

AJ Vaccines Holding ApS
Artillerivej 5, DK-2300 Copenhagen S
**Annual Report for 1 January - 31
December 2022**

CVR No 38 31 57 73

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28 June 2023

Chairman of the General Meeting
Grant Lawrence, CFO

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of AJ Vaccines Holding ApS for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations as well as cash flows for 2022.

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

Copenhagen, 28 June 2023

Executive Board

Abdulaziz Hamad Aljomaih
Chairman

Muhammed Ali A. Alesayi

Mustafa Nasir Farooki

Saddam Abdulqawi Hussein
Alhumaikani

Shan-E-Abbas Ashary

Independent Auditor's Reports

To the Shareholder of AJ Vaccines Holding ApS

Opinion

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 Parent Company at 31 December 2022 and of the results of the Group's and Parent Company's operations as well as cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and Parent Company Financial Statements of AJ Vaccines Holding ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statements and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

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

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 Financials Statements Act.

Independent Auditor's Reports

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in 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 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 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 skepticism 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 Company's internal control.

Independent Auditor's Reports

- 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 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion of 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.

Hellerup, 28 June 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

Claus Carlsson
State Authorised Public Accountant
mne29461

Company Information

The Company

AJ Vaccines Holding ApS
Artillerivej 5
DK-2300 Copenhagen S

Telephone: + 45 7229 7000
E-mail: info@AJVaccines.com
Website: www.ajvaccines.com

CVR No: 38 31 57 73
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Executive Board

Abdulaziz Hamad Aljomaih, Chairman
Mohammed Ali A. Alesayi
Mustafa Nasir Farooki
Saddam Abdulqawi Hussein Alhumaikani
Shan-E-Abbas Ashary

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

The development of the Company is described by the following financial highlights:

Key figures	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK
Profit/loss					
Revenue	423.175	368.067	362.250	323.471	362.192
Gross profit/loss*	-64.032	-245.328	-311.564	-224.532	-150.698
Operating profit/loss	-231.827	-460.392	-442.217	-357.862	-322.314
Profit/loss before financial income and expenses	-227.963	-450.667	-427.843	-328.623	-284.793
Net financials	-292.098	-273.243	41.317	-107.891	-58.936
Net profit/loss for the year	-519.341	-721.899	-384.203	-362.001	-276.739
Balance sheet					
Total assets	1.484.930	1.451.138	1.735.402	1.845.948	1.397.774
Equity	-1.238.217	-1.188.621	-716.627	-331.369	166.647
Cashflow					
Cashflow from operating activities	-228.488	-231.662	-260.741	-454.583	-178.573
Investment activities	-39.917	-18.699	-130.862	-218.874	-280.212
- including investment in property, plant and equipment	-39.917	-18.632	-72.903	-126.580	-281.527
Financing activities	329.658	252.967	352.059	680.019	429.612
Change in cash and cash equivalents for the year	61.253	2.606	-39.544	6.562	-29.173
Number of employees	575	577	722	719	684

*) For 2018,2019 and 2020 another principle was used for allocation of the cost by nature to cost by function

Key activities

Managements Review

Key activities

AJ Vaccines Group (“AJV”) is a Biopharmaceutical group specializing in developing and manufacturing of innovative vaccines, diagnostics, and therapeutic solutions. The Group has a high-quality product portfolio consisting of stand-alone and combination vaccines for polio, tuberculosis control and treatment for non-muscle invasive bladder cancer. The Group is engaged in the entire manufacturing process from sourcing of supplies to filling and packaging of end products. which are sold globally

Becoming more relevant

Our Vision “Together we keep the world safe” as we are committed to a world free of serious diseases, across generations, life by life. Our commitment to this vision has a profound influence on all we do, and all initiatives that are chosen, support the overall aspiration to protect and preserve lives.

2022 – a Rubicon year to say the least

With the new local management in place from early 2022. An aligned operational plan and budget was approved by the board demanding significant improvement in both revenue and results versus prior years. AJV delivered their short -term commitment, while being equally focused on building a plan towards sustainable growth and profitability. We will continue to stabilize manufacturing; grow our core business, and we expect to make progress on each of our potential growth initiatives to safeguard and accelerate AJV’s value potential short and long term.

Strategy

AJV’s priority for the immediate future is to target continuous growth and improving profitability.

Management has identified significant growth opportunities through transforming AJV into a performance and commercial focused business. with a sustainable and profitable manufacturing output.

