested into the business in order to build the right and robust foundation. In 2022/23 several improvement projects have been conducted, resulting in special item costs of EUR 31.9 million (2021/22: EUR 44.2 million). The special item costs have decreased over the year with conclusion of projects and less M&A activity. The trend is expected to continue in 2023/24.

EBITDA
EBITDA before special items decreased by 0.6% to EUR 35.5 million (2021/22: EUR 35.7 million), which is below expectations. There have been significant investments in efficiency improvements, safety and ESG, and the lower volumes also affected EBITDA.

EBIT
The operating result significantly improved by EUR 163.8 million to a loss of EUR 84.9 million in 2022/23 (2021/22: EUR 248.7 million loss). This improvement is driven by a lower degree of non-recurring costs related to M&A activities as well as lower impairment impact compared to last year.

EBIT before special times
The operating result before special times amounts to a loss of EUR 10.0 million (2021/22: EUR 0.5 million profit), mainly driven by lower growth in revenue and negative margin development.

Net financials
Reported net financials resulted in an expense of EUR 35.7 million (2021/22: EUR 20.1 million). The increase is related to higher global interest levels and fluctuating currency exchange rates.

Result of the year
The financial year 2022/23 resulted in a loss of EUR 110.8 million (2021/22: EUR 259.7 million). The management does not consider the result satisfactory.

Net Working Capital
The Net Working Capital developed during the financial year from EUR 143.5 million to EUR 151.4 million driven almost equally across the underlying elements.

Total assets
Oterra`s total assets amount to EUR 1,318.7 million (2021/22: EUR 1,220.7 million). The increase of 8.0% is mainly related to additions from acquired entities, impacting primarily goodwill and other intangible assets.

Equity
The equity increased by EUR 8.5 million in 2022/23 to EUR 564.4 million (2021/22: EUR 555.9 million). The increase was mainly related to a capital increase of EUR 158.0 million, offset by the loss of the year 2022/23.

Events after the balance sheet date
No material events have occurred subsequent to 31 August 2023 that have not already been included in the annual report and that would have a material effect on the assessment of the Group's financial position.

Outlook

Oterra remains resilient in its commitment to right-sizing its operating base, ensuring alignment with current activity levels while maintaining flexibility for anticipated growth. The ongoing dedication to simplifying operations, coupled with strategic investments and the integration of acquired entities, positions the Group for sustained success in the dynamic market landscape.

In conclusion, despite the financial challenges experienced in the fiscal year 2022/23, Oterra remains focused on its transformative journey, demonstrating adaptability and resilience in the face of industry dynamics. The strategic initiatives undertaken lay the foundation for future growth, and the Group is well-poised to navigate evolving market conditions. Single-digit growth is expected for the revenue and EBITDA in 2023/24.

Sustainability

In this section

Statement on corporate responsibility

The content within pages 20-47 constitutes Oterra's statutory reporting on corporate responsibility, gender distribution in management and data ethics in accordance with §99a, §99b, and §99d of the Danish Financial Statements Act. A description of the business model can be found on page 10.

Materiality & strategy

Our sustainability strategy

At Oterra, we are on a journey 'together towards natural'.

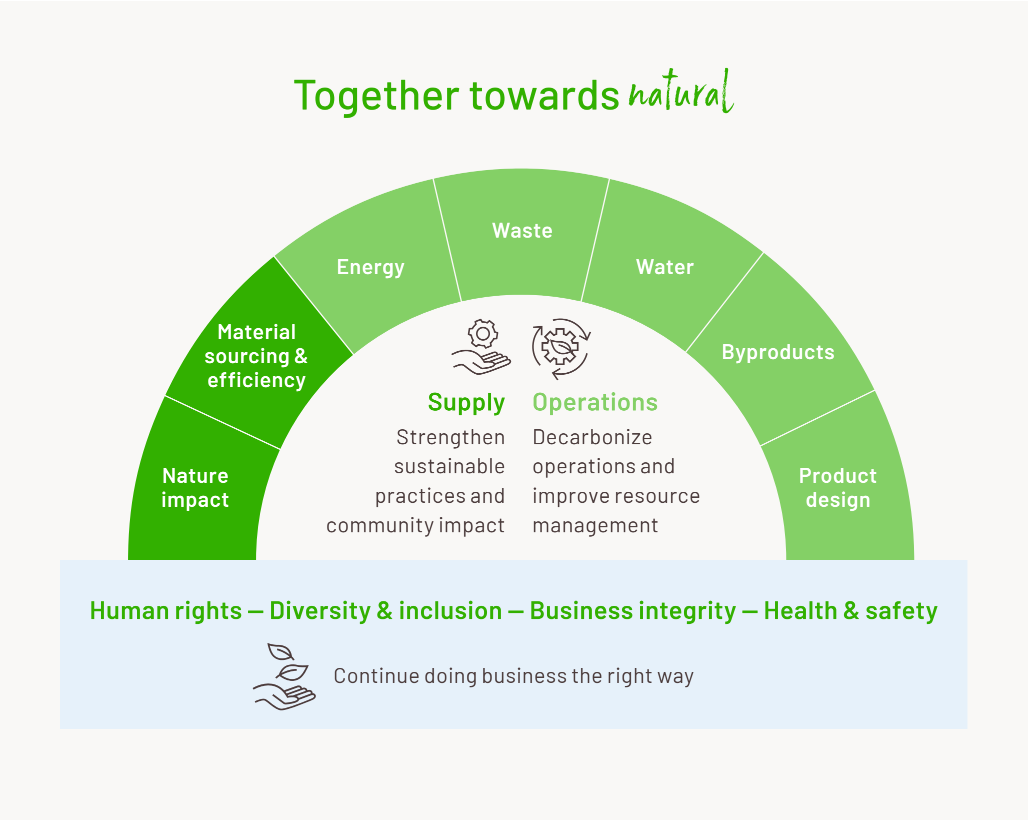
Our sustainability strategy encompasses our entire value chain and reflects our values, ways of working and corporate culture.

Our processes and definitions for material areas
In 2021/22, we conducted a materiality assessment, which we reviewed in 2022/23 to ensure ongoing alignment with our stakeholder's key concerns. It has enabled us to identify our most pertinent sustainability focus areas, and empowers us to efficiently and transparently track our progress to ensure that we remain on track to achieve our sustainability objectives. The resulting well-defined structure serves as the cornerstone of our internal sustainability governance.

For each of our focus areas, we have established a comprehensive framework that encompasses the following elements:

1. **Clear rationale:** We have developed a profound understanding of the significance of each topic to Oterra, recognizing its relevance and impact on our sustainability agenda.
2. **Vision and priority initiatives:** We have defined a clear vision for each topic, along with a set of priority initiatives that guide our actions and decisions.
3. **Key performance indicators (KPIs):** We have identified one or several KPIs specific to each topic, enabling us to effectively measure and monitor our progress over time.
4. **Ownership and responsibility:** Each topic has been assigned an owner who is responsible for driving the related work, ensuring accountability and successful implementation.
5. **Senior leadership sponsorship:** A member of our senior leadership team acts as a sponsor for each topic, providing guidance, support, and advocacy to foster its successful integration throughout the organization.
6. **Ongoing goal setting:** We maintain a dynamic and iterative process of goal setting, regularly reassessing targets and milestones to adapt to evolving circumstances and emerging opportunities.

Our sustainability governance model is further described on page 44.



Material areas		Definition	What we track	What we want to achieve
Sustainable supply	Nature impact	We want our operations to do no harm to nature and promote sustainable practices across our value chain. We analyze and act on the nature-based risks in our supply chain.	Impacts from agricultural supply chain	Reduce negative impacts and amplify positive impacts of agricultural supply chain on nature and the environment
	Material sourcing & efficiency	We partner with suppliers and farmers around the world for solutions that secure our future access to raw materials, and achieve lower emissions and other environmental impacts across our value chain, while creating positive socioeconomic and community impact. Our breeding initiatives lower the environmental impact of our crops while improving efficiencies and yields.	Scope 3 emissions Savings in environmental impact as an outcome of breeding initiatives	25% absolute reduction by 2030 (from a 2022 baseline) Quantify and reduce the environmental impacts of our crops through breeding initiatives
Sustainable operations	Energy	Optimizing energy usage and sources saves both costs and emissions. Our focus is on improving energy efficiency to reduce overall energy consumption and on switching to renewable energy.	Scope 1 & 2 emissions % of renewable electricity at main production sites KwH per ton of production	42% absolute reduction by 2030 (from a 2022 baseline) Maintain 100% renewable electricity at main production sites Reduce factory energy intensity
	Waste	Reducing waste and improving material yield reduces costs, improves operational efficiency and lowers our environmental impact.	Material yield % % of non-hazardous waste recycled Kg of waste per ton of production	Improve the yield in color units from raw material to finished product Increase % of waste recycled Reduce waste intensity
	Water	Optimizing our water management will make our business more resilient and help us lower our overall water intensity.	Factory water usage per ton of production	Reduce factory water usage intensity
	Byproducts	We analyze and enhance the utilization of our byproducts to create value for the business while improving circularity.	All byproducts and their uses	Optimize byproducts utilization to create value for the business while improving circularity
	Product design	We monitor the resource intensity of our products and implement sustainable lifecycle management processes. We optimize packaging to increase reuse and recycling within our value chain	% of recycled content in plastic packaging	Increase the % of recycled content in plastic packaging

Material areas		Definition	What we track	What we want to achieve
Foundational focus areas	Business integrity	As a responsible company, we are committed to conducting our business in a fair, transparent, compliant and ethical manner.	Recorded cases of business integrity violations upheld	Maintain zero cases
	Employee engagement, diversity & inclusion	We foster a culture of diversity, inclusion and belonging by attracting and retaining a diverse talent pool and ensuring equal opportunities for all employees, and maintain an engaged workforce.	% of female leaders eNPS and engagement score	35% female leaders in Oterra Leadership Team (OLT) and Extended Leadership Team (ELT) before 2025/26 Maintain an engaged and motivated workforce
	Health & safety	Ensuring the health and safety of our staff and those we work with is of highest priority for Oterra.	Lost Time Incident Rate (LTIR)	Zero accidents
	Human rights	We uphold and advocate for human rights across our business and within our supply chain with a focus on responsible sourcing strategies.	Recorded cases of human rights abuse or human trafficking upheld	Maintain zero cases

We review our materiality assessment every year and are planning a comprehensive double materiality assessment in preparation for reporting under the European Sustainability Reporting Standards (ESRS) as mandated by the EU Corporate Sustainability Reporting Directive (CSRD). Oterra is required to begin full ESRS reporting from 2025/26.

Sustainable value chain from raw material to consumer

Our natural colors are used in applications across a wide range of food, beverage, and pet products globally. By adding value across the entire supply chain, we seize the opportunity to actively contribute to the development of resilient agricultural systems and streamlined production processes.

Through meticulous anaysis of our value chain, we have taken a comprehensive approach within our sustainability strategy to address both opportunities and risks at every stage.

Beginning from the sourcing of raw materials and extending all the way to the end consumer.

Raw materials

Reduce environmental impact while improving output

- Breeding for better land use
- Traceability
- Biotech solutions
- Sustainable agriculture
- Agronomist at grow sites

Processing

Sustainable resource management

- Value from byproducts
- Efficiency and yield
- Decarbonize production sites

Product design

Promote a low carbon, low waste portfolio

- Optimized packaging
- Product carbon footprint calculation

Transport

Lower emissions from transport

- Reduce emissions
- Optimize transport patterns

Customers

Help customers reach their targets

- Reduce customers' value chain emissions
- Increase competitiveness and differentiation

End consumer

Enable consumers to buy products with low emission, nature-conscious ingredients

Climate action journey

Since our establishment as an independent entity, and undertaking several acquisitions, we have meticulously calculated our greenhouse gas (GHG) emissions. This strong foundation serves as the basis for developing a roadmap to effectively reduce our emissions in alignment with climate science in the coming years.

In April 2023, we took a significant step forward by submitting our GHG reduction targets to the Science Based Targets initiative (SBTi), the most recognized organization globally for developing methods and criteria for effective corporate climate action. Our targets were validated by the SBTi in November 2023.

We are looking forward to showcasing our climate leadership in the years ahead. In the following table you can see a description of Oterra's impacts across Scopes 1, 2 and 3, our 2022 emissions and the targets that we have set for 2030. The SBTi has classified Oterra's scope 1 and 2 target ambition as being in line with a 1.5 degree trajectory which is currently the most ambitious designation available through the SBTi process. Our Scope 3 target is aligned with the well below 2 degrees scenario. Our targets of 42% and 25% reduction by 2030 are set on an absolute basis, which means reducing total impact even if the business is growing.

	Scope 1	Scope 2	Scope 3
GHG Protocol definition	All direct emissions from owned or controlled sources	Indirect emissions from the generation of purchased energy	All indirect emissions (not included in Scope 2) that occur in the value chain, including both upstream and downstream emissions
Oterra's impacts	Natural gas and fuel used in production and refrigerants	Purchased electricity and district heating	The growing and third-party processing of raw materials, transportation and distribution, packaging and business travel
2022 baseline	12,311 tCO_2e	422 tCO_2e market based	238,808 tCO_2e
2030 target	**42%** absolute reduction	**42%** absolute reduction	**25%** absolute reduction

Given Oterra's rapid growth journey and the several acquisitions that have been completed over the past two years, our 2022 baseline includes our production sites in Avedøre (DK), Canossa (IT), Chiva (SP), Cosse (FR), Milwaukee (US), La Molina (PE), Valinhos (BR) as well as our Holbeach site (UK) which has since been closed. Our most recent acquisitions FIS and Akay will be included in upcoming year's calculation. We have also included office locations with a minimum threshold of 15 staff. Excluding smaller office locations which make up less than 5% of Oterra's total emissions is allowed under SBTi guidance.

Our Scope 3 data have been calculated using the spend based method. In the coming years, we are beginning to gradually move our Scope 3 calculations towards a hybrid accounting method that incorporates activity-based and supplier-specific data where available.

To realize our ambitious targets, we have identified key initiatives that will propel us towards success. In summary, these initiatives encompass:

Scopes 1 & 2

- **Implementation of energy conservation measures:** Through comprehensive energy audits conducted at our primary production sites, we have identified specific measures to conserve energy. By implementing these measures, we aim to minimize our energy consumption and associated emissions.

Scope 2

- **Continued sourcing of 100% renewable electricity:** At our main production sites, we are committed to sourcing electricity solely from renewable sources. By maintaining this commitment, we contribute to the reduction of our carbon footprint and support the transition to a clean energy future.

Scope 3

- **Increasing yield from field to end product:** We work with suppliers as well as with our own processes to reduce color unit losses throughout the entire value chain, from the raw material to the end product.

- **Our breeding initiatives** improve color content in the raw material, enabling us to use less material input to produce the same end product and hence reducing Scope 3 impacts.

- **Engagement and collaboration with suppliers**: Recognizing the shared responsibility of emissions reduction, we actively engage and collaborate with our suppliers. Together, we explore opportunities to lower emissions related to the cultivation and processing of our raw materials. This collaborative approach enables us to collectively work towards sustainable practices and emission reductions throughout the supply chain.

Through the implementation of these key initiatives, we are confident in our ability to make significant progress towards our ambitious GHG reduction targets. By addressing energy efficiency, renewable energy sourcing, yield and supplier collaboration, we are actively advancing our commitment to a low-carbon future.

Environment

Energy

As a manufacturer of natural products with several large production sites globally, energy is central to our sustainability as well as overall corporate strategy due to its impact on GHG emissions as well as our bottom line.

Our main sources of energy are electricity and natural gas, which are both used in our production processes. Our ambition is to improve energy efficiency and thereby reduce energy intensity in production, as well as to source as much as possible of our energy from renewable sources.

Comprehensive energy audits and energy conservation measures

Over the course of the past two years, we have carried out comprehensive on-site energy audits via a specialized third party at our main global production sites. These audits have resulted in a detailed understanding of our energy consumption, as well as a clear roadmap for upgrades and energy conservation measures which will help improve our energy efficiency and lower our GHG emissions from energy. The energy conservation measures and upgrades have been ranked by priority, scheduled and structured into budgets. For 2023/24, our goal is to reduce energy intensity in production by 4% (measured in KwH per ton of production of semi-finished and finished goods) for our company weighted average as a result of these site specific energy conservation measures.

