Glycom Manufacturing A/S

Limfjordsvej 4
6715 Esbjerg N
CVR No. 37207713

Annual report 2023

The Annual General Meeting adopted the annual report on 26.07.2024

Kjeld Raunkjær Kjeldsen
Chairman of the General Meeting

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Entity details

Entity

Glycom Manufacturing A/S
Limfjordsvej 4
6715 Esbjerg N

Business Registration No.: 37207713
Registered office: Esbjerg
Financial year: 01.01.2023 - 31.12.2023
URL: www.glycom.com

Board of Directors

Robert David Ellis, Chairman
Kjeld Raunkjær Kjeldsen
Hervé Geoffrey Hartmann

Executive Board

Hervé Geoffrey Hartmann, CEO

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Frederiks Plads 42
DK-8000 Aarhus C
CVR No.: 25578198

Statement by Management

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

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

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

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

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

Esbjerg, 26.07.2024

Executive Board

Hervé Geoffrey Hartmann
CEO

Board of Directors

Robert David Ellis
Chairman

Kjeld Raunkjær Kjeldsen

Hervé Geoffrey Hartmann

Independent auditor's report

To the shareholder of Glycom Manufacturing A/S

Opinion

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the 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 content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with

the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 26.07.2024

KPMG
Statsautoriseret Revisionspartnerselskab
CVR No. 25578198

Mikkel Trabjerg Knudsen
State Authorised Public Accountant
Identification No (MNE) mne34459

Niklas R. Filipsen
State Authorised Public Accountant
Identification No (MNE) mne47781

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Gross profit/loss	170,409	115,394	208,378	168,693	230,351
Operating profit/loss	20,155	(28,958)	66,049	41,157	107,044
Net financials	(6,350)	(3,350)	(3,158)	(9,562)	(14,885)
Profit/loss for the year	13,673	(27,129)	49,033	31,248	72,741
Total assets	811,359	764,559	756,683	881,097	890,810
Investments in property, plant and equipment	24,014	35,896	37,971	57,310	32,549
Equity	506,994	493,321	520,450	471,417	440,169
Average number of employees	108	101	98	97	85
Ratios					
Return on equity (%)	2.73	(5.35)	9.89	6.86	18.01
Equity ratio (%)	62.49	64.52	68.78	53.50	49.41

Financial highlights are defined and calculated as follows:

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

Glycom is dedicated to the scientific, clinical and commercial development of Human Milk Oligosaccharides (HMOs) for a broad range of health applications. Glycom is the world's leading HMO supplier and the only fully integrated HMO player with its own product development, preclinical and clinical development, regulatory team and large-scale production.

Development in activities and finances

Continuous improvement measure and the continued increase in customer base were the main drivers for 2023. All 2023 strategic initiatives were completed, and compliance (safety, quality) performance indicator were all positive.

The income statement for 2023 shows a profit of DKK 13,673 thousand against a loss of DKK 27,129 the year before, and the balance sheet at 31 December 2023 shows equity of DKK 505,078 thousand against an equity of DKK 493,321 thousand at 31 December 2022.

Profit/loss for the year in relation to expected developments

With a profit before tax of DKK 13,805 thousand in 2023, we thereby managed to realise our financial outlook of a profit in range of DKK 5,000 thousand and DKK 15,000 thousand before tax.

Outlook

The company's main activities will still be development, manufacture, and sales of Human Milk Oligosaccharides primarily for the infant formula industry.

For the year 2024 the management expect a loss in the range of DKK -30,000 thousand to DKK -40,000 thousand before tax. Main driver for this loss is a slow market ramp up with a significant inventory buildup in the market.

In response to these market dynamics a cost control program was initiated in second half of 2023 which a re-sizing of the manufacturing organization in December 2023. These cost control actions will partly impact 2024 with full effect in 2025. The expectation is that 2025 to be at break even and 2026 a positive result.

In the last months of 2023, we saw further positive development in our business, with dsm-firmenich driving the first-ever approval in China, of two of our HMOs produced at Glycom Manufacturing A/S. China is seen as the single biggest market for HMOs in the world. The continuous work on approving new markets confirms dsm-firmenich commitment to leading in the innovation, development and manufacturing of HMO's.