One of these opportunities is further expansion of BCG Vaccine for Tuberculosis immunization and BCG Culture for the standard treatment of bladder cancer the commercial potential is compelling and further market authorization coverage would expand our addressable market significantly.

Market overview

Covid pandemic aside, 80% of the vaccine market is patent driven and dominated by five multinational pharmaceuticals, Pfizer Inc., Merck & Co., Inc., Sanofi, GlaxoSmithKline PLC, and Johnson & Johnson^{1,2,3}. The most significant production volumes however are supplied by vaccine dedicated companies, the largest of which located in countries where cost of manufacturing is more competitive like India (i.e., Serum Institute of India) and China (i.e., Sinovac). AJV in not in competition with these big market players but rather complementing where the market needs exist. It’s niche of generic products are well established and positioned with a portfolio of marketing authorizations and WHO prequalified status for 2 vaccines. Further room for strengthening and expansion for AJV is in planning and driven by the trending up of the overall vaccine market⁴ and additional opportunities with the BCG bladder cancer indication to leverage on a persisting global shortages⁵.

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Vaccine sales in high income countries (“HICs”) is generally procured directly by government tendering, while vaccines sales to middle-income countries (“MICs”) are sold through a mix of procurement agencies (e.g. PAHO for Latin America), government, distributors and private insurers. Vaccines to low-income countries (“LICs”) are often sold through pooled international procurement agencies such as UNICEF and PAHO. AJV business is a mixture of all scenarios.

Long lead-time for technical transfer and burdensome regulations are a barrier to biosimilar product replacement risks. The development of improved vaccines normally stretches over several years and requires large investment with significant probability of failure yielding clear visibility of the competitor landscape over the medium term.

Over the past decades the generic vaccine market has been characterized by undersupply mainly due to big pharma companies focusing more on their new blockbusters. The current vaccine market offers a significant opportunity for AJV who hold a product portfolio of almost exclusively undersupplied vaccine products to make full use of unexploited capacity, be a supplier of bulk material and expand the non-vaccine indication while there is a significant pull from the global market.

1 [Top 20 Vaccines Manufacturers 2019 - Analysis and Forecast Report \(visiongain.com\)](https://www.visiongain.com)

2 [The top 10 vaccine companies worldwide \(fiercepharma.com\)](https://www.fiercepharma.com)

3 [Patent Landscape Report on Vaccines for Selected Infectious Diseases \(wipo.int\)](https://www.wipo.int)

4 [Global Vaccine Market Report 2022 \(who.int\)](https://www.who.int)

5 [Drugmakers urged to boost production of bladder cancer drug \(fiercepharma.com\)](https://www.fiercepharma.com)

Statement of corporate social responsibility in accordance with the Danish Financial Statement Act 99a

Our business model can be found under Key activities in this Management’s review.

In 2022, AJ Vaccines’ team successfully executed on our strategic and financial priorities to deliver value for our shareholders, customers and employees.

AJV has in 2020 initiated the official certification process to comply with the requirement for containment of poliovirus in accordance with WHO’s Global Action Plan to eradicate polio (GAPIII). The official Certificate of Participation (CP) was endorsed and issued to AJV in July 2020 by the Global Certification Commission for Polio Eradication. The WHO published a revised Global Action Plan (GAPIV) in 2022. AJV has initiated implementation of GAPIV in 2022.

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AJV collaborated until end of 2022 with The Bill & Melinda Gates Foundation on the development of a reduced dose Polio Vaccine aimed at providing affordable polio vaccines to the GAVI countries.

As a global pharmaceutical group, we support the United Nation's Sustainable Development Goals that aim to ensure a sustainable future by addressing social, environmental and economic challenges across the globe. We contribute by protecting people from serious infectious diseases across generations, hence our support initiatives are focused on UN Goal 3 (Health) and 17 (Partnerships).

1. RESPONSIBLE MANUFACTURING

1.1 Policy

We endeavor to protect the environment and reduce our carbon footprint by monitoring and reducing the environmental impact of our business activities. Related to our manufacturing of vaccines, we comply with all regulatory requirements in this area. Furthermore, we strive to reduce the environmental impact of all our business activities.

1.2 Risks

AJV acknowledges that there is an inherent risk of negatively impacting the environment and climate through our manufacturing. We have identified our main environmental impact to be release of infectious substances, energy consumption and noise emissions. How we control and reduce our impact is described below.

1.3 Actions

The environmental work is headed by our department for Environment, Health and Safety where the implementation and monitoring of our environmental permits and our environmental management system is anchored.