Upgrades and energy conservation measures that have already been successfully completed include:

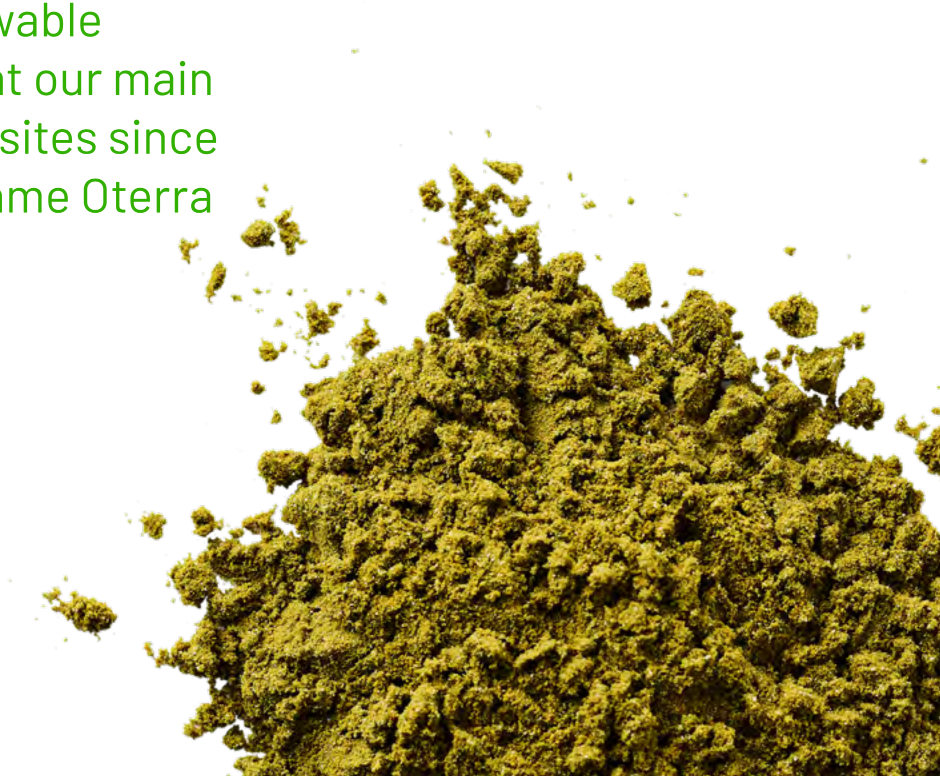
- Replacing the fuel boiler at our site in France with a biomass boiler – this represents a large investment on behalf of Oterra, which we estimate will save us more than 3,000 tCO_2e GHG emissions annually
- Replacing lighting around our production sites with LED alternatives
- Upgrading the boiler at our site in Italy with a more energy efficient alternative

Renewable electricity

In both 2021 and 2022 Oterra sourced 100% renewable electricity at our main production sites. For 2021, these included our Chr. Hansen legacy sites: Avedøre (DK), Canossa (IT), Milwaukee (US) and La Molina (PE). For 2022, these included the Chr. Hansen legacy sites as well as newly acquired sites in Chiva (SP) and Cossé (FR).

It is our ambition to continue sourcing 100% renewable electricity at our main production sites. Sourcing renewable electricity forms an important part in our strategy for achieving our GHG emissions reduction targets by 2030.

We have sourced 100% renewable electricity at our main production sites since Oterra became Oterra



Water

Water is an increasingly scarce and precious resource, and if not managed properly it can become a business risk since water is required both for the growing of our raw materials as well as during our processes in our factories. For 2023/24, we have set ourselves ambitious, site-specific water conservation targets.

We optimize our water management via a number of initiatives:

- We track the factory water intensity in production (m^3 of water per ton of semi-finished and finished goods produced) across all our sites and have set site-specific reduction targets for the coming financial year. Since each of our sites have different production processes, site specific measures have been identified to conserve water. This includes measures such as implementing ultrafiltration systems for water recovery, optimizing our CIP (cleaning in place) processes as well as raising awareness to our teams on how individual behavior can help us conserve water. These site-specific initiatives are expected to result in a 2-5% reduction in water usage per ton of production for some sites. For two sites, where we have identified particular opportunity for water-efficiency gains - one of which is our largest production site per tonnage, where we expect up to 17% reduction. This means that the overall impact on water efficiency for the company will be sizeable.
- In our Indian operations, we recover substantial amounts of rainwater for use in our factory processes.
- Also in India, our teams have successfully rolled out engagement with select turmeric contract farmers to implement drip irrigation methods, which resulted in a substantial reduction in the use of water for turmeric cultivation.
- While our immediate priority in the coming year is to improve water efficiency in production in our own factories, we will take inspiration from the success of the initiative to reduce water in turmeric cultivation as we roll out further supplier engagement on environmental impacts associated with our raw materials.

We conduct contextual water risk assessments using the World Resource Institute's Aqueduct Water Risk Atlas. We have identified five of our 12 sites as being located in areas of high water stress, situated in Peru, India and Brazil. These findings are taken into account when developing the site-specific water conservation measures.

Oterra water stress map

Water stress measures the ratio of total water demand to available renewable surface and groundwater supplies. Higher values indicate more competition among users.

- Extremely high (>80%)
- High (40-80 %)
- Medium-high (20-40%)
- Low-medium (10-20 %)
- Low (<10%)

Waste

At Oterra, we take a holistic approach to waste management. We track all waste generated at our main production sites with a view to reducing waste generation and increasing recycling. We ensure proper disposal of the waste we produce, including hazardous waste which we work with specialized partners to properly dispose off. All this helps us lower costs and environmental impact, while improving operational efficiency.

Byproducts utilization

The extraction and manufacturing of our natural colors creates byproducts in the form of biomass. We do not see these byproducts as waste, but as opportunities to create value for our business and our partners. Our biomass byproducts are used by us or our partners as compost, animal feed, or biogas generation, or is sold on to other industries that benefit from our byproducts in their processes. In 2022/23, we undertook a careful analysis of all our byproducts and their current uses, with the view to create increased value for the business while improving circularity. This has helped us identify the top priorities for the coming years where we believe we can create even more value for us, our partners and the planet by optimizing the utilization of our byproducts.

Responsible business

In this section

Human rights

At Oterra, we respect human rights as defined in the International Bill of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and we expect our suppliers, business partners and other established business relationships to do the same. We respect the Ethical Trading Initiative Base Code and the core conventions of the International Labor Organization (ILO). Our work with human rights is an integral part of our continuous support to the UN Global Compact.

We source from a wide range of suppliers globally and as such, there is a risk related to the possible employment of suppliers who do not comply with internationally recognized standards and conventions. In 2022/23, we have continued to work with human rights risk and due diligence assessment, supplier requirements and internal audits enforcing our commitment to protect human rights. In order to do business with Oterra, suppliers need to acknowledge our Supplier Guiding Principles which entail a set of social and environmental requirements, including respect for human rights and zero tolerance policy for bribery and corruption. For suppliers identified as operating in high risk environments, we carry out regular audits at our suppliers sites.

Third-party audits on social and environmental matters are further performed at Oterra's production sites with regular intervals. These audits are called SMETA (Sedex Member Ethical Trade Audits) and are managed through Sedex, which is one of the world's largest collaborative platforms for sharing social and environmental data with customers to which Oterra maintains active participation.

In 2022/23, we have not detected any human rights violations in our supply chain.

Recorded cases of human rights abuse or human trafficking upheld

2021/22:
0 cases
2022/23:
0 cases
2023/24 target:
0 cases

Data ethics

The digital environment is evolving and continuously revealing new and innovative ways of improving the operations of our company. However, with all the possibilities of a digital transformation comes responsibilities and an important focus on data ethics. Oterra is committed to the protection of privacy and to securing transparent and ethical data processing.

Oterra is committed to the protection of privacy and to securing transparent and ethical data processing.

Oterra encounters different types of data. Internally, it is mainly processing of data about our employees and job applicants. Data about our employees and job applicants include regular personal data, such as names, addresses and phone numbers. In the daily operations, Oterra further processes certain special categories of personal data, for example health information and information about union memberships.

Oterra also processes large amounts of data that is not personally identifiable e.g., aggregated data, technical data, statistical data, industrial data, or similar. Such data is used to improve performance and reliability of our products and increase the productivity for the benefit of our customers.

Oterra only uses machine learning, artificial intelligence, or algorithms in a limited amount, and always strives to ensure that the results are not discriminatory or biased. Furthermore, personal data collected and processed by Oterra is not subject to automated decision making, nor is it sold to third parties or used for artificial intelligence systems.

Oterra has implemented a Data Ethics Policy that has been prepared in accordance with §99d of the Danish Financial Statements Act. The purpose of the policy is to formally state Oterra's data ethics principles and describe the overall ways we process data, making it clear to our customers, suppliers, employees, visitors to our website, and other stakeholders, that we are dedicated to protecting their data.

Our policy can be found here:
https://www.oterra.com/dataethicspolicy

Anti-bribery & corruption

As a global company that operates in many geographical contexts where threats to business integrity may vary, it is essential that we continue to act in compliance, whether it be selling products, sourcing materials, or collaborating with external parties.

In Oterra, we have adopted a Global Code of Conduct to ensure that our employees know and act in accordance with our zero-tolerance position on corruption and bribery. We have also implemented Guidelines for gifts, hospitality, and entertainment. Both are available for all employees in various languages. During 2022/23, we conducted an anti-bribery and corruption awareness training for all white-collar employees and specific blue-collar employees. 97 % out of the employees in scope for the training has completed the course. The remaining 3% lack the training due to longer leaves.

Oterra wants to promote a culture based on open dialogue. Oterra's Whistleblower Portal enables all employees of Oterra, as well as customers, suppliers, business partners and other stakeholders, to report any illegal/unethical misconduct or serious/sensitive concerns. During 2022/23, Oterra launched an awareness campaign of the Whistleblower Portal to promote and emphasize our speak-up culture.

The Whistleblower Portal is used to report serious violations or misconduct, or suspicions hereof, that may influence Oterra or the life or health of individuals, including violations, suspicions, and concerns. During 2022/23, we received five reports through the Whistleblower Portal, all of which were thoroughly investigated by the Compliance Team. The investigations showed no serious violations of our Code of Conduct, including our position on corruption and bribery. As such they were deemed not to fall within the scope of the Whistleblower policy but instead concerned other business matters.

Memberships and commitments

By actively engaging in these initiatives and memberships, we demonstrate our commitment to sustainability, transparency, and responsible business practices. We strive to make a positive impact not only within our own operations but also across the industries in which we operate.

The **UN Global Compact** asks companies to embrace, support and enact a set of core values in the areas of human rights, labor, environment, and anti-corruption. Oterra proudly stands as a signatory to the UN Global Compact, demonstrating our unwavering commitment to upholding its principles and advancing sustainable practices.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The **Science Based Targets initiative (SBTi)** is the most recognized organization globally for developing methods and criteria for effective corporate climate action. By aligning our emission reduction goals with climate science, we can make a meaningful impact in combating climate change.

RSPO Roundtable on Sustainable Palm Oil

The **Roundtable on Sustainable Palm Oil (RSPO)** is a non-profit membership organization that promotes the growth and use of sustainable palm oil products through global standards and multistakeholder governance. As a responsible corporate entity, we are a Supply Chain Associate member of the RSPO. This membership underlines our commitment to promoting sustainable practices within the palm oil industry, ensuring the protection of ecosystems and communities affected by palm oil production.

Sedex is an organization focused on driving responsible and ethical business practices throughout global supply chains. As part of our membership, we regularly undergo Sedex Member Ethical Trade Audits (SMETA) at our production sites. These audits provide a comprehensive third-party assessment of our operations, ensuring adherence to social and ethical standards.

Our people

In this section

Diversity & inclusion

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

Our ambition

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

In our key management, the Oterra Leadership Team, the ambition is to reach minimum 35% representation of both men and women before 2026. Oterra's other leaders are captured in the Extended Leadership Team, where the ambition is the same as for the key management. At the Board of Directors level, our ambition is to maintain at least 40% representation of men and women amongst our externally appointed board members.

Diverse talent pool

At Oterra, we aim for always hiring the best candidate, based on merits and competencies relevant to the specific job. We do not evaluate skills based on or discriminate against gender, race, religion, age, disability, sexual, religious, or political orientation, national origin or social/cultural background or any other characteristic protected by law. Our recruitment, terms of employment, promotion and termination of employment are practiced on the same criteria as described above.

When recruiting for senior leadership positions, it is a requirement that both female and male candidates with relevant skills and competencies are presented, no matter whether recruited internally or externally. Any non-compliance with this requirement must be explained.

Equal opportunity

At Oterra we focus on promoting a learning mindset, supporting curiosity and innovation and we see each opportunity as a chance to learn and grow. We know that our employees are our most valuable resource, and we are committed to creating a work environment that provides employees with equal opportunities in terms of personal and professional development.

Through our global People Review process we ensure that performance is evaluated consistently and objectively, measuring target achievements across functions and geographies. Part of the evaluation is also assessing the behavior displayed to achieve the individual targets set for the employee on a yearly basis.

Gender distribution in management

This section constitutes the statutory reporting, cf. FSA §99b.

While we work with diversity on a broad basis, we do believe that gender is an important parameter to pay attention to. The Board of Directors of the Oterra Group consists of four professional board members. At the end of 2022/23, our Board had a gender representation split of 50%-50% amongst our externally appointed board members. Therefore, it retains equal gender representation as defined under the Danish law.

At the end of 2022/23, the distribution of those identifying as females is 16% within the Oterra Leadership Team (OLT), while the distribution of female leaders at Oterra is 32%. 30% of our overall work force identifies as female. The OLT is our key management and consists of our Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Operations Officer, Chief Innovation Officer, Head of Product Management and Head of Strategy, M&A and Integration. Our Extended Leadership Team (ELT) is primarily comprised of leaders within the company who report directly to an OLT member and hold a significant leadership role in the company. A 'leader' includes all employees with personnel responsibility.

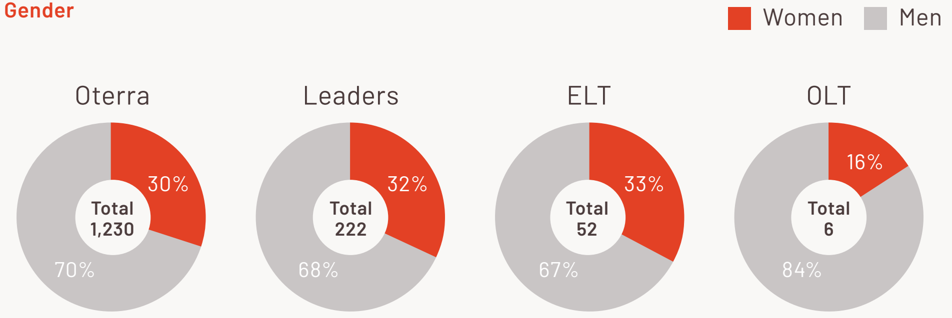
See page 34 for our policy and actions carried out to increase the proportion of the underrepresented gender in management.

Our people in numbers (as of 31 Aug 2023)

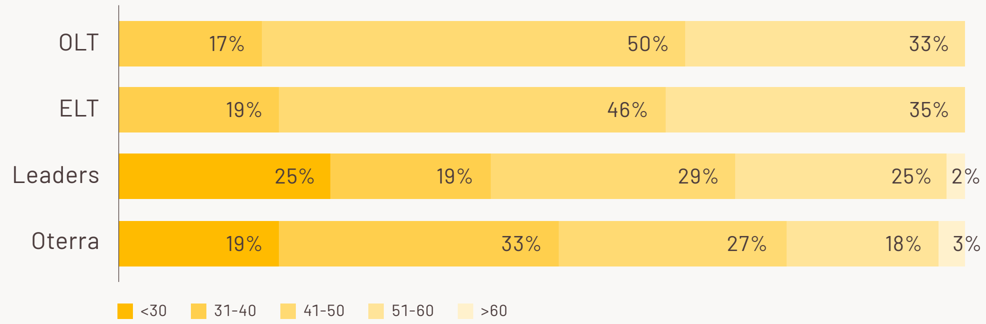
1,230 headcount*

51 nationalities

Gender



Age groups across our people



*Includes all acquisitions. Excludes student workers, trainees, and employees on garden leave

CASE STORY

90 Day Challenge - our successful metabolic control campaign in Peru

Towards the end of 2022/23, our team in Peru successfully concluded a 90 day metabolic control campaign. The campaign saw participation from 13 groups, each comprising 5 dedicated employees, who collectively embraced the path to well-being.

Structured in four modules, each with a unique health-focused theme, the campaign aimed to impart knowledge about healthy lifestyles and proper dietary habits. Participants engaged in activities such as reading nutritional labels, crafting balanced meals, and managing emotional eating. Throughout each module, groups were scored based on the cumulative weight loss and achievement of challenges, including individual and group exercises, sharing healthy recipes, and identifying common consumer products containing the coloring finish goods produced by Oterra in Peru.