Use of financial instruments

Given that the majority of Glycom Manufacturing's sale is made to customers abroad, the company's earnings, cash-flows and equity is influenced by the development in other currencies. The vast majority of the currency exposure is towards the euro, which is pegged to the Danish krone. For this reason, Glycom Manufacturing does not hedge against currency fluctuation as these are immaterial at current. Furthermore, Glycom Manufacturing has significant exposure to the general interest rate as the majority of the company's loans have variable interest rates. As such, an increase in the general interest level would negatively affect the company.

Knowledge resources

Glycom Manufacturing employs several highly skilled team members and retention of key employees and employee satisfaction are therefore important, and so is being able to attract new highly skilled employees. Within the production of Glycom Manufacturing A/S, the company relies on several technicians, engineers, and other highly skilled employees, which are key to the running and continuous optimization of the production

processes, for the quality of our products, and to ensure a safe workplace. Across the production departments, employee surveys are regularly held to ensure ongoing evaluation with the purpose of increasing the overall employee satisfaction.

Environmental performance

Glycom Manufacturing's production takes place at its facility in Esbjerg. In the sixth full year of operation, Glycom Manufacturing A/S made several improvements within the environmental area during 2023. A focused multiple-year work continues on reducing the environmental footprint on both energy and water. Several projects related to reduction of specific energy-consumption have been implemented, and more are planned for 2024.
Glycom Manufacturing A/S continues to have a very positive and constructive dialog with all the relevant departments authorities around environmental matters.

Research and development activities

The Glycom R&D team has already identified pathways to HMOs accounting for most of the HMO content in Human Milk. In the coming years we will continue to commercialize additional HMOs. We will also focus on developing activities to continuously improve costs of manufacturing and to reduce the environmental footprint.

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Gross profit/loss		**170,409**	**115,394**
Staff costs	1	(84,094)	(79,948)
Depreciation, amortisation and impairment losses		(66,160)	(64,404)
Operating profit/loss		**20,155**	**(28,958)**
Other financial income	2	2,532	86
Other financial expenses	3	(8,882)	(3,436)
Profit/loss before tax		**13,805**	**(32,308)**
Tax on profit/loss for the year	4	(132)	5,179
Profit/loss for the year	5	**13,673**	**(27,129)**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Land and buildings		151,204	160,544
Plant and machinery		340,609	357,750
Other fixtures and fittings, tools and equipment		111	1,314
Property, plant and equipment in progress		13,154	27,617
Property, plant and equipment	6	**505,078**	**547,225**
Fixed assets		**505,078**	**547,225**
Raw materials and consumables		13,225	18,938
Work in progress		6,043	21,053
Manufactured goods and goods for resale		112,614	69,710
Inventories		**131,882**	**109,701**
Trade receivables		911	6,741
Receivables from group enterprises		154,046	77,004
Other receivables		3,120	7,319
Joint taxation contribution receivable		0	9,256
Prepayments	7	664	295
Receivables		**158,741**	**100,615**
Cash		**15,658**	**7,018**
Current assets		**306,281**	**217,334**
Assets		**811,359**	**764,559**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		111,516	111,516
Retained earnings		395,478	381,805
Equity		**506,994**	**493,321**
Deferred tax	8	21,554	24,801
Provisions		**21,554**	**24,801**
Trade payables		38,341	17,895
Payables to group enterprises		234,568	212,253
Joint taxation contribution payable		2,158	0
Other payables		7,744	16,289
Current liabilities other than provisions		**282,811**	**246,437**
Liabilities other than provisions		**282,811**	**246,437**
Equity and liabilities		**811,359**	**764,559**

Unrecognised rental and lease commitments	9
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Statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	111,516	381,805	493,321
Profit/loss for the year	0	13,673	13,673
Equity end of year	**111,516**	**395,478**	**506,994**

Notes

1 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	76,910	72,984
Pension costs	6,115	6,079
Other social security costs	1,069	885
	84,094	**79,948**
Average number of full-time employees	108	101

By reference to section 98b (3), (ii), of the Danish Financial statement Act, remuneration to the Executive Board is not disclosed for 2023. The remuneration to the Executive Board in 2022 was DKK 2,351 thousand. No remuneration has been paid to the Board of Directors in 2023 and 2022 for their roles as Board members.