Our environmental management system in accordance with the CWW BREF ensure continuous environmental improvements and compliance with legislative requirements.

Examples of how we control and reduce our environmental impact:

- Ensuring a systematic approach to monitor adherence to environmental permits
- Conducting internal audits to ensure legislative compliance
- Ensuring compliance regarding containment requirements
- Implementing a bio-risk management system in compliance with WHO requirements (GAPIV)
- Continuously working on yield improvements and scrap reductions on API-production and finished products
- Reducing energy consumption by initiating energy-saving measures and define reduction targets on a continuous basis.

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1.4 2022 Result's

Based on our continuing efforts in this area in 2022, it is our belief that we have succeeded in demonstrating that AJV is a responsible manufacturer as we have seen a reduction in the environmental impact of our business activities by reducing energy consumption and scrap. Further regarding our legislative compliance our two environmental authorities have commended our environmental compliance following inspections assessing compliance in regard to our environmental- permits and performance in general.

2. RESPONSIBLE EMPLOYER

2.1 Policy

Health and Safety at work

We are committed to ensure that our employees have a safe working environment. Thus, relevant training and protective equipment are provided to all employees. Furthermore, we have an electronic system for handling and mitigating accidents, incidents and observations related to our safety risks.

Having a highly skilled and engaged workforce is key to the success of our group and we believe that one of the most relevant factors in this regard is a combined focus on the physical and psychological working conditions for – and wellbeing of – our employees.

In this regard we have implemented regular surveys to monitor employee satisfaction and engagement. The responses provide us with an indication as to how engaged and motivated our employees are as well as, how well-managed AJV is as a group. The results also assist us in identifying action areas in our drive for continuous improvements towards an attractive workplace.

In addition to the above we strongly support the “Universal Declaration of Human Rights” and the “ILO Declaration of Fundamental Principles and Rights at Work” and do not tolerate offensive behavior in any form. We do not consider any other risks in relation to human rights.

2.2. Risks

Despite the above-mentioned efforts we acknowledge that there are risks within our activities that potentially can result in injuries and have a negative impact on the working environment of our employees. To ensure a safe working environment we encourage registration and mitigation to prevent work-related incidents, as well as prioritize to proactively conduct Workplace Assessments and Risk Assessments in close collaboration with the Safety Organization and management.

To ensure that we adhere to our policies and act on identified risks, we have taken the following measures, among others:

- Ensure new employees receive safety related information and training targeted their specific tasks

Managements Review

- Use an electronic system to register all accidents and near miss incidents and perform mitigating actions by identifying root causes and establishing the needed action plans to ensure a proactive approach to accident prevention.
- Prioritize Risk Assessments targeted chemical- and biological safety

2.3. Actions

To ensure that we adhere to our policies and commitments to protect human and labor rights as well as to act on identified risks, we have taken the following measures, among others:

- We have conducted employee engagement surveys. Following up with workshops to ensure prioritization and alignment with the results of the survey.
- We have, as a part of our compliance efforts, implemented policies and processes to ensure adherence to the EU General Data Protection Regulation and thereby protection of personal data and the right to privacy.
- We have conceptualized Performance and Development Dialogue (PDD) ensuring a continuous focus on our employee's well-being, personal development and performance. The PDD naturally addresses the findings and key conclusions of the employee engagement surveys.
- We educate hence enable our leaders to drive the transformation of our group, people and culture.

2.4. 2022 Results

Based on our continuing efforts in this area, in 2022 it is our belief that we have succeeded in showing that AJV is a responsible employer as we have seen a reduction in workplace related incidents and near-miss incidents. We have also increased our focus on the wellbeing of our employees.

3. RESPONSIBLE BUSINESS

3.1 Policy

Business ethics and integrity are core values at AJV. and we are committed to maintain high professional standards across all areas of our activities. We have a zero-tolerance policy with regard to corruption and bribery in all its forms. AJV is working with the UN sustainability development goals and are via this work supporting human rights. We take pride in complying with the regulations concerning “Good Manufacturing Practices”, “Good Pharmacovigilance Practices” and “Good Distribution Practices” that apply to our products. We are also highly aware of our ability to contribute positively to the surrounding society with our specific skills and products.

3.2 Risks

We assess our risk of exposure to corruption in connection with our business to be low. However, we take corruption and bribery in all its forms very seriously. We have implemented policies and procedures to prevent our employees from being exposed to and engage in such activities. The handling of these risks is

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described in the sections below.

