

Lactosan A/S

**Nordbakken 2
5700 Ringe**

CVR no. 78 87 87 11

Annual report for 2021

Adopted at the annual general
meeting on 10 June 2022

Thor Stadil
chairman

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Lactosan A/S for the financial year 1 January - 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Odense, 10 June 2022

Executive board

Jørn Leth Frandsen
CEO

Supervisory board

Thor Stadil
Chairman

Jørn Leth Frandsen

Christian Nicholas Rosenkrantz
Stadil

Independent auditor's report

To the shareholders of Lactosan A/S

Opinion

We have audited the financial statements of Lactosan A/S for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that 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 management's review.

Odense, 10 June 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Gert Rasmussen
State-authorised public accountant
MNE no. mne35430

Company details

Lactosan A/S
Nordbakken 2
5700 Ringe

CVR-no. 78 87 87 11

Financial year: 1 January - 31 December 2021

Domicile: Faaborg-Midtfyn Kommune

Supervisory Board

Thor Stadil, Chairman
Jørn Leth Frandsen
Christian Nicholas Rosenkrantz Stadil

Executive Board

Jørn Leth Frandsen, CEO

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Tværkajen 5
5100 Odense C

Consolidated financial statements

The company is reflected in the group report as the parent company Thornico Food & Food Technology Group A/S, Odense CVR-no. 37750913 (smallest group) and Thornico Holding A/S, Odense CVR-no. 35250800 (largest group).

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Revenue	483.880	424.497	406.808	389.301	397.570
Profit/loss before net financials	88.561	74.619	69.697	60.718	72.661
Net financials	19.999	15.105	15.630	14.400	4.132
Profit/loss for the year	88.838	74.157	69.245	60.922	61.216
Balance sheet total	487.717	415.899	418.690	382.812	368.902
Investment in property, plant and equipment	11.788	23.637	81.086	23.812	22.607
Equity	412.990	346.481	347.179	319.023	299.528
Financial ratios					
Return on assets	19,6%	17,9%	17,4%	16,2%	20,8%
Solvency ratio	84,7%	83,3%	82,9%	83,3%	81,2%
Return on equity	23,4%	21,4%	20,8%	19,7%	21,5%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..

Management's review

Business review

The company's activity consists of production and development of cheese powder for use in the food ingredients industry.

Financial review

The company's income statement for the year ended 31 December 2021 shows a profit of DKK 88.838.278, and the balance sheet at 31 December 2021 shows equity of DKK 412.989.788.

In 2021 record volumes as well as record turnover continued on top of the 2020 results, due to the capacity expansion.

Significant events occurring after the end of the financial year

The current Covid-19 situation as well as the impact from the war in the Ukraine will have a substantial impact on the result 2022, however the implication is presently very difficult to calculate

Expected development of the company, including specific prerequisites and uncertainties

High volatility in the cheese market and energy market combined with high inflation and challenges with Covid-19 in China, has reduced expectations for the result for 2022.

The war in the Ukraine has on top of this also contributed to general uncertainties on the world markets.

Revenues in 2022 is expected to be on a higher level than realized in 2021, but result for 2022 is expected to be on a quite lower level than realized in 2021.

The company's knowledge resources if of particular importance to its future earnings

It is the intention to continue being the leading supplier of cheese powder for the food ingredients industry.

To uphold the high level of knowledge and expertise it requires the company recruits and keeps competent employees and continuously train and educate employees.

Impact on the external environment and measures taken to prevent, reduce or mitigate damage

The company has a limited influence on the external environment. It is a continuous process to monitor and reduce consumption and to reduce impact on the external environment.

Research and development activities in or for the company

The company is continuously having projects with its customers developing new recipes using cheese powders as well as developing new cheese powder applications.

Description of the company's use of financial instruments

The company is exposed to fluctuations in foreign exchange rates.

The company's exposure to credit risk is expected to have a limited impact because of long term relations to customers.

Exposure to liquidity and cash flow risks is expected to have a limited impact.

Statutory corporate social responsibility report

The company's policies on Corporate Social Responsibility are part of the policies at Thornico Group level and reference is made to the CSR report of the Parent Company Thornico A/S at www.thornico.com/company-karma/

Policies on the underrepresented gender

Description of policies for the underrepresented gender

Policies for the underrepresented gender

The company's policies and targets concerning gender distribution are part of the policies at Thornico Group level and reference is made to page 36 in the CSR report of the Parent Company Thornico A/S.