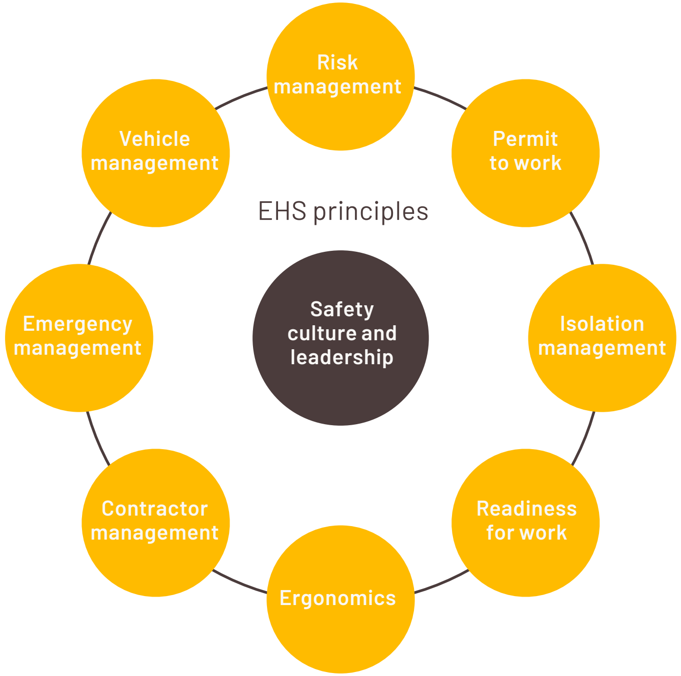
The campaign's results speak volumes about our employees' commitment to wellness. Two participants transitioned out of the obesity category and lunchtime consumption of the healthy option in our cafeteria increased by a notable 30%. In summary, employees shed an impressive 106 kilograms in the 90 days, with the highest individual weight loss recorded at 12 kilograms.

In recognition of the outstanding dedication shown by our teams, the participant with the most substantial weight loss received a brand-new bicycle, while the overall winning group earned a food voucher and stylish sportswear. In addition to these achievements, we are delighted to announce the creation of an Oterra cookbook featuring all the healthy recipes shared by our employees. This cookbook is now available for the entire company, offering a wealth of nutritious and delicious meal ideas to support everyone in their journey toward a healthier lifestyle.

This campaign not only showcased the determination and resilience of our employees but also emphasized the importance of a healthier lifestyle. We are proud to have made strides toward a more sustainable and well-balanced future, and we look forward to continued success in our health promotion initiatives.

Health & safety

Oterra is committed to ensuring that our activities are carried out guaranteeing the health and safety of our workers, contractors and subcontractors. This year has been the start of Oterra´s new company-wide safety journey which is focused on building a systematic and structured approach to risk management with a key focus on safety culture. Overall safety performance has improved from last year and new KPI´s have been introduced to better align our focus.



EHS principles

As part of our safety journey, we have launched our Environment, health and safety (EHS) principles. The EHS principles are 8 systems that will govern key aspects of our business and set up both the operational and managerial standards to which we will adhere. Our goal with this system is to standardize our EHS approach at every site, covering everything from the site infrastructure to how our workers are prepared to do their roles.

Each of the principles is built up of a master standard which has several auxiliary procedures and tools that help clarify and implement the standard. Roll out has started this year with the implementation of isolation management and full implementation is expected to be completed by the end of 2025/26.

Risk management

We have rebuilt our approach to risk management at our sites focusing on involving and listening to the frontline rescuing valuable operational intelligence and crossing this against the technical expertise of our EHS specialists to build a holistic view of our plants.

This has been a yearlong effort to map all our major hazards at our sites and to evaluate the level of control we have over each hazard to create an effective ranking which allows us to prioritize and ensure awareness from the shop floor all the way to upper management of the top 5 major hazards at each site.

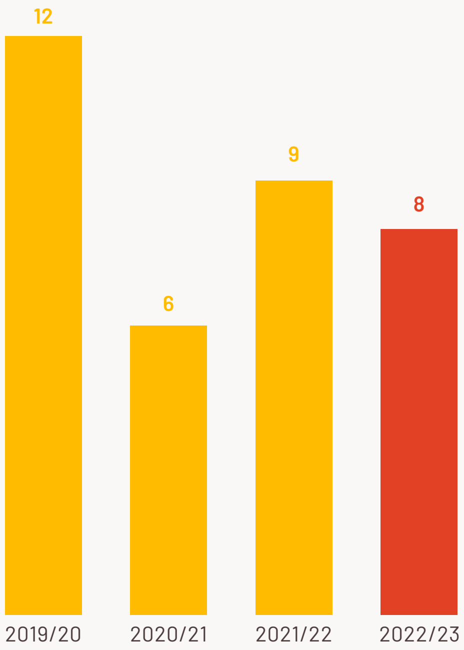
Based on the work we have done in identifying our major hazards, the main risks that Oterra controls with securing a safe work environment for our employees and contractors is our management of the chemicals we utilize and handling the mobile equipment on our sites.

Knowing our major hazards, they will be going through several levels of checks each year to ensure consistent and effective control at our sites. This level of verification will be folded into the responsibilities of all leaders in the organization so that an interdependent safety culture can be built into how Oterra works.

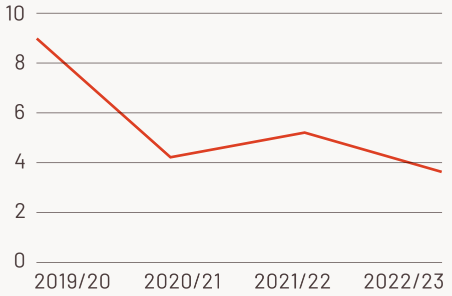
Safety performance

Overall safety performance has shown a consistent improvement over the year in comparison to prior years. Overall lost time incidient (LTI) numbers have slightly decreased and are consistent, however this is only half the picture as over the years the growth of the organization has been significant and is not reflected in these numbers. When looking at the LTIR (LTI Rate) a clearer picture can be seen of Oterra's safety performance throughout the years. We have had a significant decrease in the rate of LTIs as our workforce doubled in these last 4 years.

lost time accidents



LTI Rate



LTI Rate is the # of LTIs per 1,000,000 work-hours (number of lost time incidents during the reporting period x 1,000,000 hours) / (Total hours worked in the reporting period). At Oterra the work hours are calculated based on Oterra employees (permanent and part-time) excluding student workers and contractors.

Year	2019/20	2020/21	2021/22	2022/23
LTI	12	6	9	8
LTIR	8.93	4.17	5.21	3.71

Corporate governance

In this section

Board of Directors

Oterra has a two-tier management structure, consisting of the Board of Directors and the Oterra Leadership Team. The Board of Directors supervises the work of the Oterra Leadership Team and is responsible for the overall management and strategic direction, while the Oterra Leadership Team is in charge of the day-to-day management. As of 31 August 2023, the Board of Directors consisted of six shareholder-elected members. The composition of the Board of Directors ensures that its members represent the required professionalism, industry knowledge, diversity and international experience. The board members are elected by the shareholders at the Annual General Meeting for a one-year term and are eligible for re-election. The Board of Directors evaluates its work on an annual basis, and determines once a year the qualifications, experience and skills needed for the Board of Directors to best perform its tasks.

Name	**Cornelis de Jong**	**Xiangwei Gong**
Born in year	1961	1969
Nationality	Dutch	American
Position in the Board	Chairman	Board member
Member of the Board since	March 2021	March 2021
Education	• MD (Erasmus University Rotterdam) • MBA (Rotterdam School of Management)	• BA in Economics, University of International Business and Economics, Beijing; • MBA, Columbia Business School, New York
Other Board positions	Novozymes A/S and Meatable B.V. (Chairman)	Executive board member of AptarGroup Inc. (NYSE: ATR) Board member of BTY Plastic Technology Co., Ltd.
Special competencies	Extensive international business and management experience from a range of industries, such as the food, food ingredient and industrial biotech industries, as well as financial and accounting expertise. Pioneered to embed sustainability into strategy, operating model and reporting, ensuring a meaningful, positive corporate societal impact.	Experienced global executive in building and leading B2B and B2C businesses; A strong track record in the global beauty, personal care, food, nutrition and pharmaceutical sectors with a deep understanding and experiences in full value chains from ingredients, formulation, packaging, manufacturing, regulatory, to marketing and distribution.

Name	**Christoffer Erik Mathies Lorenzen**	**Thijs Bakker**	**Mads Munkholt Ditlevsen**	**Nils Philipp Ketter**
Born in year	1975	1974	1976	1982
Nationality	Danish	Dutch	Danish	German
Position in the Board	Board member	Board member, Chairman of the Audit Committee	Vice-Chairman, representing EQT	Board member, member of the Audit Committee, representing EQT
Member of the Board since	March 2021	September 2023	March 2021	August 2023
Education	• Master's degree, Business Administration & Economics	• MSc. Economics and business and Post Graduate Master of Finance and Control (RC).	• M.Sc. in Finance & Accounting, Copenhagen Business School	• MSc. Electrical Engineering from ETH Zurich and Ecole Centrale Paris, MBA from London Business School
Other Board positions	J. H. SCHULTZ-FONDEN (Board member), Karo Health-care AB (various Board roles in Karo Group companies), BIRDSATFIVE ApS (Board member)	Azelis Denmark A/S (Board member),	3SHAPE (Board member), Brancheforeningen for Aktive Ejere i Danmark (Board member) and Banking Circle (Board member)	Dellner Couplers (Board member)
Special competencies	11+ years in leadership roles in leading ingredients business and 4+ years as CEO of a private equity owned consumer healthcare business. Extensive experience with sales excellence, M&A, change management and business transformation.	Over 20 years' international experience in finance, having worked in various finance roles in the Netherlands, the United States and across the Asia Pacific region for a leading global paints and coatings company and a major producer of specialty chemicals.	Extensive experience within Private Equity, M&A, investments, operations and financing working out of Copenhagen and Hong Kong.	Extensive experience within investments and operational value creation leading EQT European Private Equity investment activities in Industrial Technology and coordinating EQT's internal Private Equity Value Creation team. Currently based in Munich, Germany, previously based in Paris, France.

Our Leadership Team

The Oterra Leadership Team is responsible for Oterra's day-to-day management, including the development of Oterra's activities and operations and its risk management, financial reporting and internal affairs. The Oterra Leadership Team also prepares and presents the company's strategy, long-term financial planning and budgets to the Board of Directors. The delegation of powers and responsibilities by the Board of Directors to the Oterra Leadership Team is described in the Rules of Procedure for the Executive Management and the provisions of the Danish Companies Act (Selsk-absloven).

Our six-member Oterra Leadership Team comprises broad and international management experience, comprehensive natural colors expertise, leadership, and in-depth knowledge of Oterra's business.

Name	**Martin Sonntag**	**Mads Dehlsen Winther**
Title	CEO	CFO
Born in year	1965	1977
Nationality	German	Danish
Joined in	January 2024	April 2023
Experience	Martin has worked the past 9 years in corporate executive business leadership positions in multi billion companies in the food ingredients industry and driven significant organic growth and M&A in specialty ingredients, natural and plant based alternative ingredients. Prior, he has worked in Private Equity and 10 years in global business leadership positions in food, pharma, personal care, ingredients, and industrial chemicals at Dow Chemical. During his first 10 years with Dow Chemical, he was working as an engineer leading plants and global technology development and deployment.	Mads has a background in finance and joined Oterra from HusCompagniet (Denmark's largest house building company), where he worked as Group CFO from 2019. During his tenure at HusCompagniet Mads was the main driving force behind the company's IPO (Initial Public Offering - a company's first sale of stock to the public) on the Nasdaq Copenhagen in 2020. Previously Mads worked at Maersk for nine years, holding various positions within finance, strategy, M&A and investments. During that time, together with the Vice CEO of Maersk Group, Mads was responsible for the separation/carve-outs of 4 major businesses called Energy division in Maersk.
Core competencies	Global business leadership in chemicals and ingredients, strategic growth leadership, organizational design and change management	General management / corporate finance / IT / mergers, acquisitions and due diligence
Education	• Hamburg Chemical Engineering degree	• Copenhagen Business School MSc, Auditing and Accounting • Copenhagen Business School MSc, Economics and Business Administration • Copenhagen Business School BSc, Economics and Business Administration

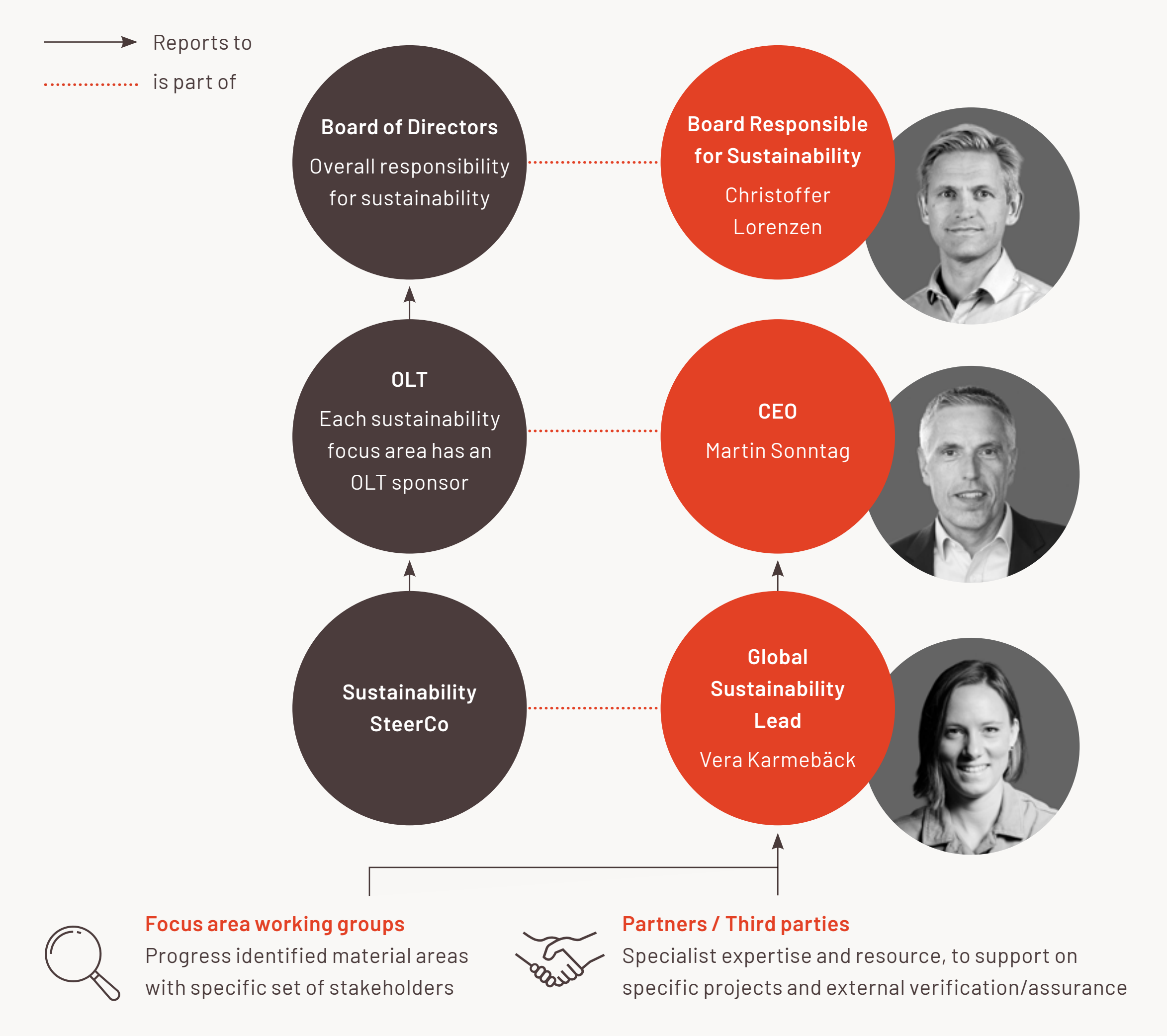
				
Name	**Luc Ganivet**	**Yvan Chardonnens**	**Michaël Brebbia**	**Carl Martin Borcher**
Title	Chief Innovation Officer	Chief Commercial Officer	Chief Operations Officer	Head of Strategy, M&A and Integrations
Born in year	1972	1970	1980	1984
Nationality	French	Swiss	French	Danish
Joined in	January 1999	May 2022	May 2022	November 2022
Experience	Luc is an experienced Head of Research and Development with a business development specialty, and a demonstrated history of working in the biotechnology and ingredients industry. He is a business driven, professionally skilled in food & beverage, B2B, innovation management and international business. Luc has been President of the Natural Food Colors Association (NATCOL) since 2019.	Yvan joined Oterra from a role as CEO of APAC and Executive Board member at Roquette. Yvan has over 25 years of experience in regional and global sales, strategic planning, marketing implementation, and leadership for various food manufacturing companies, including global tenures at Barry Callebaut, IFF and Firmenich.	Michaël has lived and worked all around the world. He was with Danone for 15 years in various roles in Operations in amongst others New Zealand, Singapore and the US, as Head of Supply Chain Europe at Roquette in France, and most recently held the position of Global Operations Director for Trouw Nutrition, based in the Netherlands. Michael has extensive end-to-end supply chain experience driving performance and transformation programs at global scale on food ingredients and B2C (Business to Consumer) products.	Carl Martin joined Oterra from EQT Partners where he for the last decade has worked on numerous M&A transaction as part of EQT's Industrial Technology and Sustainability teams and served on the Board of Directors of companies such as Fertin Pharma, Dellner, StormGeo and Oterra. Prior to joining EQT Partners, Carl Martin was part of establishing Moelis & Company's (Global Investment Bank) European presence and worked with UBS Investment Bank in their offices in New York and London.
Core competencies	Innovation management / business development / food colors	Commercial excellence / organizational design / commercial partnerships	End-to-end supply chain / manufacturing and operations / safety, quality and operational excellence	Mergers & acquisitions / business strategy & development / change management
Education	• Ecole Nationale Supérieure d'Agronomie et des Industries Alimentaires - Nancy Engineer's Degree, Biotechnology, Agronomy & Food Sciences	• HEC Lausanne - The Faculty of Business and Economics of the University of Lausanne MS in Industrial Marketing	• Agro Paris Tech (Massy) - Engineering and Master Degree in Food industry	• The Wharton School of the University of Pennsylvania – BSc in Economics and Business Administration (exchange program) • Copenhagen Business School – BSc in Economics and Business Administration

Sustainability governance

Responsibility for sustainability lies with the highest corporate governance entity, our Board of Directors. We have appointed Christoffer Lorenzen, non-executive Board member, as our Board responsible for sustainability. This means that Christoffer ensures that sustainability progress is regularly reviewed and discussed at Board meetings, and that the Board is kept up to date on pertinent sustainability matters.