3.3. Actions

We have implemented ambitious standards for ethics and integrity through several instruments. Some examples are:

- Our “Company Rules of Procedures” provides employees with guidance on our strict practice on gifts and the risk of conflict of interest.
- We have clear procedures and controls in place regarding signing and approving contracts and invoices on behalf of AJV.
- We comply with regulations on human trials and animal trials, and we are reducing our use of animal tests.

3.4. 2022 Results

The result of our ethical business practices is that no incidents related to corruption or human rights issues have been reported in 2022, and we continue to have a good reputation and legacy as being an ethical and trustworthy business partner.

4. Outlook for the future

We plan to continue our efforts in these area’s in the coming years:

- Further formalizing our CSR-policies and strengthening the transparency by e.g. setting-up goals and KPIs for material topics.
- Joining the UN Global Compact as a member.
- Further reducing our environmental impact by continuously setting objectives and targets for our environmental improvements
- Supporting Global Polio Eradication Initiative by implementing WHO’s requirements for containment of polio virus and obtaining certification of our Biorisk Management System according to GAPIV.
- Supporting United Nation’s Sustainable Development Goals related to Health and Partnerships
- Further improving the health and safety of our employees by ensuring a proactive approach to accident prevention and continuously setting objectives and targets for health and safety related improvements
- Proactively conduct Workplace- and Risk Assessments and ensure legislative compliance

Managements Review

Statement on gender composition in accordance with the Danish Financial Statement Act 99b

AJV is proud to have a diverse workforce in relation to nationality, gender, age, education etc. We fully support gender equality at all levels of the organization and continuously strive to find the most competent individual for the job – regardless of gender. AJV currently employs app. 36% men and 64% women.

1. The Executive Board – current composition and target figure

AJV Group's Executive Board presently consists of five members of which all are men. We maintain our goal to have at least one female member of the Board of Directors in 2023. No female candidates were found in 2022 but the aim is to have a female member in the Board of Directors by 2023

2. Other management levels

AJV has an even gender distribution on the other management levels with 52% men and 48% women across our business.

Privacy and GDPR in accordance with the Danish Financial Statements Act 99d

AJV is focused on privacy and protection of personal data, covering the data of employees, partners and other stakeholders. AJV has implemented strong measures to protect personal data and complies with the EU General Data Protection Regulation (GDPR) and national personal data protection regulation. AJV have implemented a Data Ethics Policy in 2022. In this policy AJV approach to data ethics as defined pursuant to section 99d of the Danish Financial Statements Act. AJV wants to ensure a high and adequate level of data protection. Protection of privacy and personal data is a central element in gaining and maintaining trust with our employees, business partners and end users of our products. AJV has therefore introduced a number of detailed data protection policies. With adoption of these policies, AJV has implemented measures including technical and organizational measures and allocated responsibilities to protect personal data. Moreover, with the adoption of these policies we have increased awareness of data protection as well as implemented training of employees involved in processing activities.

All employees have received GDPR and data training and going forward all new employees will get trained as part of their introduction program. In 2023 AJV will keep the same level of effort to secure that AJV complies with the above- mentioned policies and new employees receive the training in GDPR and data.

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Financial review

In 2022 revenues were DKK 423m (2021: DKK 368m). Net result for the year DKK -519m (2021: DKK-722m). EBIT improved from DKK -450m to DKK -228m, which was much better than the outlook given for the year.

As of 31 December 2022 the Company had free cash and cash equivalents of DKK 85 million (2021: DKK 24m).

Income Statement

Revenue

Revenue for the period was DKK 423m (2021: DKK 368m). Revenue from vaccines sales was DKK 415m (2021: DKK 356m). Revenue from vaccine sale increased by DKK 59m (2021: DKK 6m). Revenue other product sales and contract work amounted to DKK 8m (2021: DKK 12m).

Cost of Sales

Cost of sales total DKK 487m (2021: DKK 613m). In 2022 there has been a change in principles for allocating of cost by nature to cost by function – Cost of goods sold, Sales and distribution expenses, Development expenditures and Administrative expenses. There is now a more clear split between the relevant cost by nature related to the different functions, based to a larger extent of direct allocation instead of unclear indirect allocation. This makes it easier and more transparent to follow up on changes over time and variances. The consequence of the change is that cost of sales for 2021 has been restated to the new principles and 2021 cost of sales became lower. For the year 2022, the cost decreased due to higher productivity from production and no impairments for 2022.