Link to statement of target figures and policies for the underrepresented gender

www.thornico.com/company-karma/

Statement of policy for data ethics

Description of the disclosing of statement of policy for data ethics is not given, but is given on consolidated level

Link to statement of policy for data ethics

[***www.thornico.com/contact/policies/***](http://www.thornico.com/contact/policies/)

Accounting policies

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

The accounting policies applied are consistent with those of last year.

The annual report for 2021 is presented in DKK

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

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

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

Income from investments in subsidiaries, associates and participating interests

The proportionate share of the profit/loss for the year of associates is recognised in the company's income statement after elimination of the proportionate share of intra-group profits/gains.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet**Intangible assets**

Acquired intangible assets are measured at cost less accumulated amortization and impairment losses. Linear depreciation is amortized over 5 years.

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

Tangible assets

Items of land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

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

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Plant and machinery	7 years
Other fixtures and fittings, tools and equipment	3-5 years

Assets costing less than DKK 30.700 are expensed in the year of acquisition.

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

Investments in subsidiaries, associates and participating interests

Investments in subsidiaries, associates and participating interests are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, plus or less unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill stated according to the purchase method. Negative goodwill is recognised in the income statement on acquisition. Where the negative goodwill relates to contingent liabilities having been taken over, the negative goodwill is not recognised until the contingent liabilities have been settled or no longer exist.

Investments in subsidiaries, associates and participating interests with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries, associates and participating interests are taken to the net revaluation reserve according to the equity method in so far as that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of Lactosan A/S is adopted are not taken to the net revaluation reserve.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

Provisions

Provisions include deferred tax, see description below.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Foreign subsidiaries, associates and participating interests are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of such entities opening equity at closing rate and on translation of the income statements from the exchange rates at the transaction date to closing rate are taken directly to the fair value reserve under 'Equity' in the consolidated financial statements.

Foreign exchange adjustments of balances with separate entities which are considered part of the investment in the subsidiary are taken directly to the fair value reserve under 'Equity'. Correspondingly, foreign exchange gains and losses on loans and derivative financial instruments entered into to hedge net investments in such entities are taken directly to equity.

Cash flow statement

No cash flow statement has been prepared for the parent company, as the parent company's cash flows are included in the consolidated cash flow statement, see section 86(4) of the Danish Financial Statements Act.

Financial highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary operations after tax} \times 100}{\text{Average equity}}$

Income statement 1 January 2021 - 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Revenue		483.879.528	424.496.840
Raw materials and consumables		-243.250.512	-202.986.677
Other external expenses		<u>-60.898.159</u>	<u>-56.513.181</u>
Gross profit		179.730.857	164.996.982
Staff costs	2	<u>-70.779.307</u>	<u>-69.599.935</u>
Profit/loss before amortisation/depreciation and impairment losses		108.951.550	95.397.047
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-20.390.914</u>	<u>-20.777.853</u>
Profit/loss on activities before fair value adjustments		88.560.636	74.619.194
Profit/loss before net financials		88.560.636	74.619.194
Income from investments in subsidiaries	3	18.947.454	18.994.380
Financial income	4	1.372.461	87.835
Financial costs	5	<u>-321.400</u>	<u>-3.976.913</u>
Profit/loss before tax		108.559.151	89.724.496
Tax on profit/loss for the year	6	<u>-19.720.873</u>	<u>-15.567.948</u>
Profit/loss for the year		<u>88.838.278</u>	<u>74.156.548</u>
Distribution of profit	7		

Balance sheet at 31 December 2021

	Note	2021 DKK	2020 DKK
Assets			
Completed development projects		1.534.813	3.069.629
Intangible assets	8	1.534.813	3.069.629
Land and buildings		565.000	565.000
Plant and machinery		120.557.313	127.642.265
Other fixtures and fittings, tools and equipment		5.019.765	5.119.439
Leased assets		1.205.466	0
Tangible assets	9	127.347.544	133.326.704
Investments in subsidiaries	10	160.874.230	134.256.564
Fixed asset investments		160.874.230	134.256.564
Total non-current assets		289.756.587	270.652.897
Raw materials and consumables		30.082.999	27.241.026
Finished goods and goods for resale		42.561.930	44.127.120
Stocks		72.644.929	71.368.146
Trade receivables		45.462.482	31.115.054
Receivables from subsidiaries		62.924.087	28.180.617
Other receivables		5.094.530	4.950.872
Deferred tax asset	12	0	44.259
Prepayments	11	597.579	604.259
Receivables		114.078.678	64.895.061
Cash at bank and in hand		11.237.236	8.982.505
Total current assets		197.960.843	145.245.712
Total assets		487.717.430	415.898.609