We have a dedicated Global Sustainability Lead who reports directly to the CEO. Each identified sustainability focus area has an owner and a senior leadership team sponsor, and where appropriate we have formed working groups to drive progress with specific sets of internal and external stake-holders.

Towards the end of 2022/23 we incorporated Oterra's Sustainability Steering Committee. Its purpose is to provide recommendations and guidance to a wide set of internal stakeholders, to review and enable progress on key sustainability KPIs, and to investigate and flag sustainability-related risks to the OLT. The Steering Committee consists of key employees from across depart-ments as well as seniority levels.



Risk management

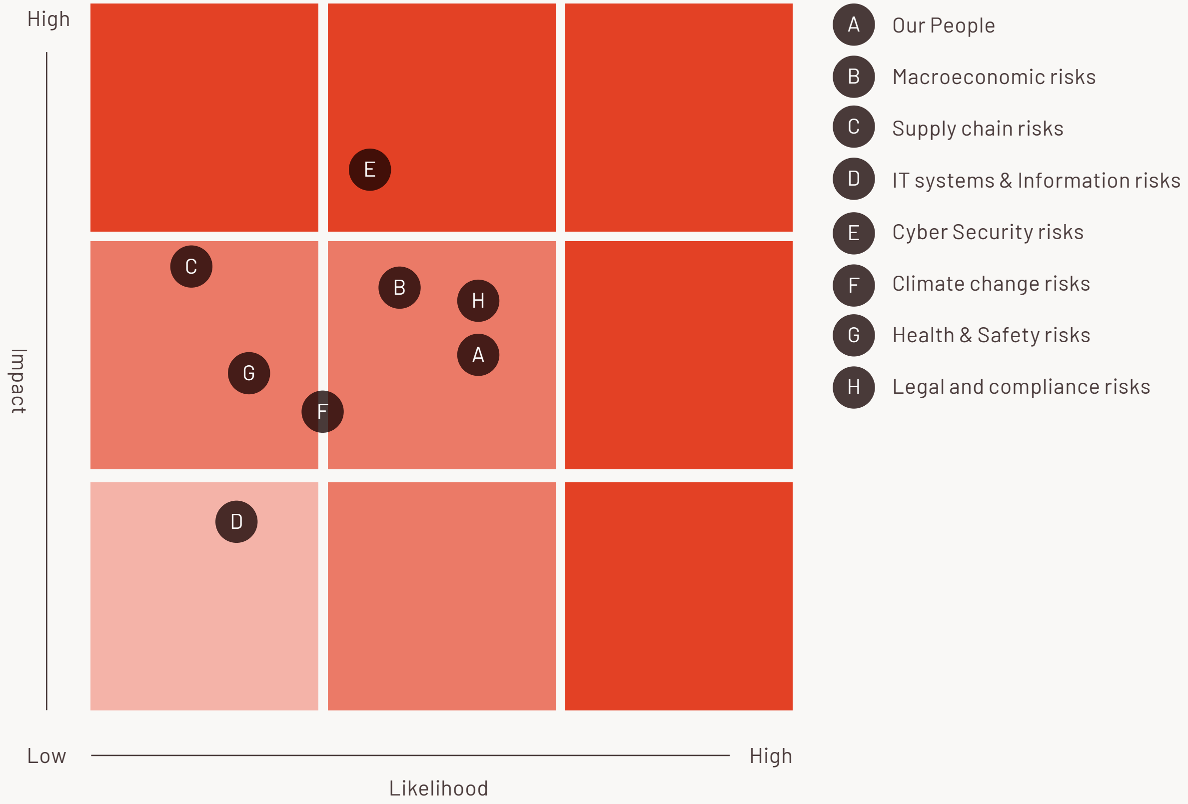
The Board of Directors holds the primary responsibility of aligning the Group's risk exposure with its desired risk profile. The Board conducts thorough evaluations to ensure the implementation of appropriate awareness and management processes throughout the organization.

The Group CFO assumes the day-to-day responsibility of managing the risk process, while also keeping the Board of Directors informed about significant developments in the key risk areas. The Group CFO conducts ongoing assessments of our insurance coverage to ensure it remains sufficient for mitigating day-to-day concerns.

Our risk management practices are built upon continuous monitoring, allowing us to identify relevant risks promptly. Through our enterprise risk management practice, we aim to proactively identify, monitor, assess, and mitigate risks at the earliest stage possible, effectively managing both the likelihood and potential impact.

Risk action hierarchy

Risk heatmap



Risk overview

	A Our people	B Macroeconomic risks	C Supply chain risks	D IT systems & information risks	E Cyber security risks	F Climate change risks	G Health & safety risks	H Legal and compliance risks
Risk	Risk of loosing knowledge and experience by being unable to attract or retain skilled employees depend among others on the quality of the management team and the expertise of the key leading personnel.	Macroeconomic development, market dynamics, regulation and crises may affect results and lead to reduced ability or willingness to pay.	Disruption of product supply due to e.g. shortage may compromise product availability and result in lost commercialization.	Interference with IT systems such as infrastructure failure, leading inability to serve customers.	The risk of cyber attacks, leading to breach of confidential data or significant impact on our operations.	Climate changes or regulation around climate leading to shortage or decreased demand.	Severe accidents due to e.g. lack of safety on the factory or environmental incidents.	Non-compliance with laws and regulations, including competition law, privacy, trade sanctions and anti-bribery and corruption regulations.
Potential impact	Not meeting customer needs, impacted market position, reputation about Oterra as a workplace	Impacted prices, sales, profit, market position and scarcity of conversion towards Natural.	Product shortage, not meeting customer demands, impacted sales, profit and market position.	Limit the ability to maintain operations, significant impact on sales and market position.	Compromise individual's privacy, theft, limit the ability to maintain operations and significant impact on sales and market position.	Impacted prices, sales, profit, market position and scarcity of conversion towards Natural	Injury or fatality, lawsuits and a reputational damage.	Violations and non-compliance may lead to investigations by authorities, fines and/or criminal and civil sanctions and orher penalties.
Mitigation	Management setting clear cross functional priorities for their personnel, as well as HR processes around retainment and recruitment of talents.	Diversity in the business and ensuring proper cost controlling to navigate in macroeconomic factors affecting the business.	Established a multiple suppler strategy, supplier risk assessment and quality management system.	Cloud first strategy secures that all critical IT systems are hosted in cloud and conducting monthly penetration tests. Measures are back-up, failover sites and network redundancies.	All IT access is secured with multi-factor authentication, 24/7 security governance is implemented, employee training in cyber threats and phishing simulations are executed.	Large product portfolio and a global sourcing strategy.	Established an Environment, Safety & Health (ESH) Management system at local level.	Ongoing strengthening of compliance program, including training activities. Confidential whistleblower portal for reporting of unethical situations, violations and misconduct.

Stakeholders

We engage regularly and actively with our stakeholders so that we make balanced decisions and ensure the continuing success of Oterra. To the right is a summary of our key stakeholders, what their sustainability concerns are and how we engage with them. A key stakeholder is defined as a stakeholder impacted by Oterra that has an interest in how we run our business and holds an important role in our company's success.

Stakeholder	Stakeholder's key sustainability concerns	How we engage
Customers Our customers are food and beverage manufacturers and companies active in the health and wellness space, ranging from large multinational corporations to bespoke local producers.	• Low carbon products • Innovative product portfolio • Supply chain security • Regional regulatory guidance • Product quality and safety • Zero tolerance of child labor, forced labor and human trafficking in extended supply chain	• Committed customer support team • Tailored workshops • On site demonstrations and visits • International and local conferences • Targeted engagement on sustainability matters
Employees We employ 1230 people with 51 nationalities as of 31 Aug 2023.	• Diversity, inclusion, and equal opportunity • Professional growth and development opportunities • Engaged leadership • Occupational health and safety • Work-life balance	• Employee surveys • Local and global townhalls • Colorful intranet sharing company updates and news • Global Health & Safety program including workshops and leadership safety walks • Employee engagement activities
Suppliers and partners Our business builds upon a network of trusted long-term suppliers and partners, supporting us in delivering our objectives.	• Long term preferential partnerships • Learning and exchange, sharing of best practices • Guidance on Oterra's sustainability expectations • Regular communication to allow for future planning and quick resolution of issues	• Initial supplier vetting and engagement • Day-to-day communication • On-site supplier visits and audits • Targeted engagement on sustainability matters
Investor Oterra is a portfolio company of EQT IX.	• Climate action and net zero • Strong management of material ESG risks and opportunities • High standards of corporate governance	• Ongoing close communication through regular briefings with management • EQT portfolio company forums and network meetings
Local communities We have an impact on the local communities surrounding our production sites as well as on the farming communities that produce our raw materials.	• Job and internship or educational opportunities • Water and air pollution • Proper waste management • Local area security • Charitable support within education and health	• Vocational training centers in select locations • Regular engagement in some locations with local community representatives • Ad hoc engagement on topical matters
Industry bodies Oterra is involved in wider industry discussions and engagements via industry bodies.	• Opportunity to shape industry legislative and regulatory requirements • Lobbying for industry-wide standards	• Membership in and strong engagement with NATCOL (Natural Food Colors Association)

Financial statements

Consolidated financial statements - contents

Consolidated financial statements

Notes

Section 1 Basis of preparation

Section 2 Income statement

Section 3 Balance sheet

Section 4 Financing and risk

Section 5 Other disclosures

Consolidated income statement

EUR million	Note	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Revenue	2.1	396.0	335.7
Cost of sales	2.2, 2.3	(308.5)	(249.4)
Gross income		**87.5**	**86.3**
Research and development expenses	2.2, 2.3	(26.3)	(23.2)
Sales and marketing expenses	2.2, 2.3	(29.2)	(28.6)
Administrative expenses	2.2, 2.3, 2.4	(42.0)	(34.0)
Operating income/(loss) (EBIT) before special items and impairment of goodwill		**(10.0)**	**0.5**
Impairment of intangible assets	2.2, 3.1	(43.0)	(205.0)
Special items	2.2, 2.3, 2.5	(31.9)	(44.2)
Operating loss (EBIT)		**(84.9)**	**(248.7)**
Financial income	2.6	5.5	8.5
Financial expenses	2.6	(41.2)	(28.6)
Loss before tax		**(120.6)**	**(268.8)**
Income taxes	2.7	9.8	9.1
Loss for the year		**(110.8)**	**(259.7)**
The loss for the year is attributable to:			
Owners of Oterra Holding ApS		(115.7)	(263.9)
Non-controlling interests		4.9	4.2
Loss for the year		**(110.8)**	**(259.7)**

Consolidated statement of comprehensive income

EUR million	Note	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Loss for the year		(110.8)	(259.7)
Items that will be reclassified subsequently to the income statement when specific conditions are met			
Currency translation of foreign operations		(38.2)	0.9
Value adjustment of hedge instruments for the year		(0.6)	8.8
Income tax relating to these items		0.1	(1.9)
Other comprehensive income/(loss) for the year		**(38.7)**	**7.8**
Total comprehensive loss for the year		**(149.5)**	**(251.9)**
The total comprehensive loss for the year is attributable to:			
Owners of Oterra Holding ApS		(149.9)	(252.1)
Non-controlling interests		0.4	0.2
Total comprehensive loss for the year		**(149.5)**	**(251.9)**

Consolidated balance sheet

EUR million	Note	2023 Aug	2022 Aug
ASSETS			
Non-current assets			
Goodwill	3.1	402.0	363.7
Other intangible assets	3.1	432.8	433.2
Property, plant and equipment	3.2, 3.3	152.6	125.5
Other long-term assets		24.5	24.4
Deferred tax	2.7	17.1	5.7
Total non-current assets		**1,029.0**	**952.5**
Current assets			
Inventories	3.4	127.2	120.3
Trade receivables	3.5	89.0	111.3
Tax receivables		7.0	1.9
Other receivables		19.0	13.1
Prepayments		3.8	2.1
Cash at bank		43.7	19.5
Total current assets		**289.7**	**268.2**
Total assets		**1,318.7**	**1,220.7**

EUR million	Note	2023 Aug	2022 Aug
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	0.1	0.1
Hedging reserve		6.4	6.9
Translation reserve		(29.0)	4.7
Retained earnings		578.3	536.0
Non-controlling interests		8.6	8.2
Total equity		**564.4**	**555.9**
Non-current liabilities			
Employee benefit obligations	3.6	1.6	1.5
Deferred tax	2.7	93.7	79.7
Borrowings	4.3, 5.3	460.9	405.0
Lease liabilities	4.3, 5.3	17.7	23.9
Provisions	3.7	0.6	0.3
Total non-current liabilities		**574.5**	**510.4**
Current liabilities			
Borrowings	4.3, 5.3	54.1	21.2
Lease liabilities	4.3, 5.3	6.9	3.4
Trade payables	4.3	64.8	88.1
Tax payables	4.3	4.8	3.3
Other payables	4.3	49.2	38.4
Total current liabilities		**179.8**	**154.4**
Total liabilities		**754.3**	**664.8**
Total equity and liabilities		**1,318.7**	**1,220.7**

Consolidated cash flow statement

EUR million	Note	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Operating income/(loss) before special items and impairment of goodwill		(10.0)	0.5
Special items	2.5	(31.9)	(44.2)
Non-cash adjustments	5.1	47.4	24.2
Change in working capital	5.2	5.5	(47.1)
Interest paid		(28.0)	(14.8)
Taxes paid		(10.3)	(4.5)
Net cash flow from operating activities		**(27.3)**	**(85.9)**
Acquisition of businesses, net of cash acquired	5.4	(131.4)	(135.8)
Investments in other long-term assets		-	(12.5)
Acquisition of intangible assets		(3.8)	(22.3)
Acquisition of property, plant and equipment		(36.9)	(14.1)
Sale of property, plant and equipment		-	7.5
Cash flow from investing activities		**(172.1)**	**(177.2)**
Proceeds from issues of shares		158.0	126.0
Proceeds from borrowings	5.3	103.0	218.8
Repayment of borrowings	5.3	(31.8)	(104.6)
Repayment of lease liabilities	5.3	(3.1)	(4.6)
Cash flow from financing activities		**226.1**	**235.6**
Cash and cash equivalents at the beginning of the financial year		19.5	47.4
Unrealized exchange losses included in cash and cash equivalents		(2.5)	(0.5)
Net cash flow for the year		26.7	(27.4)
Cash and cash equivalents at August 31		**43.7**	**19.5**

Consolidated statement of changes in equity

EUR million	Note	Share capital	Hedging reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
2022/23							
Equity at September 1		0.1	6.9	4.7	536.0	8.2	555.9
Income/(loss) for the year		-	-	-	(115.7)	4.9	(110.8)
Other comprehensive income/(loss) for the year		-	(0.5)	(33.7)	-	(4.5)	(38.7)
Total comprehensive income/(loss) for the year		**-**	**(0.5)**	**(33.7)**	**(115.7)**	**0.4**	**(149.5)**
Capital increase		-	-	-	158.0	-	158.0
Equity at August 31		**0.1**	**6.4**	**(29.0)**	**578.3**	**8.6**	**564.4**
2021/22							
Equity at September 1		0.1	-	(0.2)	673.9	8.0	681.8
Income/(loss) for the year		-	-	-	(263.9)	4.2	(259.7)
Other comprehensive income/(loss) for the year		-	6.9	4.9	-	(4.0)	7.8
Total comprehensive income/(loss) for the year		**-**	**6.9**	**4.9**	**(263.9)**	**0.2**	**(251.9)**
Capital increase	4.1	-	-	-	126.0	-	126.0
Equity at August 31		**0.1**	**6.9**	**4.7**	**536.0**	**8.2**	**555.9**

The Board of Directors has decided not to propose an ordinary dividend for the financial year ending August 31, 2023 nor August 31, 2022.

Section 1: Basis of preparation

1.1 General accounting policies

BASIS FOR PREPARATION
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and additional requirements of the Danish Financial Statements Act applying to large reporting class C entities.

The financial statements for the year ended August 31, 2023 and August 31, 2022 comply with IFRS applicable as of August 31, 2023 and August 31, 2022.

Where possible, the accounting policies for an accounting area are presented in the individual notes for that area. Accounting policies not directly related to an area covered by a note are presented below. The consolidated financial statements have been prepared on a historical cost basis, except when noted otherwise in the specific accounting policies.