Development expenses

The total research and development expenditure total 2022 DKK 9m (2021: DKK 41 m) of which DKK 9m related to the development project “IPV Alum”. The cost decreased is mainly due to no impairments for 2022.

Sales and distribution expenses as well as administrative expenses

The sale, distribution and administrative expenses are in total DKK 158m (2021: DKK 174m). Given the change in principles handling Cost of goods sold, Sales and distribution expenses the sale and administrative cost, more costs are allocated to administrative expenses (primary drivers for reallocation of administrative costs are IT and HR cost that is defined as cost for administration expenses to a larger extent). The cost for 2022 decreased due higher efficiency and lower spending.

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Financial income and financial expenses

Financial income was DKK 0.3 m (2021: DKK 84m). Income was primarily due to FX gains on working capital and loans.

Financial expenses amounted to DKK 292m (2021: DKK 357m) of which DKK 123m (2021: DKK 105m) was interest expense on loans and DKK 152m (2021: DKK 233m) due to FX loss and DKK 17m (2021: DKK 18m) was interest expenses related to IFRS 16 liabilities and other.

Other income

Other income was DKK 4m (2021: DKK 10m). Other income is funding from the Bill & Melinda Gates Foundation of the IPV Alum development project.

Tax on loss for the year

Tax on the loss for the year was DKK 0.7m (2021: DKK 2m) corresponding to a tax rate of 0.1% (2021: 0.2%)

Liquidity and capital resources

As of 31 December 2022, AJV had free cash and cash equivalents of DKK 85 m (2021: DKK 24 m).

Cash flows

Net cash flow from operating activities was DKK -226m (2021: DKK -232m). Net cash used in investing activities was DKK -40m (2021: DKK -19m). Net cash provided by financing activities total DKK 327m (2021: DKK 253m). DKK -29m (2021: DKK -23m) is paid interest and withholding tax of loans provided by related parties, DKK 0m (2021: DKK 50m) is new loan from existing shareholders. DKK 470m is capital increase in 2022 (2021: DKK 205m).

Net cash flow for 2022 was DKK 61m (2021: DKK 3m)

Currency risk

Currency risk include the risk arising from sales contracts being denominated in currencies other than Danish kroner. Contracts are primarily in DKK, USD and EUR, meaning that other currencies do not represent significant currency risks.

The exposure from fluctuations in USD is increased because a significant part of the exposures relates to three USD denominated loans. These loans are not hedged.

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Balance Sheet

The balance sheet total was DKK 1,485m as of 31 December 2022 (2021: DKK 1,451m).

Assets

The intangible assets are DKK 260m (2021: DKK 291m). Tangible assets are DKK 665m (2021: DKK 689m). Additions for the year are primarily related to investments related to IPV manufacturing.

Inventories at 31 December 2022 are DKK 385m (2021: DKK 329m) of which finished goods amounted to DKK 37m (2021: DKK 19m) net of write-down.

Receivables and prepayment at 31 December 2022 are DKK 90m (2021: DKK 118m) of which trade receivables amounted to DKK 58m (2021: DKK 81m).

As of 31 December 2022 cash and cash equivalents are DKK 85m (2021: DKK 24m) of which DKK 0,9 m (2021: DKK 5m) is restricted cash related to funds received from The Bill and Melinda Gates Foundation.

Equity

After the transfer of the loss for the year and the capital contribution for the year the equity is DKK 1,238m (2021: DKK 1,189m).

Liabilities

Total loans to group enterprises are DKK 2,321m (2021: DKK 2,158m)

2023 Outlook

AJV expects to continue its trajectory of high organic growth and earnings improvement in 2023. The potential growth will be mainly driven by an increase in sales of core products like Picovax®, BCG Vaccine and BCG Culture for the treatment of non-muscle invasive bladder cancer.

Due to planned capex and opex investments in 2023 the company is still on a journey to complete a full transformation of the business to a commercially orientated business with focus on increased output and profit maximization means that losses are still expected for 2023 and the year to come. See also note 1 to the Financial Statements. Management estimates an improvement in EBIT in the range of DKK 30-50 million in 2023 versus EBIT 2022, due to normal business risks.

Managements Review

Uncertainty relating to recognition and measurement

In connection with the preparation of the financial statements. Management has made a number of estimates and assumptions concerning carrying amounts. Management has made the following accounting judgments which significantly affect the amounts recognized in the financial statements.

- Impairment of assets
- Inventories. including impairment and production overheads

The carrying amounts of plant and equipment carried at cost or amortized costs are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal depreciation. If that is the case. the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on property, plant and equipment are recognized under the same line items as depreciation of the assets.