Balance sheet at 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Equity and liabilities			
Share capital		5.315.000	5.315.000
Reserve for net revaluation under the equity method		71.034.878	44.417.212
Retained earnings		286.639.910	266.749.093
Proposed dividend for the year		<u>50.000.000</u>	<u>30.000.000</u>
Equity		<u>412.989.788</u>	<u>346.481.305</u>
Provision for deferred tax	12	<u>3.912.476</u>	<u>0</u>
Total provisions		<u>3.912.476</u>	<u>0</u>
Lease obligations		<u>1.025.498</u>	<u>0</u>
Total non-current liabilities		<u>1.025.498</u>	<u>0</u>
Banks		9.965.536	17.757.958
Lease obligation		117.768	0
Trade payables		22.081.875	19.291.505
Payables to subsidiaries		7.118.478	5.837.581
Corporation tax		15.764.142	9.006.954
Other payables		14.741.869	17.411.106
Deferred income	13	<u>0</u>	<u>112.200</u>
Total current liabilities		<u>69.789.668</u>	<u>69.417.304</u>
Total liabilities		<u>70.815.166</u>	<u>69.417.304</u>
Total equity and liabilities		<u>487.717.430</u>	<u>415.898.609</u>
Events after the balance sheet date	14		
Contingent liabilities	15		
Mortgages and collateral	16		
Related parties and ownership structure	17		
Fee to auditors appointed at the general meeting	18		

Statement of changes in equity

	Share capital	Reserve for net revalua- tion under the equity method	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2021	5.315.000	44.417.211	266.749.086	30.000.000	346.481.297
Ordinary dividend paid	0	0	0	-30.000.000	-30.000.000
Exchange adjustment, foreign	0	7.670.213	0	0	7.670.213
Net profit/loss for the year	0	18.947.454	19.890.824	50.000.000	88.838.278
Equity at 31 December 2021	5.315.000	71.034.878	286.639.910	50.000.000	412.989.788

Notes

1 Information on segments

Activities - primary segment

	Cheese powder	Total
t.kr.		
Revenue	483.880	483.880

Geographical - secondary segment

	Europe	Asia	Other countries	Total
Revenue	212.955	217.050	53.875	483.880

2 Staff costs

	2021 DKK	2020 DKK
Wages and salaries	65.416.246	64.249.202
Pensions	4.905.809	4.901.876
Other social security costs	457.252	448.857
	70.779.307	69.599.935
Average number of employees	118	115

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the executive board has not been disclosed.

3 Income from investments in subsidiaries

Share of profits of subsidiaries	18.947.454	18.994.380
	18.947.454	18.994.380

Notes

	2021 DKK	2020 DKK
4 Financial income		
Interest received from subsidiaries	128.472	87.629
Other financial income	6	206
Exchange adjustments	1.243.983	0
	1.372.461	87.835
5 Financial costs		
Financial expenses, group entities	832	46.460
Other financial costs	320.568	285.804
Exchange adjustments costs	0	3.644.649
	321.400	3.976.913
6 Tax on profit/loss for the year		
Current tax for the year	15.764.142	9.006.954
Deferred tax for the year	3.956.734	6.542.667
Adjustment of tax concerning previous years	-3	0
Adjustment of deferred tax concerning previous years	0	18.327
	19.720.873	15.567.948
7 Distribution of profit		
Proposed dividend for the year	50.000.000	30.000.000
Reserve for net revaluation under the equity method	18.947.454	18.994.380
Retained earnings	19.890.824	25.162.168
	88.838.278	74.156.548

Notes

8 Intangible assets

	Completed development projects
Cost at 1 January 2021	<u>7.674.074</u>
Cost at 31 December 2021	<u>7.674.074</u>
Impairment losses and amortisation at 1 January 2021	4.604.445
Amortisation for the year	<u>1.534.816</u>
Impairment losses and amortisation at 31 December 2021	<u>6.139.261</u>
Carrying amount at 31 December 2021	<u><u>1.534.813</u></u>

Special assumptions regarding development projects and tax assets

Development projects are measured at cost price. The investment in projects is a strategic investment, which is expected to generate positive cashflow, within a few years.