Accounting policies are applied consistently with prior year, unless otherwise stated.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

APPLICATION OF MATERIALITY
The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes. There are substantial disclosure requirements throughout IFRS.

Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the intended users of the consolidated financial statements or not applicable.

BASIS OF CONSOLIDATION
The consolidated financial statements comprise the financial statements of Oterra Holding ApS (the Parent Company) and subsidiaries controlled by Oterra Holding ApS, which are prepared in accordance with the Group's accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those applied by the Group.

Section 1: Basis of preparation

1.1 General accounting policies (continued)

Intercompany transactions, shareholdings, balances, and dividends as well as realized and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

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

Non-controlling interests
On initial recognition, non-controlling interests are measured at the fair value of the ownership share or at the proportionate share of the fair value of the acquired business' identifiable assets, liabilities and contingent liabilities. In the first scenario, goodwill in relation to the non-controlling interests' ownership share of the acquired business is thus recognised, while, in the latter scenario, goodwill in relation to the non-controlling interests is not recognised.

CURRENCY TRANSLATION OF FOREIGN OPERATIONS

Translation from functional currency to presentation currency
The functional currency of the Parent Company is the Danish krone (DKK). However, due to the Group's international relations, the consolidated financial statements are presented in euros (EUR).

Items in the financial statements of each of the reporting entities of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency).

Assets, liabilities, and equity items are translated from each reporting entity's functional currency into EUR at the balance sheet date. The income statements are translated from the functional currency into the presentation currency based on the average exchange rate for the individual months. Differences arising on the translation of equity at the beginning of the period and translation of the income statement from average rates to the exchange rate at the balance sheet date are recognized in other comprehensive income and presented as a separate reserve in equity.

Translation and balances
Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the transaction date.

Exchange adjustments arising due to differences between the transaction date rates and the rates at the payment date are recognized in financial income or financial expenses in the income statement. Receivables, payables, and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

IMPLEMENTATION OF NEW OR AMENDED STANDARDS AND INTERPRETATIONS, NOT YET ADOPTED

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated annual financial statements for the year ended August 31, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group expects to adopt the new accounting standards, amendments, and interpretations, none of which is expected to have any significant impact on the consolidated financial statements, as they become mandatory.

ALTERNATIVE PERFORMANCE MEASURES

Oterra presents certain financial measures of the Group's financial performance, financial position and cash flows that are not defined according to IFRS.

Other companies may not define or calculate these non-IFRS financial measures using similar methods, which could lead to a lack of comparability.

The financial measures should not be considered as a replacement for performance measures as defined under IFRS, but rather as supplementary information.

Section 1: Basis of preparation

1.1 General accounting policies (continued)

CALCULATION OF KEY FIGURES AND FINANCIAL RATIOS

EBITDA before special items	Operating income/(loss) adjusted for amortization, depreciation, impairment losses and special items
EBIT before special items and impairment of goodwill	Operating income/(loss) adjusted for special items and impairment of goodwill
EBIT	Operating income/(loss)
Invested capital	Intangible assets, property, plant and equipment adjusted for deferred gains on sale and lease back transactions, trade receivables and inventories less trade payables
Net working capital	Inventories and trade receivables less trade payables
Net interest-bearing debt	Borrowings from financial institutions and lease liabilities less cash at bank and cash equivalents
Free cash flow	Free cash flow is calculated as the sum of cash flows from operating activities and purchase of property, plant and equipment.
Free cash flow before special items and acquisitions	Free cash flow adjusted for cash effect of special items and acquisitions
Capital expenditure	Investments for the year in intangible assets and property, plant and equipment divided by revenue

1.2 Significant accounting estimates and judgements

In preparing the consolidated financial statements, Management made various judgements, accounting estimates and assumptions concerning future events. These form the basis of the presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are presented below.

In applying the Group's accounting policies, Management makes judgements, accounting estimates and assumptions that may significantly influence the amounts recognized in the consolidated financial statements. Determining the carrying amount of some assets and liabilities requires judgements, accounting estimates and assumptions to be made concerning future events.

The judgements, accounting estimates, and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which are inherently associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect and unexpected events or circumstances may arise.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, either positively or negatively.

Assumptions about the future and estimation uncertainties at the balance sheet date are described in the notes when there is a significant risk of changes that could result in material adjustments to the carrying amounts of assets or liabilities within the next financial year.

Management considers the key accounting estimates and judgements used in the preparation of the consolidated financial statements to relate to the following:

- Special items (judgement), note 2.5
- Goodwill (estimate), note 3.1
- Business combinations (judgement and estimate), note 5.4

See the specific notes for further information on the key accounting estimates and assumptions applied.

Climate change
The consolidated financial statements consider the climate change impact on sustainability targets. A qualitative review found no significant financial impacts different from planned updates in line with the investment plans to cater for the strategy applied. It is concluded, that impact from climate changes and the management of related risks, will not significantly affect future cash flows or the Group's going concern assessment.

Macroeconomic uncertainty
The macroeconomic uncertainty from the current war in Ukraine, Israeli/Palestinian conflict, and inflationary pressure affect Oterra's intangible assets, property, and internal forecasts. Management assesses impacts on income, expenses, selling prices, and direct costs based on market changes and past experience. Detailed risks and judgment areas are discussed in relevant sections and notes.

Section 2: Income statement

2.1 Revenue

The table below shows the Group's revenue broken down by geographical region. The geographic segmentation of revenue is based on the customers' location.

Geographic allocation

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
APAC	72.5	35.3
EEMEA	63.2	51.9
LATAM	41.0	30.9
North America	103.8	80.4
Western Europe	115.5	137.2
Total	**396.0**	**335.7**

Accounting policies

Revenue
Revenue includes sales of goods and is recognized at an amount that reflects the consideration to which Oterra expects to be entitled.

Revenue from sale of goods to customers is recognized at the point in time when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Rebates
For products sold at a discount, revenue is recognized based on the price specified in the contract, net of the estimated discount. Discounts are estimated based on historical data as well as forecasts. Estimated discounts are reassessed at the end of each reporting period.

Variable consideration related to rebates are recognized as revenue only to the extent that it is highly probably that a significant reversal of revenue will not occur subsequently.

Trade receivables
A trade receivable is recognized when the customer obtains control of the goods and an invoice is issued, as this is the point in time when the consideration is unconditional and only the passage of time is required before the payment is due. Typical payment terms are around 30-60 days, but there may be country-specific deviations from typical payment terms.

Cost of sales
Cost of sales comprises the cost of products sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labor costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration, and management of factories.

Section 2: Income statement

2.2 Amortization, depreciation, and impairment losses by function

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Amortization		
Intangible assets		
Research and development costs	16.5	14.3
Sales and marketing expenses	7.3	7.2
Administrative expenses	3.2	2.3
Total	**27.0**	**23.8**
Depreciation		
Property, plant and equipment		
Cost of sales	13.8	10.7
Research and development costs	0.2	0.2
Sales and marketing expenses	0.6	0.2
Administrative expenses	2.8	0.3
Special items	1.1	-
Total	**18.5**	**11.4**
Impairment of intangible assets		
Impairment of intangible assets	43.0	205.0
Total	**43.0**	**205.0**
Total amortization, depreciation and impairment	**88.5**	**240.2**

In 2022/23, total amortization, depreciation and impairment amounts to EUR 88.5 million (2021/22: EUR 240.2 million).

Depreciation of property, plant and equipment amounting to EUR 18.5 million in 2022/23 (2021/22: EUR 11.4 million).

Amortisation and impairment related to intangible assets, EUR 70.0 million in 2022/23 (2021/22: EUR: 228.8) can be attributed to the following:

- Impairment of intangible assets acquired in business combinations, amounting to EUR 43.0 million (2021/22: EUR 205.0 million);
- Amortization of intangible assets acquired in business combinations equal to 26.2 million (2021/22: EUR 20.9 million); and
- Amortization of development projects amounting to EUR 0.8 million (2021/22: EUR 2.9 million).

§ Accounting policies

The accounting policies are described in notes 3.1, 3.2 and 3.3.

Section 2: Income statement

2.3 Staff costs

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Wages and salaries, etc.	74.8	55.0
Pension expenses	4.8	4.1
Social security	8.4	6.2
Total	**88.0**	**65.3**
Included in:		
Cost of sales	37.7	27.2
Research and development	7.3	6.7
Sales and marketing expenses	18.0	15.9
Administrative expenses	17.2	14.3
Special items	7.8	1.2
Total	**88.0**	**65.3**
Average number of employees (FTEs)	894	836
Key management personnel		
Board of Directors		
Employee benefits	0.3	0.4
Pensions	-	-
Total	**0.3**	**0.4**
Leadership team		
Employee benefits	2.2	1.6
Pensions	0.3	0.1
Total	**2.5**	**1.7**
Total		
Employee benefits	2.5	2.0
Pensions	0.3	0.1
Total	**2.8**	**2.1**

2.3 Staff costs (continued)

Key management personnel
Employee benefits include fixed-base salary and accrued cash bonuses designed to incentivize individual performance and the achievement of a number of predefined short-term functional and individual business targets. If an individual is dismissed, the ordinary salary is paid for a 6-month notice period. In the event of change of control, individuals do not receive any additional compensation.

For the financial years ending August 31, 2023 and August 31, 2022, key management personnel consisted of the Oterra Leaderhip Team members and the members of the Board of Directors.

Remuneration of key management personel
Total fees to key management personnel, comprising members of the Oterra Leaderhip Team and the members of the Board of Directors amounted to EUR 2.8 million, of which remuneration to the Executive Board amounted to EUR 1.2 million, hereof pensions EUR 0.2 million.

In 2021/22, remuneration to the Board of Directors and Executive Board amounted to EUR 1.1 million, hereof pensions EUR 0.2 million.

Remuneration to the Executive Board in 2021/22 is disclosed together with the Board of Directors in accordance with section 98 B(3) of the Danish Financial Statements Act.

2.4 Fees to auditors

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
EY		
Statutory audit	0.7	0.7
Other services	0.7	0.7
Total	**1.4**	**1.4**

Section 2: Income statement

2.5 Special items

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Business combinations	9.0	16.1
Build-up activities in acquired businesses	14.2	27.1,
Restructuring of acquired activities	8.7	1.0
Total	**31.9**	**44.2**

Significant accounting judgements

The use of special items entails Management judgement in the separation from other items in the income statement. Management considers such items in order to present a distinction between the operating activities, build-up, and restructuring of the Group carried out to enhance the future earnings potential. All income and costs presented under "Special items" are directly derived from the books and records monitored by Management to ensure that only amounts meeting the criteria of being of a non-recurring nature and not related to recurring operations are included.

Accounting policies

Special items comprise amounts that are not considered to be attributable to recurring operations, such as income and expenses related to M&A activities and fair value adjustments to contingent considerations relating to business combinations resulting from events after the acquisition date. Costs related to build-up activities or significant organizational changes in relation to acquired activities are also considered special items.

2.6 Financial income and expenses

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Financial income		
Foreign exchange gains	5.1	8.5
Other	0.4	-
Total	**5.5**	**8.5**

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Financial expenses		
Interest expenses	34.8	19.9
Interest on lease liabilities	0.1	0.1
Foreign exchange losses	6.3	8.6
Total	**41.2**	**28.6**

Accounting policies

Financial income and expenses comprise interest income and interest expenses, commission (the interest component of payments under finance leases), surcharges and refunds under Denmark's on-account tax scheme, and exchange gain/losses on items denominated in foreign currencies.

Section 2: Income statement

2.7 Income taxes and deferred tax

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Income taxes		
Current tax for the year	(2.7)	(8.8)
Change in deferred tax concerning the income/(loss) for the year	15.7	12.7
Prior year adjustments	(3.1)	3.3
Tax on the income/(loss) for the year	**9.9**	**7.2**
Tax in the income statement	**9.8**	**9.1**
Tax on other comprehensive income	**0.1**	**(1.9)**

EUR million	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Reconciliation of tax rate		
Danish tax rate	22.0%	22.0%
Deviation from the Danish tax rate – taxation of foreign operations	(1.8%)	(1.1%)
Non-taxable income and non-deductible expenses	(4.0%)	(18.6%)
Prior year adjustments	(3.9%)	1.2%
Valuation allowance of deferred tax assets	0.3%	(0.2%)
Other taxes	(0.1%)	0.0%
Effective tax rate	**12.5%**	**3.3%**
Tax for the year	**9.8**	**9.1**

EUR million	2022/23	2021/22
Deferred tax		
Deferred tax at Sep 1	74.0	81.8
Prior year adjustments	(0.4)	4.7
Additions from acquisitions	20.5	0.4
Change in deferred tax – recognized in the income statement	(15.7)	(12.7)
Currency translation	(1.8)	(0.2)
Deferred tax at August 31	**76.6**	**74.0**
Deferred tax assets	(17.1)	(5.7)
Deferred tax liabilities	93.7	79.7
Deferred tax at August 31	**76.6**	**74.0**
Specification of deferred tax		
Tangible and intangible assets	96.6	84.3
Non-current assets	(1.6)	-
Liabilities	(3.3)	(2.3)
Tax loss carry-forwards	(27.2)	(11.0)
Valuation allowance	12.1	3.0
Total deferred tax at August 31	**76.6**	**74.0**
Amounts due after 12 months, estimated	**76.6**	**74.0**

§ Accounting policies

Current tax liabilities and receivables are recognized in the balance sheet at the amounts calculated on the taxable income for the year, adjusted for tax on taxable incomes for prior years and for taxes paid on account. Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Apart from assets acquired as part of business combinations, deferred tax is not recognized in respect of temporary differences concerning goodwill. When the computation of the tax base may be performed according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset or settlement of the liability.

Section 3: Balance sheet

3.1 Intangible assets

EUR million	Goodwill	Technology and software	Customer relations	Completed development projects	Development projects in progress	Total
2022/23						
Cost at September 1	568.7	296.8	156.1	6.3	6.0	1,033.9
Additions from acquisitions, note 5.4	46.8	52.8	25.3	-	-	124.9
Additions	-	0.1	-	-	3.7	3.8
Transferred	-	0.5	-	0.1	(0.6)	-
Exchange rate adjustments	(8.5)	(5.7)	(6.1)	(0.1)	(1.2)	(21.6)
Cost at August 31	**607.0**	**344.5**	**175.3**	**6.3**	**7.9**	**1,141.0**
Amortization and impairment at September 1	(205.0)	(21.1)	(9.2)	(1.7)	-	(237.0)
Amortization and impairment	-	(32.7)	(36.5)	(0.8)	-	(70.0)
Exchange rate adjustments	-	0.4	0.4	-	-	0.8
Amortization and impairment at August 31	**(205.0)**	**(53.4)**	**(45.3)**	**(2.5)**	**-**	**(306.2)**
Carrying amount at August 31	**402.0**	**291.1**	**130.0**	**3.8**	**7.9**	**834.8**
2021/22						
Cost at September 1	499.9	267.1	110.0	5.9	8.9	891.8
Additions from acquisitions, note 5.4	59.0	10.2	42.3	-	-	111.5
Additions	-	20.7	-	0.4	1.2	22.3
Remeasurement	3.3	(2.0)	(1.3)	-	-	-
Transferred to property, plant and equipment	-	-	-	-	(4.1)	(4.1)
Exchange rate adjustments	6.5	0.8	5.1	-	-	12.4
Cost at August 31	**568.7**	**296.8**	**156.1**	**6.3**	**6.0**	**1,033.9**
Amortization and impairment at September 1	-	(5.7)	(2.1)	(0.4)	-	(8.2)
Amortization and impairment	(205.0)	(15.4)	(7.1)	(1.3)	-	(228.8)
Disposals	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-	-
Amortization and impairment at August 31	**(205.0)**	**(21.1)**	**(9.2)**	**(1.7)**	**-**	**(237.0)**
Carrying amount at August 31	**363.7**	**275.7**	**146.9**	**4.6**	**6.0**	**796.9**

Section 3: Balance sheet

3.1 Intangible assets (continued)

GOODWILL

In 2022/23 goodwill amounted to EUR 402.0 million (2021/22: EUR 363.7 million) and increased by EUR 46,8 million due the acquisition of Akay, completed October 2022 (refer to note 5.4 for further details) and net exchange differences arising during the year amounting to a cost of EUR 8.5 million (2021/22: an income of EUR 6.5 million).

For the purpose of the impairment test, Oterra Group is considered the Group´s only cash-generating unit ("CGU").

Impairment test was performed as of August 31, 2023 by comparing the carrying amount and the recoverable amount of the CGU. The recoverable amount is based on the "value in use" as the present value of the future cashflows expected to be derived from the CGU, since there was no basis for making a reliable estimate of fair value less cost of disposal.

KEY ASSUMPTIONS USED IN VALUE-IN-USE CALCULATION AND SENSITIVITY TO CHANGES IN ASSUMPTIONS

The calculation of value in use is most sensitive to the following assumptions:

- EBITDA
- Discount rate (WACC)
- Inflation
- Growth rate estimates

In addition to the above, more sensitive assumptions, Management assess the level for working capital and CAPEX in the scenarios considered. The period applied prior to the terminal period is 10 years and consist of a five-year budget period followed by a five-year normalization period due to the high growth in the budget period.