Income Statement 1 January - 31 December

	Note	Consolidated		Parent	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Revenue	2	423.175	368.067	0	0
Cost of sales	3	-487.207	-613.395	0	0
Gross profit/loss		-64.032	-245.328	0	0
Sales and distribution expenses	3	-23.318	-29.565	0	0
Development expenses	3	-9.403	-40.967	0	0
Administrative expenses	3	-135.074	-144.532	-823	-401
Operating profit/loss		-231.827	-460.392	-823	-401
Other operating income		3.864	9.725	0	0
Profit/loss before financial income and expenses		-227.963	-450.667	-823	-401
Income from investments in subsidiaries	4	0	0	-268.089	-486.388
Financial income	5	261	83.941	27	76.191
Financial expenses	6	-292.360	-357.183	-250.457	-311.301
Profit/loss before tax		-520.062	-723.909	-519.341	-721.899
Tax on profit/loss for the year	7	721	2.010	0	0
Net profit/loss for the year		-519.341	-721.899	-519.341	-721.899

Balance sheet 31 December

	Note	Consolidated		Parent	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Technology		239.866	256.503	0	0
Software		19.894	33.412	0	0
Development projects in progress		0	1.075	0	0
Intangible assets	8	259.760	290.990	0	0
Right of use assets		193.688	210.795	0	0
Leasehold improvements		133.111	142.164	0	0
Plant and machinery		219.865	249.410	0	0
Other fixtures and fittings, tools and equipment		11.103	15.060	0	0
Property and land hold		9.747	9.674	0	0
Property, plant and equipment in progress		97.525	62.052	0	0
Property, plant and equipment	9	665.040	689.155	0	0
Investments in subsidiaries	10	0	0	994.663	815.875
Total fixed asset investment		0	0	994.663	815.875
Fixed assets		924.800	980.145	994.663	815.875
Inventories	11	384.956	329.447	0	0
Trade receivables		58.138	80.931	0	0
Receivables from group enterprises		288	0	0	28.793
Other receivables		23.248	25.944	0	0
Corporation tax		774	2.010	774	0
Prepayments		7.840	9.028	0	0
Receivables		90.288	117.913	774	28.793
Cash at bank and in hand		84.886	23.633	68	40
Currents assets		560.130	470.993	842	28.833
Assets		1.484.930	1.451.138	995.506	844.708

Balance sheet 31 December

	Note	Consolidated		Parent	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Share capital		108	70	108	70
Share premium account		718.368	248.876	718.368	248.876
Retained earnings		-1.956.693	-1.437.567	-1.956.693	-1.437.567
Equity	12	-1.238.217	-1.188.621	-1.238.217	-1.188.621
Lease Liabilities	14	197.910	212.472	0	0
Other Provisions		60.502	60.520	0	0
Loan from Government		0	10.463	0	0
Total non-current liabilities		258.412	283.455	0	0
Lease liabilities	14	30.748	30.152	0	0
Trade payables		24.951	58.162	0	0
Loans and Bridge loans to group enterprises		2.180.377	1.978.021	2.180.377	1.978.021
Payables to group enterprises		140.964	179.808	51.061	50.437
Loan from Government		19.888	0		
Other payables		67.143	105.615	2.285	4.871
Deferred income		664	4.546	0	0
Current liabilities		2.464.735	2.356.304	2.233.723	2.033.329
Total liabilities		2.723.147	2.639.759	2.233.723	2.033.329
Liabilities and equity		1.484.930	1.451.138	995.506	844.708
Letter of support			1		
Distribution of profit			13		
Contingent assets, liabilities and other financial obligations			17		
Related parties			18		
Fee to auditors appointed at the general meeting			19		
Accounting Policies			20		

Statement of Changes in Equity

	<u>Share capital</u>	<u>Share Premium account</u>	<u>Retained earnings</u>	<u>Total</u>
	TDKK	TDKK	TDKK	TDKK
Consolidated				
Equity at 1 January 2022	70	248.876	-1.437.567	-1.188.621
Capital increase	38	469.492		469.530
Exchange rate adjustments		0	215	215
Net profit/loss for the year	0	0	-519.341	-519.341
Equity at 31 December 2022	108	718.368	-1.956.693	-1.238.217
Parent				
Equity at 1 January 2022	70	248.876	-1.437.567	-1.188.621
Capital increase	38	469.492		469.530
Exchange rate adjustments		0	215	215
Net profit/loss for the year	0	0	-519.341	-519.341
Equity at 31 December 2022	108	718.368	-1.956.693	-1.238.217