If events occur that could change the circumstances of the development projects value, to an extent where the carried amount may not be recoverable, an impairment test will be made.

The following factors could trigger such change in circumstances.

Notes

9 Tangible assets

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leased assets
Cost at 1 January 2021	565.000	286.636.708	21.385.506	0
Additions for the year	0	10.468.329	1.319.775	1.308.835
Disposals for the year	0	0	-250.000	0
Cost at 31 December 2021	565.000	297.105.037	22.455.281	1.308.835
Revaluations at 1 January 2021	0	0	0	0
Revaluations at 31 December 2021	0	0	0	0
Impairment losses and depreciation at 1 January 2021	0	158.994.443	16.266.067	0
Depreciation for the year	0	17.553.281	1.269.449	103.369
Reversal of impairment and depreciation of sold assets	0	0	-100.000	0
Impairment losses and depreciation at 31 December 2021	0	176.547.724	17.435.516	103.369
Carrying amount at 31 December 2021	565.000	120.557.313	5.019.765	1.205.466

Notes

	2021 DKK	2020 DKK
10 Investments in subsidiaries		
Cost at 1 January 2021	89.839.351	89.839.351
Cost at 31 December 2021	89.839.351	89.839.351
Revaluations at 1 January 2021	44.417.212	40.276.598
Exchange adjustment	7.670.213	-14.853.765
Net profit/loss for the year	18.947.454	18.994.380
Revaluations at 31 December 2021	71.034.879	44.417.213
Carrying amount at 31 December 2021	160.874.230	134.256.564

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest
Lactosan Japan Ltd.	Japan	100%
Lactosan Uruguay S.A.	Uruguay	100%
Lactosan Holdings Ltd.	UK	100%
Lactosan-Sanovo UK Ltd.	UK	100%
Intereggs Ltd.	UK	100%
Lactosan UK Ltd.	UK	100%
Lactosan Russia Ltd.	Russia	100%
Lactosan China Ltd.	China	100%

11 Prepayments

Prepayments consist of prepaid costs relating to rent, insurance premiums, subscriptions, etc.

Notes

	2021 DKK	2020 DKK
12 Provision for deferred tax		
Intangible assets	337.659	675.318
Property, plant and equipment	2.545.442	-1.767.912
Inventories	1.029.375	1.048.335
Transferred to deferred tax asset	0	44.259
	3.912.476	0
Deferred tax asset		
Calculated tax asset	0	44.259
Carrying amount	0	44.259

13 Deferred income

Deferred income consists of payments received in respect of income in subsequent financial years.

14 Events after the balance sheet date

The current Covid-19 situation as well as the impact from the war in the Ukraine will have a substantial impact on the result 2022, however the implication is presently very difficult to calculate.

15 Contingent liabilities

The company is obliged by a rent lease to the parent company Thornico Food & Food Technology Group A/S. The liability amounts to DKK 15M.

The company is obliged by leasing contracts for cars.
Total liability amounts to DKK 0,8M.

The company is jointly taxed with its parent company, Thornico Holding A/S (management company), and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

Notes

16 Mortgages and collateral

The company has provided a solid self-debt guarantee for bank debt which does not exceed DKK 111 million in affiliated companies in the Thornico Food & Food Technology Group. The companies include Thornico Food & Food Technology Group A/S, Ovodan Foods A/S and Sanovo Technology A/S.

For Nordbakken 2 -5750 Ringe, an indemnity letter has been issued, covering security for TDKK 77.920 in machinery and equipment.

17 Related parties and ownership structure

Controlling interest

Thornico Food & Food Technology Group A/S, Odense, majority shareholder. Thornico A/S, Odense. Thornico Holding A/S, Odense. Christian Nicholas Rosenkrantz Stadil, ultimate owner (non-public address).

Transactions

According to the Danish Financial Statements Act, the company has only chosen to disclose transactions that have not been completed under normal market conditions. Management believes that all related party transactions take place on market terms.

18 Fee to auditors appointed at the general meeting

Deloitte:

	<u>2021</u> DKK	<u>2020</u> DKK
Audit fee	165.869	146.000
Non-audit services	<u>50.000</u>	<u>51.000</u>
	<u>215.869</u>	<u>197.000</u>