EBITDA

Overall, average revenue growth of 6.8% (7.5%) is expected in the budget and normalization period. For EBITDA before special items, the corresponding increase is expected to be higher considering the expected growth, upside from synergies as well as efficiency improvements in production expected to increase Gross Margin in the period.

The expected future cash flows covering the period from September 1, 2023 to August 31, 2028 have been derived from the Group´s business plan. These cash flows relate to the CGU in its condition when preparing the financial statements and exclude the estimated cash flows that might arise from restructuring plans or other structural changes.

A further normalization period of five years has been applied prior to the terminal period, in order to normalize the expected growth in the budget period.

DISCOUNT RATE (WACC)

Discount rates represents the current market assessment of the risks taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity. The cost of equity is derived from the expected return on investment by the Group´s investors. The cost of debt is derived from borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The expected future cash flow has been discounted in 2022/23 using a WACC of 10.5% (2021/22: 10.3%).

INFLATION

Inflation applied in the budget period is on average 2.5% (2.4%).

GROWTH RATE ESTIMATES

Average growth rates expected in the budget and normalization period is 6.8% (7.5%) and 2.5% (2.0%) in the terminal period respectively.

The assumptions used in this process represent Management's best estimate for the period under consideration.

Impairment loss recognized in 2022/23 is 43.0 million related to other intangible assets (2021/22: EUR 0 million) and EUR 0 million related to goodwill (2021/22: EUR 205 million), accounted through a separate income statement line item "impairment of intangible assets".

Section 3: Balance sheet

3.1 Intangible assets (continued)

The events and circumstances that led to the recognition of the impairment loss are primarily attributable to the increased cost of capital and slightly lower revenue in the budget period.

SENTIVITY ANALYSIS
A sensitivity analysis covering key assumptions was performed in connection with the impairment test. As of August 31, 2023, the goodwill impairment test present a headroom of EUR 53.8 million. The impairment of goodwill in 2021/22 was EUR 205.0 million).

Had the applied EBITDA-margin decreased by 2 percentage points compared to managements estimate, this would result in an impairment of EUR 52.0 million.

An increase in the applied WACC by 1 percentage points would have resulted in an impairment of EUR 85.0 million.

A change in Management's estimated growth in the terminal period by 1 percentage points rather than the 2.5% applied, would result in an impairment of EUR 15.0 million.

Management constantly monitors the macro-economical changes, latest government legislation impact and climate-related matters. At this time, no legislation has been passed that will impact the Group. The Group will adjust the key assumptions used in value-in-use calculations and sensitivity if changes in assumptions should be required.

PATENTS, TRADEMARKS, KNOW-HOW, CUSTOMER RELATIONS ETC.
In 2022/23, the Group acquired intangible assets through acquisitions amounting to EUR 78.1 million (2021/22: EUR 52.5 million), which primarily related to technology/know-how and customer relations.

Oterra has realized an impairment of EUR 43.0 million in 2023 (2022: EUR 0.0 million), of which related to Technology, EUR 27.5 million, and Customer relations, EUR 15.5 million, acquired in business combinations.

The remaining useful lives of patents, trademarks, and know-how are ranging from 5-20 years.

Key accounting estimates

Goodwill is tested for impairment yearly and when indicators of impairment exist. Impairment tests are based on Management's projections and anticipated net present value of estimated future cash flows.

Key assumptions, when calculating the future cash flows used, are based on budgets and Management's estimated development for the following five years including estimated revenue growth, EBITDA, working capital, CAPEX, and the discount rate applied (WACC). Assumptions are tested for sensitivity.

Accounting policies

Goodwill is allocated to operating segments based on expected future cash flow from products utilizing the synergies and know-how acquired.

Research expenses are recognized in the income statement as incurred. Development costs are recognized as intangible assets if the costs are expected to generate future economic benefits.

Costs related to development and implementation of substantial software and IT infrastructure are capitalized and amortized over the expected useful lives of the assets. Software obtained through a Software-as-a-Service (SaaS) arrangement is capitalized to the extent the criteria for capitalization are met and amortized over the contract period.

Finished development projects are reviewed at the time of completion and annually to determine it there is any indication of impairment. If so, an impairment test is carried out for the individual development projects. Development projects in progress are tested annually. The impairment test is performed based on factors such as the future use of the project, the fair value of estimated future earnings or savings, interest rates, and risks.

Section 3: Balance sheet

3.1 Intangible assets (continued)

Accounting policies (continued)

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

Trademarks, patents, and customer relations acquired are recognized at cost and amortized over the expected useful lives of the assets.

Other intangible assets are measured at cost less accumulated amortization and impairment losses. An impairment test is carried out if there are any indications of impairment.

Borrowing costs in respect of construction of assets are capitalized when directly attributable to the development of the asset, and the development period is substantial.

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

- Patents, trademarks, know-how, customer relations etc. 5-20 years
- Software 5-10 years
- Development projects 3-20 years

No other intangible assets, besides goodwill, has indefinite lives.

Section 3: Balance sheet

3.2 Property, plant and equipment

EUR million	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2022/23					
Cost at September 1	53.9	38.2	8.2	39.7	140.0
Additions from acquisitions, note 5.4	8.6	5.5	0.5	4.2	18.8
Additions	4.0	3.5	1.6	30.5	39.6
Disposals	(0.8)	(4.8)	(1.0)	(0.2)	(6.8)
Transferred	0.9	40.6	2.8	(44.3)	-
Exchange rate adjustments	(2.9)	(2.2)	(0.5)	(4.1)	(9.7)
Cost at August 31	**63.7**	**80.8**	**11.6**	**25.8**	**181.9**
Depreciation and impairment at September 1	(6.6)	(6.6)	(1.3)	-	(14.5)
Depreciation and impairment	(8.8)	(7.3)	(2.4)	-	(18.5)
Disposals	0.6	1.1	0.5	-	2.2
Exchange rate adjustments	0.4	1.0	0.1	-	1.5
Depreciation at August 31	**(14.4)**	**(11.8)**	**(3.1)**	**-**	**(29.3)**
Carrying amount at August 31	**49.3**	**69.0**	**8.5**	**25.8**	**152.6**
2021/22					
Cost at September 1	33.3	23.1	7.0	31.1	94.5
Additions from acquisitions, note 5.4	3.6	8.8	0.2	0.7	13.3
Additions	17.1	2.9	0.9	11.2	32.1
Disposals	(2.2)	(2.1)	(0.5)	(8.0)	(12.8)
Transferred	0.3	4.5	0.1	(4.9)	-
Transferred from intangible assets	-	-	-	4.1	4.1
Exchange rate adjustments	1.8	1.0	0.5	5.5	8.8
Cost at August 31	**53.9**	**38.2**	**8.2**	**39.7**	**140.0**
Depreciation and impairment at September 1	(1.7)	(1.6)	(0.7)	-	(4.0)
Depreciation and impairment	(4.6)	(6.2)	(0.6)	-	(11.4)
Disposals	0.1	1.5	0.1	-	1.7
Exchange rate adjustments	(0.4)	(0.3)	(0.1)	-	(0.8)
Depreciation at August 31	**(6.6)**	**(6.6)**	**(1.3)**	**-**	**(14.5)**
Carrying amount at August 31	**47.3**	**31.6**	**6.9**	**39.7**	**125.5**

The fair values of property, plant and equipment at year-end are not considered significantly different from their carrying values.

Section 3: Balance sheet

3.2 Property, plant and equipment (continued)

Accounting policies

Items of property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to preparing the asset for use, and re-establishment expenses, provided that a corresponding provision is made at the same time. Borrowing costs for the construction phase of assets of property, plant and equipment are capitalized when directly attributable to the construction and the construction period is substantial.

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

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

Land and property, plant and equipment in progress are not depreciated. Depreciation is applied on a straight-line basis. Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

Please refer to note 3.3 for accounting policies regarding leases.

3.3 Leases

EUR million	2023 Aug	2022 Aug
Lease assets		
Land and buildings	23.2	26.8
Plant and machinery	0.6	0.9
Other fixtures and equipment	1.0	1.5
Carrying amount at August 31	**24.8**	**29.2**
Additions on lease assets	2.7	18.0

EUR million	Land and buildings	Plant and machinery	Other fixtures and equipment
2022/23			
Lease assets at Sep 1	**26.8**	**0.9**	**1.5**
Additions	2.1	-	0.6
Remeasurement of lease liabilities	(1.5)	(0.1)	(0.3)
Depreciation	(4.2)	(0.2)	(0.8)
Carrying amount at August 31	**23.2**	**0.6**	**1.0**

Change in right-of-use assets are primarily attributable to additions amounting to EUR 2.7 million (2021/22 EUR 18.0 million) and the combined effects of the depreciation expense for the year and foreign exchange.

Lease liabilities are classified as part of borrowings in the balance sheet. For further information related to lease liabilities, please refer to note 4.3 and note 5.3.

Section 3: Balance sheet

3.3 Leases (continued)

The following are the amounts recognized in profit or loss and cash flow statement:

EUR million	2023 Aug	2022 Aug
Depreciation expense of right-of-use assets	5.2	3.8
Interest expense on lease liabilities	0.1	0.1
Expense relating to short-term leases and low-value assets	0.7	0.1
Total amount recognized in the profit or loss	**6.0**	**4.0**
Total amount recognized in the cash flow statement	**3.1**	**4.6**

EUR million	2023 Aug	2022 Aug
Maturity analysis of lease liabilities		
Less than 1 year	6.9	3.4
Between 1 and 5 year	8.5	12.5
More than 5 years	9.2	11.4
Total	**24.6**	**27.3**

Oterra has several lease contracts that include extension and termination options. These options are negotiated by Management to provide flexibility in managing the leased-asset portfolio and align with Oterra's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Accounting policies

Lease assets are "right-of-use assets", which is a contract or part of a contract that conveys the leasee's right to use an asset for a period of time. Lease assets are initially measured as the present value of future fixed lease payments plus upfront payments and/or other initial direct costs incurred, less any lease incentives received. If, on the inception of the lease, it is reasonably certain that an extension or purchase option will be exercised, future lease payments will be included.

Lease liabilities are measured using the Group's average incremental borrowing rate.

Lease assets are classified alongside owned assets of a similar type under "Property, plant and equipment".

Lease assets are depreciated using the straight-line method over the lease term. Lease assets are tested when there is an indication of impairment.

Short-term leases and leases of low value are recognized as expenses in the income statement on a straight-line basis over the lease term.

Oterra's portfolio of leases includes land, buildings, cars, and equipment.

Section 3: Balance sheet

3.4 Inventories

EUR million	2023 Aug	2022 Aug
Inventory before write-down	131.6	122.8
Write-down	(4.4)	(2.5)
Total	**127.2**	**120.3**
Raw materials and consumables	31.7	44.1
Work in progress	53.5	46.1
Finished goods and goods for resale	42.0	30.1
Total	**127.2**	**120.3**

EUR million	2022/23	2021/22
Write-downs at Sep 1	(2.5)	(6.9)
Effects from acquisitions	(0.5)	-
Write-downs during the period	(2.7)	(1.2)
Reversal of write-downs	1.2	4.9
Utilization of write-downs	0.1	0.7
Inventory write-down at August 31	**(4.4)**	**(2.5)**

Accounting policies

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

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

Section 3: Balance sheet

3.5 Trade receivables

Trade receivables classified at amortized cost

EUR million	2023 Aug	2022 Aug
Aging of trade receivables		
Not due	65.3	69.9
0-30 days overdue	10.0	12.6
31-60 days overdue	5.5	8.2
61-120 days overdue	4.3	11.9
> 120 days overdue	8.2	9.9
Total trade receivables	**93.3**	**112.5**

EUR million	2022/23	2021/22
Changes in allowances for trade receivables		
Allowances at Sep 1	(1.2)	-
Additions for the period	(3.1)	(1.2)
Reversals	-	-
Losses realized	-	-
Allowances at August 31	**(4.3)**	**(1.2)**

Trade receivables originating from certain customers are assigned on a non-recourse basis as a part of factoring agreement. Thus, these trade receivables are held for sale to a third party.

§ Accounting policies

Trade receivables measured at fair value through profit or loss
Trade receivables not held by Oterra with the purpose of collecting the contractual cash flows but are held for sale are classified at fair value through profit or loss. No expected credit losses are recognized on these trade receivables.

Trade receivables which are held for sale are derecognized when substantially all risks and rewards of ownership are transferred.

Trade receivables measured at amortized cost
Trade receivables held by Oterra with the purpose of collecting contractual cash flows are measured at amortized cost less allowances for lifetime expected credit losses.

The Group applies the simplified approach to measuring expected credit losses under IFRS 9, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The allowance for expected credit losses for trade receivables is based on historical credit loss experience combined with forward-looking information on macroeconomic factors affecting the credit risk. The expected loss rates are updated at every reporting date.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days overdue. Furthermore, an allowance for lifetime expected credit losses for trade receivables is measured on initial recognition.

Trade receivables are written off when all possible options have been exhausted and there are no reasonable expectations of recovery. The cost of allowances for expected credit losses and write-offs for trade receivables are included in "Sales and marketing expenses" and "Administrative expenses".

Section 3: Balance sheet

3.6 Employee benefit obligations

EUR million	2022/23	2021/22
Net employee benefit obligations		
Net obligations at Sep 1	1.5	1.2
Additions from acquisitions	0.2	0.8
Employer contributions	(0.1)	(0.5)
Net employee benefit obligations at August 31	**1.6**	**1.5**

Employee benefit plans in the Group
Other employee benefit obligations consist of obligations regarding payments made in connection with employee service tenure, long-service benefits, and other social benefits.

The Group has entered into pension agreements with a significant number of its employees. The majority of the plans are defined contribution plans, while only a small proportion are defined benefit plans.

Defined contribution plans
The Group finances the plans through regular premium payments to independent insurance companies, which are responsible for the pension obligations. Once the pension contributions to the defined contribution plans have been paid, the Group has no further pension obligations vis-à-vis current or former employees.

Defined benefit plans
For certain groups of employees, the Group has entered into agreements on the payment of certain benefits, including pensions. These obligations are not or only partly covered by insurance. Unfunded plans have been recognized in the balance sheet, income statement, and statement of other comprehensive income as shown above.

§ Accounting policies

Contributions to defined contribution plans are charged to the income statement in the year to which they relate. In France and Italy, the Group still operates defined benefit plans. The costs for the year of defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees up to the valuation dates and is based on actuarial assumptions, primarily regarding discount rates used in determining the present value of benefits and projected rates of remuneration growth. Discount rates are based on the market yields of high-rated corporate bonds in the country concerned.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement. Pension assets are only recognized to the extent that it is possible to derive future economic benefits such as refunds from the plan or reductions of future contributions. The Group's defined benefit plans are usually funded by payments from group companies and by employees to funds independent of the Group. Where a plan is unfunded, a liability for the retirement obligation is recognized in the balance sheet.

Section 3: Balance sheet

3.7 Provisions, commitments and contingent liabilities

Pending court and arbitration cases
Oterra Group is party to various disputes and customer claims whose outcome is still uncertain and not recognized in the financial statement at the balance sheet day. None of these are expected to materially affect profit for the year or the financial position.

Change of control
The loan facilities are subject to change-of-control clauses.

Provisions

EUR million	2022/23	2021/22
Opening at Sep 1	0.3	-
Provisions during the year	-	0.3
Additions from acquisitions	0.7	-
Other movements	(0.4)	-
Provisions at August 31	**0.6**	**0.3**

Section 4: Financing and risk

4.1 Share capital

Number of shares	2022/23	2021/22
Share capital at Sep 1	1,000,000	1,000,000
Addition	-	-
Share capital at August 31	**1,000,000**	**1,000,000**

Oterra's share capital has a nominal value of DKK 1,000,000 (equivalent to EUR 134 thousand), divided into 1,000,000 shares of DKK 1.0 each. The share capital is fully paid.

During the financial year 2022/23, an additional capital of EUR 158.0 million was paid as tax-free grants from the parent company, Spring Midco DK ApS. No shares were issued in 2022/2023.

4.2 Capital management

Oterra's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of Oterra consists of net debt (short-term and long-term borrowings after deducting cash at bank) and equity (issued capital, reserves, retained earnings and non-controlling interests).

Oterra manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants.

The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash at bank.

EUR million	2023 Aug	2022 Aug
Interest-bearing loans and borrowings	539.6	453.5
Trade and other payables	114.0	126.5
Cash at bank	(43.7)	(19.5)
Net debt	**609.9**	**560.5**
Equity	564.4	555.9
Total capital	564.4	555.9
Capital and net debt	**1,174.3**	**1,116.4**
Gearing ratio	52%	50%

No changes were made in the objectives, policies or processes for managing capital during the years 2022/23 and 2021/22.

Section 4: Financing and risk

4.3 Financial assets and liabilities

Financial risks
Oterra is exposed to currency and interest rate fluctuations. Oterra's treasury department monitors and manages risks related to currency exposure and interest rate levels.