Cash Flow Statement 1 January - 31 December

	Note	Consolidated		Parent	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Net profit/loss for the year		-519.341	-721.899	-519.341	-721.899
Adjustments	15	386.715	423.482	517.740	721.498
Change in working capital	16	-66.484	65.213	23.106	-28.776
Cash flows from operating activities before financial income and expenses		-199.109	-233.204	21.504	-29.177
Financial expenses		-31.336	1.542	31.137	0
Received tax		1.957	0	0	0
Cash flows from operating activities		-228.488	-231.662	52.642	-29.177
Purchase of intangible assets		0	-67	0	0
Purchase of property, plant and equipment		-39.917	-18.632	0	0
Investments in subsidiaries		0	0	-446.660	-204.562
Cash flows from investing activities		-39.917	-18.699	-446.660	-204.562
COVID Loan from Authorities		-31.607	51.494	0	0
Capital increase		469.530	204.562	469.530	204.562
Raising of loans from group enterprises		-50.437	50.437	-50.437	50.437
Lease Liabilities		-31.251	-30.847	0	0
Paid interests and withholding tax		-26.579	-22.679	-25.049	-21.290
Cash flows from financing activities		329.657	252.967	394.045	233.708
Change in cash and cash equivalents		61.252	2.606	26	-30
Cash and cash equivalents at 1 January		23.633	21.027	42	72
Cash and cash equivalents at 31 December		84.885	23.633	68	42
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		83.962	18.732	68	42
Restricted cash		925	4.901	0	0
Cash and cash equivalents at 31 December		84.886	23.633	68	42

Note to the Financial Statements

Note 1 - Letter of support

The Group is still in a turnaround phas and need further liquidity to finance the turnaround and investments in accordance with business plan.

The Company has received a letter of support from the owners of the Company, in which it is guaranteed that the Company will be supported with sufficient liquidity, to support the current investment program, and to finance expected losses until 30 June 2024. Hence the annual report is prepared on going concern basis.

AJ Vaccines Group is committed to settle all their financial obligations when they fall due. The Board of Directors are determined to address any delays in settlement arising due to temporary issue that can occur. The owners have since acquisition of AJ Vaccines Group demonstrated their full support to fund the AJ Vaccines Group.

Note 2 - Revenue

	Consolidated		Parent	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Geographic split of revenue				
Denmark	194.539	97.843	-	-
The European Union	113.911	186.847	-	-
Other	114.725	83.377	-	-
Total	423.175	368.067	-	-
Business areas				
Vaccines sale	414.688	356.128	-	-
Other product sale	3.124	3.535	-	-
Contract work	5.363	8.404	-	-
Total	423.175	368.067	-	-
Note 3 - Staff				
Wages and salaries	-309.991	-304.579	-	-
Pensions	-36.648	-38.052	-	-
Other social security expenses	-5.063	-4.913	-	-
Other staff expenses	-16.368	-14.432	-	-
Total	-368.070	-361.976	-	-
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:				
Cost of sales	-282.338	-298.487	-	-
Distribution expenses	-9.329	-12.074	-	-
Development expenditure	-6.235	-3.462	-	-
Administrative expenses	-70.168	-47.953	-	-
Total	-368.070	-361.976	-	-
Average number of employees	575	577	-	-

Note to the Financial Statements

Note 4 - Income from investments in subsidiaries

	Consolidated		Parent	
	2022	2021	2022	2021
			TDKK	TDKK
Share of losses of subsidiaries	-	-	-268.089	-486.388

Note 5 - Financial income

Financial income

Exchange adjustment, gains	261	83.941	0	76.191
Other financial gains	0	-	27	-
Total	261	83.941	27	76.191

Note 6 - Financial expenses

Interest expense to group enterprises	-122.733	-105.268	115.581	-99.033
Interest expense - Right-of-use-assets	-17.285	-17.970	0	-
Other financial expenses	-275	-1.414	166	-72
Exchange adjustments, expenses	-152.067	-232.531	134.710	-212.195
	-292.360	-357.183	250.457	-311.300