2 Other financial income

	2023 DKK'000	2022 DKK'000
Financial income from group enterprises	2,136	17
Other financial income	396	69
	2,532	**86**

3 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	8,261	3,140
Other financial expenses	621	296
	8,882	**3,436**

4 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	2,158	(9,257)
Change in deferred tax	389	1,492
Adjustment concerning previous years	(2,415)	2,586
	132	**(5,179)**

5 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Retained earnings	13,673	(27,129)
	13,673	**(27,129)**

6 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	215,041	593,964	12,326	27,617
Transfers	812	26,804	0	(27,617)
Additions	629	10,231	0	13,154
Cost end of year	**216,482**	**630,999**	**12,326**	**13,154**
Depreciation and impairment losses beginning of year	(54,497)	(236,214)	(11,012)	0
Depreciation for the year	(10,781)	(54,176)	(1,203)	0
Depreciation and impairment losses end of year	**(65,278)**	**(290,390)**	**(12,215)**	**0**
Carrying amount end of year	**151,204**	**340,609**	**111**	**13,154**

7 Prepayments

Prepayments consists of expenses relating to the subsequent period.

8 Deferred tax

Changes during the year	2023 DKK'000	2022 DKK'000
Beginning of year	24,801	23,309
Recognised in the income statement	389	1,492
Recognised in the income statement regarding previous years	(3,636)	0
End of year	**21,554**	**24,801**

9 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Liabilities under rental or lease agreements until maturity in total	814	737

The Company has entered into operating leases with a remaining term of 4 years. The total lease obligations are listed above.

The amount of the operating leases that are due within one year is DKK 236 thousand.

10 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where DSM Nutritional Products A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

11 Assets charged and collateral

Land and buildings with carrying value of DKK 151,204 thousand as of 31 December 2023 has been provided as collateral for debt to credit institutions. There is no debt to credit institutions as of 31 December 2023.

12 Related parties with controlling interest

Glycom A/S, Kogle Allé 4, 2970 Hørsholm, Denmark, holds all shares in the Company.

13 Transactions with related parties

	Group entities DKK '000
Sale of products	276,330
Purchase of services	5,424

Payables and receivables to/from group entities are disclosed in the balance sheet and financial income and expenses are disclosed in note 2 and 3. By reference to section 98b (3), (ii), of the Danish Financial statement Act, remuneration to the Executive Board and the Board of directors is not disclosed for 2023.

14 Group relations

Glycom Manufacturing A/S is part of the consolidated financial statements of DSM B.V., Wilhelminasingel 39, 6221 BE, Maastricht, The Netherlands which is the smallest and largest group, in which the Company is included as a subsidiary.

Copies of the consolidated financial statements of DSM B.V. may be ordered at the following address:
DSM B.V., Wilhelminasingel 39, 6221 BE, Maastricht, The Netherlands.

Accounting policies

Reporting class

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

The accounting policies applied to these financial statements are consistent with those applied last year.

Reclassifications

Referring to the true and fair view set out in the Danish Financial Statements Act, the Company has reclassified individual items in the income statement and balance sheet. The reclassifications have affected the items gross profit and staff costs but have not affected results before tax, results for the year or equity. Comparative figures have been restated accordingly.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

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

Income statement

Gross profit or loss

In accordance with section 32 of the Danish Financial Statements Act, revenue, cost of goods sold, other operating income and other external expenses have been aggregated into one item in the income statement

called gross profit.

Revenue
Income from the sale of goods, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.
Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Other operating income
Other operating income comprise items of a secondary nature relative to the company's core activities, including gains on the sale of property, plant and equipment and refund from public authorities.

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

Costs of raw materials and consumables
Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and normal writedowns of the relevant inventories.

Other external expenses
Other external expenses include the years expenses relating to the company's core activities including expenses relating to distribution, sales, marketing, administration, premises, bad debt, payments under operating leases etc.

Staff costs
Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on receivables, payables and transactions in foreign currencies, etc.

Other financial expenses
Other financial expenses comprise interest expenses,including interest expenses on payables to group enterprises, net capital or exchange losses on receivables, payables and transactions in foreign currencies, etc.

Tax on profit/loss for the year
Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

The Company is jointly taxed with Danish entities of the DSM group. The total Danish income tax charge is

allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

	Useful life
Buildings	10-20 years
Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Property, plant and equipment under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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

Receivables
Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Operating leases
Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The company's total obligation relating to operating leases and other leases is disclosed as unrecognised rental and lease commitments.

Liabilities other than provisions
Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less

transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

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

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of DSM B.V., Wilhelminasingel 39, 6221 BE, Maastricht, The Netherlands.