Funding and liquidity risk
Funding and adequate liquidity are fundamental factors in driving an expanding business and managing funding and liquidity risks is an integral part of Oterra's continual budget and forecasting process. To ensure focus on managing these risks, Oterra's Treasury department manages and monitors funding and liquidity for the entire Group and ensures the availability of the required liquidity through cash management and uncommitted as well as committed facilities.

Foreign exchange risk
To reduce exposure to exchange rate fluctuations, Oterra primarily trades in EUR and USD. However, trading also takes place in other currencies. Currency exposure is mainly managed by having revenue and expenses in the same currency.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows on borrowings from exposure related to bank loans with floating interest rates. The senior facility requires that 50% of the floating interest rate is fixed, and Oterra's Treasury department manages the interest rate risk using financial derivatives.

Credit risk
Credit risks mainly relate to trade and other receivables. The risk is limited due to Oterra's diverse customer base, which represents multiple industries and businesses on international markets in which Oterra cooperates with many large and medium-sized partners. When dealing with smaller businesses, Oterra mainly sells through distributors, thus reducing the credit risk associated with these customers.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors, and/or regions.

Counterparty risk
Oterra manages counterparty risk for cash, deposits and financial instruments by only engaging with financial institutions that have a satisfactory long-term credit rating. Oterra's core financial counterparties currently have long-term credit ratings of AA or A.

The following table set forth a breakdown of current and non-current borrowings as of August 31, 2023 and August 31, 2022:

EUR million	2023 Aug	2022 Aug
Non-current borrowings		
Bank borrowings	469.2	413.7
Lease liabilities	17.7	23.9
Total before amortization of financing expenses	**486.9**	**437.6**
Capitalized financing expenses, bank borrowings	(8.3)	(8.7)
Total non-current borrowings	**478.6**	**428.9**
Current borrowings		
Bank borrowings	54.1	21.2
Lease liabilities	6.9	3.4
Total current borrowings	**61.0**	**24.6**
Total	**539.6**	**453.5**

The Group's borrowings are denominated in EUR and USD. Please refer to the table presented below.

The financing of entities within the Oterra Group is monitored and managed at group level. The purpose of capital management is, among other things, to ensure the Group is able to meet the financial covenants relating to its bank borrowings. There have been no breaches of the financial covenants relating to bank borrowings in the current period.

Section 4: Financing and risk

4.3 Financial assets and liabilities (continued)

EUR million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2023 Aug					
Financial liabilities					
Bank borrowings [1]	79.8	562.2	16.0	658.0	509.9
Other borrowings from related parties	5.1	-	-	5.1	5.1
Lease liabilities	7.1	9.0	9.6	25.7	24.6
Trade payables	64.8	-	-	64.8	64.8
Tax payables	4.8	-	-	4.8	4.8
Other payables	32.7	-	-	32.2	32.2
Financial liabilities at amortized cost	**194.3**	**571.2**	**25.6**	**791.1**	**641.9**

1) Includes a loan which may be unconditionally extended until March 2028, meaning that the loan is classified with a maturity in excess of 5 years. As Management expects to repay the loan in March 2027 and 2028, interest has been calculated until then.

Section 4: Financing and risk

4.3 Financial assets and liabilities (continued)

EUR million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Contractual cash flows	Carrying amount
2022 Aug					
Financial liabilities					
Bank borrowings [1]	46.8	232.9	302.3	582.0	426.2
Lease liabilities	3.5	13.1	11.9	28.5	27.3
Trade payables	88.1	-	-	88.1	88.1
Tax payables	3.3	-	-	3.3	3.3
Other payables	27.0	-	-	27.0	27.0
Financial liabilities at amortized cost	**168.7**	**246.0**	**314.2**	**728.9**	**571.9**

1) Includes a loan which may be unconditionally extended until March 2028, meaning that the loan is classified with a maturity in excess of 5 years. As Management expects to repay the loan in March 2027 and 2028, interest has been calculated until then.

Section 4: Financing and risk

4.3 Financial assets and liabilities (continued)

EUR million	Effective interest rate (%)[1]	Currency	Available facility	Drawn amount	Maturity years	Carrying amount	Interest rate risk amount[2]
2023 Aug							
Other borrowings from group companies							
Floating rate	1.8%	EUR	5.1	5.1	1	5.1	0.1
Total			**5.1**	**5.1**		**5.1**	**0.1**
Bank borrowings							
Floating rate	8.7%	EUR	407.9	407.9	4-5	410.8	1.8
Floating rate	9.6%	USD	94.4	94.4	4-5	99.1	0.2
Total			**502.3**	**502.3**		**509.9**	**2.0**
2022 Aug							
Bank borrowings							
Floating rate	0.1%	EUR	326.2	325.9	5-6	320.9	1.4
Floating rate	2.5%	USD	103.1	103.1	5-6	105.3	0.7
Total			**429.3**	**429.0**		**426.2**	**2.1**

1) Interest rate including zero-floor
2) Interest rate risk if interest rates increase by 1.0 percentage point

The fair value of bank borrowings does not differ significantly from the carrying amount.

Section 4: Financing and risk

4.3 Financial assets and liabilities (continued)

EUR million	Total bank borrowings	Total other borrowings from group companies	Floating rate	Fixed rate
2023 Aug				
Currency of the principal				
EUR	410.8	5.1	415.9	-
USD	99.1	-	99.1	-
Total	**509.9**	**5.1**	**515.0**	**-**
2022 Aug				
Currency of the principal				
EUR	320.9	-	319.6	-
USD	105.3	-	101.6	-
Total	**426.2**	**-**	**421.2**	**-**

Section 4: Financing and risk

4.4 Financial instruments

Accounting policies

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Oterra initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Oterra's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that Oterra commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost and financial assets at fair value through profit or loss.

Financial assets
Financial assets at amortized cost
Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Oterra's financial assets at amortized cost mainly include trade and other receivables.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Section 4: Financing and risk

4.4 Financial instruments (continued)

Accounting policies (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Oterra's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- Oterra has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Oterra has transferred substantially all the risks and rewards of the asset, or (b) Oterra has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When Oterra has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Oterra continues to recognize the transferred asset to the extent of its continuing involvement. In that case, Oterra also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Oterra has retained.

Financial liabilities
Financial liabilities are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, with the exception of derivative financial instruments.

Section 4: Financing and risk

4.5 Hedging activities and derivatives

Derivatives are accounted for as cash flow hedges
As of 31 August, 2023 and 2022, Oterra has outstanding arrangements to hedge interest rate exposures on its foreign currency denominated debts. Details as follow:

EUR million	Outstanding notional amount	Unit	Carrying amount	Average interest rate	Expected maturity				
2023 Aug					2024 Aug	2025 Aug	2026 Aug	2027 Aug	2028 Aug
Interest rate cap	179.7	EUR	5.6	0.0%	179.7	-	-	-	-
Interest rate swap	52.5	EUR	0.8	2.8%	-	52.5	-	-	-
Interest rate swap	68.5	USD	1.8	1.8%	36.7	31.8	-	-	-

EUR million	Outstanding notional amount	Unit	Carrying amount	Average interest rate	Expected maturity				
2022 Aug					2023 Aug	2024 Aug	2025 Aug	2026 Aug	2027 Aug
Interest rate cap	179.7	EUR	6.8	4.3%	-	179.7	-	-	-
Interest rate swap	36.7	USD	2.0	7.2%	-	36.7	-	-	-

The corresponding derivative assets are included in other long-term assets in the statement of financial position and measured using fair value level 2 inputs using discounted cash flow model and Black Scholes model.

The following table shows the presentation of amounts related to cash flow hedges as follows:

Derivatives	Other comprehensive income	Balance sheet	Equity
Interest rate swaps	Value adjustments of hedge instruments for the year	Other long-term assets	Hedging reserve
Interest rate cap	Value adjustments of hedge instruments for the year	Other long-term assets	Hedging reserve

Section 4: Financing and risk

4.5 Hedging activities and derivatives (continued)

Accounting policies

Initial recognition and subsequent measurement
Oterra uses derivative financial instruments, such as interest rate swaps contracts, to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Oterra only has hedges classified as cash flow hedge. These hedge the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, Oterra formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Oterra will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the net fair value changes on cash flow hedges, while any ineffective portion is recognized immediately in the consolidated statement of income. The net fair value changes on cash flow hedges are adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Oterra uses interest rate swaps and caps to hedge its interest rate risks. Changes in the fair value of the interest rate swaps are recognized in OCI and accumulated as a separate component of equity under "Net fair value changes on cash flow hedges".

Oterra designates only the elements of the interest rate swaps as hedging instruments to achieve its risk management objective. These elements are recognized in OCI and accumulated in a separate component of equity under net fair value changes on cash flow hedges.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Section 5: Other disclosures

5.1 Non-cash adjustments

EUR million	2022/23	2021/22
Depreciation and amortization	45.5	35.2
Change regarding employee benefit obligations	(0.1)	0.3
Exchange rate adjustment	1.2	(10.2)
Other non-cash adjustments	0.8	(1.1)
Total	**47.4**	**24.2**

5.2 Change in working capital

EUR million	2022/23	2021/22
(Increase)/decrease in receivables	15.6	(49.5)
(Increase)/decrease in inventory	14.4	(48.9)
Increase/(decrease) in payables and other liabilities	(24.2)	39.5
Adjustment for non-cash investing activities	(0.3)	11.8
Change in working capital	**5.5**	**(47.1)**

5.3 Changes in liabilities arising from financing activities

EUR million	1 September	Cash flows	Foreign exchange movement	New leases	Additions from acquisitions	Others	31 August
2022/23							
Lease liabilities	27.3	(3.1)	(1.6)	2.7	-	(0.7)	24.6
Borrowings	426.2	71.2	(4.3)	-	15.9	6.0	515.0
Total liabilities from financing activities	**453.5**	**68.1**	**(5.9)**	**2.7**	**15.9**	**5.3**	**539.6**

EUR million	1 September	Cash flows	Foreign exchange movement	New leases	Additions from acquisitions	Others	31 August
2021/22							
Lease liabilities	14.6	(4.6)	1.2	18.0	-	(1.8)	27.3
Borrowings	298.4	114.2	11.6	-	-	2.0	426.2
Total liabilities from financing activities	**313.0**	**109.6**	**12.8**	**18.0**	**-**	**0.2**	**453.5**

Section 5: Other disclosures

5.4 Business combinations

Details of the provisional purchase consideration, net assets acquired, and goodwill are as follows:

EUR million	2023 Aug	2022 Aug
Purchase consideration		
Cash paid	132.6	137.1
Fair value of total consideration	**132.6**	**137.1**
Fair value of net assets acquired		
Other intangible assets	78.1	52.5
Property, plant and equipment	18.8	13.3
Other non-current assets	1.2	-
Current assets	46.6	25.3
Other current liabilities	(44.2)	(13.8)
Interest-bearing debt	(15.9)	(0.4)
Cash at bank	1.2	1.2
Net identifiable assets acquired	**85.8**	**78.1**
Goodwill from acquisition	46.8	59.0
Fair value of total consideration	**132.6**	**137.1**
Hereof cash at bank	(1.2)	(1.2)
Acquisition costs, net of cash	**131.4**	**135.9**

ACQUISITIONS DURING 2022/23

Acquired businesses are recognized in the consolidated financial statements from the time Oterra obtain control. A purchase price allocation has been performed in accordance with IFRS by assessing the fair value of identifiable assets and liabilities at the acquisition date.

The following valuation techniques have been applied in the fair value assessment of significant net assets acquired:

- Property, plant and equipment – have been assessed for fair value by applying the replacement cost approach.
- Technology – has been assessed using a multi-period excess earnings model.
- Customer relationships – have been assessed using an allowed margin approach as the valuation methodology.

Acquisition of Akay

On October 17, 2022, Oterra acquired 100.0% of the shares in AKAY Natural Ingredients Private Limited, a non-listed company based in India specializing in colors and nutraceuticals. Aside from further strengthening its natural color portfolio, the acquisition also expands its activities further within nutraceutical ingredients while increasing Oterras foothold in Asia.

The fair value of the trade receivables amounts to EUR 13.8 million. The gross amount of trade receivables is EUR 13.9 million and it is expected that the full contractual amounts will be collected.

The goodwill of EUR 46.8 million represents the value of the current workforce and know-how but also the operational synergies expected from integrading of one of the Groups larger suppliers within the Group.

Goodwill is allocated entirely to the aggregated level, as Oterra is considered one cash-generating unit. None of the goodwill recognized is expected to be deductible for income tax purpose.

Acquisition costs related to the acquisition amounted to EUR 6.4 million.

The acquisition of AKAY on October 17, 2022, have impacted revenue positive by EUR 49.0 million and EBIT negative by EUR 1.7 for the period October 17, 2022, to August 31, 2023. Had the acquisition been effective from September 1, 2022, the impact would have been revenue of EUR 58.2 million and EBIT of EUR 3.2 million, respectively.

ACQUISITIONS DURING 2021/22

The acquisitions made in 2022, as described below have impacted revenue with EUR 40.1 million and EBIT with EUR 2.6 million on the Group. On a pro forma basis had the aacquisition been effective from September 1, 2021, the impact would have been EUR 54.3 million to revenue and EUR 4.3 million to EBIT.

Acquisition of Food Ingredient Solutions, LLC

On December 30, 2021, Oterra acquired 100.0% of the voting shares of Food Ingredient Solutions, LLC, a non-listed company based in United States and specializing in colors and natural antioxidants with expertise in natural colors. Oterra acquired Spectrum to enlarge the range of products that can be offered to its clients.

Oterra measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the lease relative to market terms.

Section 5: Other disclosures

5.4 Business combinations (continued)

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The goodwill of EUR 49.5 million comprises the value of the current workforce and know-how and the expected synergies arising from the acquisition. Goodwill is allocated entirely to the aggregated level, as Oterra is considered one cash-generating unit. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition costs related to the acquisition amounted to EUR 5.1 million.

Acquisition of Diana Food SAS
On December 29, 2021, Oterra acquired the assets of Diana Food SAS, a non-listed company based in France and specializing in coloring foodstuff and is specialized as an ingredient provider with expertise in red coloring foodstuff. Oterra acquired Jump to increase the range of products that can be offered to its clients.

Oterra measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the lease relative to market terms.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The goodwill of EUR 9.5 million comprises the value of the synergies arising from the acquisition and a customer relationship, which is not separately recognized. Goodwill is allocated entirely to the aggregated level, as Oterra is considered one cash-generating unit. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition costs related to the acquisition amounted to EUR 2.4 million.

Key accounting estimates and judgements

The most significant assets acquired generally comprise goodwill, patents, IP rights, customer relationships, and property, plant and equipment. No active market exists for the majority of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, Management makes estimates of the fair value of acquired assets, liabilities, and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

The fair value of development projects and customer contracts acquired in business combinations is based on an evaluation of the conditions relating to the acquired portfolio and related customer relations.

Measurement is based on a discounted cash flow model on key assumptions about the estimated split of the acquired and expected revenue, the related churn rates and the expected profitability of the revenue at the time of the acquisition.

Section 5: Other disclosures

5.4 Business combinations (continued)

Accounting policies

On business combinations involving external parties, the acquisition method is applied. Acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair value at the time Oterra obtain control. Identifiable intangible assets are recognized if they can be seperated and the fair value can be reliably measured. Deferred tax on revaluations is recognized.

Any positive differences between cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognized as goodwill under "Intangible assets". The cost is stated at the fair value of shares, debt instruments, and cash and cash equivalents. Goodwill is not amortized but is tested annually for impairment. Negative balances (negative goodwill) are recognized in the income statement at the date of acquisition. Positive differences on the acquisition of joint ventures are recognized in the balance sheet under "Investments in joint ventures".

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is affected, adjustments made to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition within 12 months of the acquisition date are reflected in the initial goodwill. The adjustment is calculated as if it had been recognized at the acquisition date, and comparative figures are restated.

Changes in estimates of the cost of the acquisition that are contingent on future events are recognized in the income statement. Acquisition-related costs are expensed as incurred and included in special items.

Section 5: Other disclosures

5.5 Partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2023 Aug	2022 Aug
Vitivinícola Ramírez sl	Spain	50.0%	50.0%
Erkon Konsantre Sanayi Ve Ticaret Anonim Şirketi	Turkey	50.0%	50.0%

EUR million	2023 Aug	2022 Aug
Accumulated balances of non-controlling interest:		
Vitivinícola Ramírez sl	0.4	0.4
Erkon Konsantre Sanayi Ve Ticaret Anonim Şirketi	8.2	7.8
Profit allocated to material non-controlling interest		
Vitivinícola Ramírez sl	(0.1)	0.2
Erkon Konsantre Sanayi Ve Ticaret Anonim Şirketi	5.0	4.0

5.6 Related parties

Related parties are defined as parties with control or significant influence, including group companies.

As of August 31, 2023, Spring MidCo DK ApS (Agern Allé 24, 2970 Hørsholm) held 100% of the share capital of Oterra Holding ApS.

Other related parties include members of the Board of Directors and the Executive Board together with their immediate families.

The remuneration of key management personnel is specified in note 2.3.

As of August 31, 2023, Oterra A/S had a payable loan of EUR 5.1 million including accrued interests with Spring TopCo DK ApS (Agern Allé 24, 2970 Hørsholm) as lender. The interest expense related to this loan was EUR 0.3 million in the financial year 2022/23.

Furthermore, the company received tax-exempt contributions from Spring MidCo DK ApS totalling EUR 158.0 million during the year.

There were no transactions with members of the Board of Directors or other key management personnel other than payment of remuneration.

5.7 Events after the balance sheet date

No material events have occurred between August 31, 2023 and the date of publication of this annual report that have not already been included in the annual report and that would have a material effect on the assessment of the Group's financial position.

Section 5: Other disclosures

5.8 Group companies

Legal entity name	Country	Consolidated ownership %	Activity
Parent company:			
Oterra Holding ApS	Denmark	100.0	O
Subsidiaries:			
Oterra France SAS Bureau de liaison	Algeria	100.0	S
Oterra Argentina S.R.L.	Argentina	100.0	S
Oterra Australia Pty Ltd	Australia	100.0	S
Local HoldCo Brazil Ltda.	Brazil	100.0	O
NCD Brasil Indústria e Comércio de Corantes Naturais Ltda	Brazil	100.0	P, S
Akay Flavors and Aromatics (Cambodia) Private Ltd.	Cambodia	100.0	S
Oterra Shanghai Trading Co., Ltd [1)]	China	100.0	S
Beijing Branch of Oterra Shanghai Trading Co., Ltd. [1)]	China	100.0	S
Oterra S.A.S.	Colombia	100.0	S
Oterra Operations ApS, Czech Republic Branch	Czech Republic	100.0	S
Oterra A/S	Denmark	100.0	P, S
Oterra Operations ApS	Denmark	100.0	S
Oterra France SAS	France	100.0	P, S
Akay Europe GmbH	Germany	100.0	S
Oterra GmbH	Germany	100.0	S
Akay Natural Ingredients Private Ltd	India	100.0	P, S
Akay Spices Private Ltd.	India	100.0	S
Oterra Operations ApS, Indonesia Representative Office	Indonesia	100.0	S
Oterra Operations ApS, Irish Branch	Ireland	100.0	S
Oterra Italia S.p.A	Italy	100.0	P, S
Oterra S.p.A	Italy	100.0	S
Società Italiana Coloranti Naturali e Affini - S.I.C.N.A. S.r.l.	Italy	100.0	S
EG industriale S.r.l.	Italy	100.0	S
Oterra Trading Malaysia SDN. BHD.	Malaysia	100.0	S
Oterra México S.A. de C.V.	Mexico	100.0	S
Oterra Operations ApS, Dutch branche	Netherlands	100.0	S
Oterra Peru S.A.C [1)]	Peru	100.0	S
Oterra S.A. [1)]	Peru	100.0	P, S
Oterra Poland sp. Z o. o.	Poland	100.0	S
Oterra Operations ApS Hørsholm Sucursala Bucuresti	Romania	100.0	S
Oterra Rus LLC	Russia	100.0	S
Oterra Singapore PTE. LTD.	Singapore	100.0	S
Oterra Indigo PTE. LTD.	Singapore	100.0	O
Oterra Colors Spain SLU	Spain	100.0	O
Secna Natural Ingredients Group SLU	Spain	100.0	S
Sociedad Española de Colorantes Naturales y Afines SAU	Spain	100.0	P, S
Oterra Operations ApS, Sucursal en España	Spain	100.0	S
Oterra Operations ApS, Filial Sweden	Sweden	100.0	S
Oterra Operations ApS, Thailand Representation Office	Thailand	100.0	S
Oterra Operations Aps Merkezi Danimarka Istanbul Merkez Şubesi	Turkey	100.0	S
Oterra Middle East FZ-LLC	UAE	100.0	S
Oterra UK Limited	UK	100.0	S
Akay US LLC	USA	100.0	S
Oterra Holdings, LLC	USA	100.0	O
Oterra US Holdings, LLC	USA	100.0	O
Oterra, LLC	USA	100.0	P, S
Food Ingredient Solutions, LLC	USA	100.0	P, S
10 Malcolm, LLC	USA	100.0	O
2600 N. Neergard, LLC	USA	100.0	O
The Representative Office of Oterra A/S in Ho Chi Minh City	Vietnam	100.0	S
Joint ventures:			
Vitivinícola Ramírez sl	Spain	50.0	S
Erkon Konsantre Sanayi Ve Ticaret Anonim Şirketi	Turkey	50.0	S

The "Consolidated ownership" column shows the portion of the income/(loss) of the entity which is attributable to the shareholders of Oterra Holding ApS in the consolidated financial statements.

P – Production
S – Sales
O - Other

1) The group company's financial reporting period (January-December) deviates from that of the Group.

Parent company financial statements - contents

Parent company financial statements

Notes

Income statement

EUR thousand	Note	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Revenue		-	-
Gross loss		**-**	**-**
Administrative expenses	2.1	(2,691)	(6,080)
Other operating income		1,561	373
Operating loss (EBIT) before special items and impairment of investments in group companies		**(1,130)**	**(5,707)**
Impairment loss on investments in group companies	3.1	(82,000)	(205,000)
Special items		(7,091)	(3,866)
Operating loss (EBIT)		**(90,221)**	**(214,573)**
Financial income	2.2	41,053	23,631
Financial expenses	2.2	(26,668)	(35,041)
Loss before tax		**(75,836)**	**(225,983)**
Income taxes	2.3	(1,659)	284
Loss for the year		**(77,495)**	**(225,699)**

Statement of comprehensive income

EUR thousand	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Loss for the year	(77,495)	(225,699)
Items that will be reclassified subsequently to the income statement when specific conditions are met		
Currency translation to presentation currency	(1,750)	(361)
Value adjustment of hedge instruments for the year	(642)	8,803
Income tax relating to these items	141	(1,900)
Other comprehensive income for the year	**(2,251)**	**(6,542)**
Total comprehensive income for the year	**(79,746)**	**(219,157)**

Balance sheet

EUR thousand	Note	2022/23	2021/22
ASSETS			
Non-current assets			
Investments in group companies	3.1	503,112	467,760
Other long-term assets		8,142	8,803
Total non-current assets		**511,254**	**476,562**
Current assets			
Receivables from group enterprises		558,683	464,382
Tax receivables		783	-
Other receivables		208	187
Cash at bank		528	1,437
Total current assets		**560,202**	**466,005**
Total assets		**1,071,456**	**942,568**

EUR thousand	Note	2022/23	2021/22
EQUITY AND LIABILITIES			
Equity			
Share capital	4.1	134	134
Hedging reserve		6,399	6,900
Translation reserve		(2,111)	(361)
Retained earnings		680,689	600,205
Total equity		**685,111**	**606,878**
Non-current liabilities			
Borrowings	4.2	353,864	305,467
Total non-current liabilities		**353,864**	**305,467**
Current liabilities			
Borrowings		5,778	8,002
Trade payables		5,474	4,936
Payables to group companies		2,034	-
Tax payables		1,657	-
Other payables		17,538	17,285
Total current liabilities		**32,481**	**30,223**
Total liabilities		**386,345**	**335,690**
Total equity and liabilities		**1,071,456**	**942,568**

Cash flow statement

EUR thousand	Note	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Operating loss before special items and impairment of investments in group companies		(1,130)	(5,707)
Special items		(7,091)	(3,866)
Non-cash adjustments	5.1	36,997	8,277
Change in working capital		(93,814)	(164,625)
Interest received		-	4,854
Interest paid		(23,491)	(13,118)
Taxes paid		(2)	-
Net cash flow from operating activities		**(88,531)**	**(174,185)**
Payment for investments in subsidiaries		(118,317)	(7,372)
Cash flow from investing activities		**(118,317)**	**(7,372)**
Proceeds from issues of shares and other equity securities		157,979	125,945
Proceeds from borrowings		53,246	150,232
Repayment of borrowings		(5,332)	(106,131)
Cash flow from financing activities		**205.893**	**170,046**
Cash and cash equivalents at the beginning of the financial year		1,437	13,309
Unrealized exchange gains/(losses) included in cash and cash equivalents		46	(361)
Net cash flow for the year		(955)	(11,511)
Cash and cash equivalents at August 31		**528**	**1,437**

Consolidated statement of changes in equity

EUR thousand	Share capital	Hedging reserve	Translation reserve	Retained earnings	Total
2022/23					
Equity at September 1	134	6,900	(361)	600,205	606,878
Income/(loss) for the year	-	-	-	(77,495)	(77,495)
Other comprehensive income/(loss) for the year, see the statement of comprehensive income	-	(501)	(1,750)	-	(2,251)
Total comprehensive income/(loss) for the year	**-**	**(501)**	**(1,750)**	**(77,495)**	**(79,746)**
Capital increase	-	-	-	157,979	157,979
Equity at August 31	**134**	**6,399**	**(2,111)**	**680,689**	**685,111**
2021/22					
Equity at September 1	134	-	(3)	699,959	700,090
Income/(loss) for the year	-	-	-	(225,699)	(225,699)
Other comprehensive income/(loss) for the year, see the statement of comprehensive income	-	6,900	(358)	-	6,542
Total comprehensive income/(loss) for the year	**-**	**6,900**	**(358)**	**(225,699)**	**(219,157)**
Capital increase	-	-	-	125,945	125,945
Equity at August 31	**134**	**6,900**	**(361)**	**600,205**	**606,878**

The Board of Directors has decided not to propose an ordinary dividend for the financial year ending August 31, 2023 or August 31, 2022.

Notes

1.1 Accounting policies

The parent company financial statements of Oterra Holding ApS (the Parent Company) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The accounting policies applied by the Parent Company are the same as apply to the Oterra Group, see the notes to the consolidated financial statements, with the exception of the following

Investments in group companies
The accounting policies for investments in group companies and related transactions are presented in note 3.1.

1.2 Key accounting estimates and judgements

In preparing the parent company financial statements, Management makes various accounting estimates and assumptions that form the basis of the recognition and measurement of the Parent Company's assets and liabilities.

In applying the Group's accounting policies, Management makes judgements that may significantly influence the amounts recognized in the financial statements. The key accounting estimates and judgements for the Oterra Group are presented in the notes to the consolidated financial statements. Furthermore, Management considers the key accounting estimates and judgements used in the preparation of the consolidated financial statements in particular referring to the carrying amount of investments in group companies.

Assumptions about the future and estimation uncertainty at the balance sheet date are described in the notes where there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

2.1 Fees to auditors

EUR thousand	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
EY		
Statutory audit	110	91
Other	-	-
Total	**110**	**91**

2.2 Financial income and expenses

EUR thousand	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Financial income		
Interest income, group companies	37,007	12,203
Foreign exchange gains	4,046	11,428
Total	**41,053**	**23,631**

EUR thousand	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Financial expenses		
Interest expenses	23,394	16,455
Interest expenses, group companies	273	-
Foreign exchange losses	3,001	18,585
Total	**26,668**	**35,040**

Notes

2.3 Income taxes and deferred tax

EUR thousand	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Income taxes		
Current tax for the year	(1,518)	(1,616)
Change in deferred tax concerning the loss for the year	1,046	-
Prior year adjustments, deferred tax	(2,285)	-
Change in valuation allowance	1,239	-
Tax on the loss for the year	**(1,518)**	**(1,616)**
Tax in the income statement	**(1,659)**	**284**
Tax on other comprehensive income	**141**	**(1,900)**

EUR thousand	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Reconciliation of tax rate		
Danish tax rate	22.0%	22.0%
Non-deductible financial expenses	(26.0%)	(1.0%)
Non-deductible expenses	3.0%	(20.0%)
Valuation allowance of deferred tax assets	(1.0%)	(1.0%)
Effective tax rate	**(2.0%)**	**0.0%**
Tax for the year	**1,659**	**-**

EUR thousand	2022/23	2021/22
Deferred tax		
Deferred tax at Sep 1	-	-
Change in deferred tax – recognized in the income statement	-	-
Deferred tax at August 31	**-**	**-**
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Deferred tax at August 31	**-**	**-**
Specification of deferred tax		
Liabilities	(2,366)	(400)
Tax loss carry-forwards	-	(727)
Valuation allowance of deferred tax assets	2,366	1,127
Total deferred tax at August 31	**-**	**-**
Amounts due after 12 months, estimated	**-**	**-**

Notes

3.1 Investments in group companies

EUR thousand	2022/23	2021/22
Cost at September 1	467,760	665,388
Currency translation	(949)	-
Additions	118,301	7,372
Impairment	(82,000)	(205,000)
Cost at August 31	**503,112**	**467,760**

As described in note 3.1 Intangible assets of the consolidated financial statements, an impairment regarding intangible assets of EUR 82 million was recognized in 2022/23 (2021/22: goodwill impairment EUR 205 million). This indicate investments in group companies are impaired, and Management has tested the carrying amount of investments in group companies against their recoverable amount. The test showed, that the carrying amount exceeded the enterprise value less net debt, and an impairment of EUR 82 million was recorded in 2022/23 (2021/22: EUR 205 million).

See note 5.8 to the consolidated financial statements for a list of group companies.

§ Accounting policies

Dividends from group companies are recognized as income in the income statement of the Parent Company in the financial year in which the dividend is declared. If the carrying amount of an investment in a subsidiary exceeds the carrying amount of the net assets in the subsidiary's financial statements, or if the dividend exceeds the total comprehensive income of the subsidiary in the period in which the dividend is declared, the carrying amount of the subsidiary is tested for impairment.

Investments in group companies are measured at cost. If the cost exceeds the recoverable amount, it is written down.

3.2 Commitments and contingent liabilities

Please refer to note 3.7 to the consolidated financial statements.

EUR thousand	2023 Aug	2022 Aug
Individual assets directly pledged		
Equity investment in Oterra A/S	491,502	460,065
Equity investment in Oterra Italia S.p.A.	3,000	-
Equity investment in Local HoldCo Brazil Ltda	3,003	2,304
Equity investment in Oterra Operations ApS	100	100
Carrying amount of pledged individual assets	**497,605**	**462,469**

The Parent Company has issued letters of support in favour of certain subsidiaries.

Joint taxation

The Parent Company and its Danish subsidiaries are jointly taxed with the Danish companies in the Oterra Group. The joint taxation arrangement also covers withholding taxes in the form of dividend tax, royalty tax, and interest tax. The Danish companies are jointly and individually liable for the joint taxation payments. Any subsequent adjustments to income taxes and withholding taxes may lead to a higher liability. The taxes for the individual companies are allocated in full on the basis of the expected taxable income.

Notes

4.1 Share capital

Number of shares	2022/23	2021/22
Share capital at September 1	1,000,000	1,000,000
Additions		-
Share capital at August 31	**1,000,000**	**1,000,000**

The Parent Company's share capital has a nominal value of DKK 1,000,000 (equivalent to EUR 134 thousand), divided into 1,000,000 shares of DKK 1.0 each. The share capital is fully paid up.

4.2 Financial assets and liabilities

Please refer to note 4.3 to the consolidated financial statements. The Parent Company is the borrower of Senior bank borrowings with a carrying amount EUR 360 million of which EUR 281 million and EUR 79 million are denominated in EUR and USD, respectively.

5.1 Non-cash adjustments

EUR thousand	2023 Aug	2022 Aug
Interest receivables	37,007	7,349
Exchange rate adjustment	(1,045)	928
Other non-cash adjustments	1,035	-
Total	**36,997**	**8,277**

5.2 Related parties

Please refer to note 5.6 to the consolidated financial statements

Transactions between the Parent and the subsidiaries

EUR thousand	Sep 1, 2022 – Aug 31, 2023	Sep 1, 2021 – Aug 31, 2022
Sale of services	1,561	373
Interest income	37,007	11,350
Interest expenses	(273)	-
Total	**38,295**	**11,723**

Oterra Holding ApS is 100% owned by Spring MidCo DK ApS, Agern Alle 24, 2970 Hørsholm and is part of the consolidated financial statements of Spring TopCo DK ApS.

5.3 Events after the balance sheet date

Please refer to note 5.7 to the consolidated financial statements.

Management's statement

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

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 at August 31, 2023 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and cash flows for the financial year September 1, 2022 - August 31, 2023.

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

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

Hørsholm, January 18, 2024

Executive Board

Martin Sonntag
CEO

Mads Dehlsen Winther
CFO

Board of Directors

Cornelis de Jong
Chair

Mads Munkholt Ditlevsen
Vice Chair

Xiangwei Gong

Christoffer Erik Mathies Lorenzen

Thijs Bakker

Nils Philipp Ketter

Independent auditor's report

To the shareholders of Oterra Holding ApS

Report on the audit of the consolidated financial statements and the parent company financial statements

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Oterra Holding ApS for the financial year September 1, 2022 – August 31, 2023, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 August 31, 2023 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year September 1, 2022 – August 31, 2023 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, 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.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

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.

Copenhagen, January 18, 2024

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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

Oterra Holding ApS
Agern Allé 24
2970 Hoersholm
Denmark

Phone: +45 35 15 56 00
www.oterra.com

CVR No.: 41686774

Design and production: **Noted**