Note 7 - Tax on loss for the year

Current tax for the year	721	2.010	0	0
	721	2.010	0	0

Notes to the Financial Statements

Notes 8 - Intangible assets

	<u>Technology</u>	<u>Software</u>	<u>Development projects in progress</u>	<u>Total</u>
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2022	342.075	192.125	1.075	535.275
Transfers for the year	0	1.075	-1.075	0
Cost at 31 December 2022	342.075	193.200	0	535.275
Impairment losses and amortisation at 1 January 2022	-85.574	-158.713	0	-244.287
Amortisation for the year	-16.635	-14.593	0	-31.228
Impairment losses and amortisation at 31 December 2022	-102.209	-173.306	0	-275.515
Carrying amount at 31 December 2022	239.866	19.894	0	259.760
			2022	2021
			TDKK	TDKK
Amortisation and impairment of intangible assets are recognised in the following items:				
Cost of sales			-12.520	-40.799
Administrative expenses			-18.708	-17.060
			-31.228	-57.859

Notes to the Financial Statements

Notes 9 - Tangible assets

	Right of use assets	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Property and land hold	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2022	312.527	165.725	410.344	18.039	9.674	90.289	1.006.598
Additions for the year	236	144	2.015	-	-	37.522	39.917
Disposals and reclassifications for the year	-	-	-1.075	-	-	1.075	-
Transfers for the year	-	-	3.125	-	-	-3.125	-
Exchange adjustments	-	147	23	-	73	-	243
Cost at 31 December 2022	312.763	166.016	414.432	18.039	9.747	125.761	1.046.758
Impairment losses and depreciation at 1 January 2022	-101.731	-23.561	-160.935	-2.979	-	-28.236	-317.442
Depreciations for the year	-17.344	-9.199	-33.610	-3.957	-	-	-64.110
Exchange adjustments	-	-145	-21	-	-	-	-166
Impairment losses and depreciation at 31 December 2022	-119.075	-32.905	-194.567	-6.936	0	-28.236	-381.718
Carrying amount at 31 December 2022	193.688	133.111	219.865	11.103	9.747	97.525	665.040

	2022	2021
	TDKK	TDKK
Depreciation and impairment of property, plant and equipment are recognised in the following items:		
Cost of sales	-60.531	-61.713
Development	-1.029	-29.542
Administrative expenses	-2.550	-3.135
	-64.110	-94.390

Impairment

AJ Vaccines has not generated profits since acquisition of activities in 2017. For 2022 AJ Vaccines has performed an impairment test of all assets. Management considers AJ Vaccines as a single cash-generating unit as this is how Management makes decisions and assess business performance.

Method

The impairment test of AJ Vaccines is based on a discounted cash-flow model. The net present value is compared to the carrying value of assets. The discounted cash flow includes a budget period of nine years. The WACC used in the impairment test are based on benchmarked data and compared to peers. Historical trends have been used for estimate for key parameters such as revenue, productivity improvements, working capital. Significant assumptions and estimates are applied to the discounted expected future cash flows. WACC used in the impairment test was 11,5% after tax and growth in terminal period 2%. The test showed no sign of impairment.

Note to the Financial Statements

Note 10 - Investments in subsidiaries

Cost at 1 January
Additions for the year

Cost at 31 December

Value adjustments at 1 January

Net profit/loss for the year

Currency adjustments

Value adjustments at 31 December

Carrying amount at 31 December

		Parent	
		2022	2021
		TDKK	TDKK
		1.974.140	1.725.245
		446.660	248.895
		2.420.800	1.974.140
		-1.158.265	-672.886
		-268.089	-486.388
		217	1.009
		-1.426.137	-1.158.265
		994.663	815.875

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Net profit/loss for the year	
			Equity	TDKK
AJ Vaccines A/S	Copenhagen	100%	994.663	-268.089

Indirect ownership through AJ Vaccines A/S:

Name	Place of registered office	Votes and ownership	Net profit/loss for the year	
			Equity	TMYR
AJ Biologics Sdn. Bhd	Kuala Lumpur	100%	0	-15
AJ Vaccines Malaysia Sdn. Bhd	Kuala Lumpur	100%	11	-3.268

Note 11 - Inventories

	Consolidated		Parent	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	46.227	32.399	0	0
Semi finished goods	301.957	278.428	0	0
Finished goods and goods for resale	36.772	18.620	0	0
	384.956	329.447	0	0

Note to the Financial Statements

Note 12 - Equity

The share capital consists of 108.000 shares of a nominal value of DKK 1. No shares carry any special rights.

Note 13 - Distribution of profit

	Parent	
	2022	2021
	TDKK	TDKK
Retained earnings	-519.341	-721.899
Total	-519.341	-721.899

Note 14 - Lease liabilities

	Consolidated		Parent	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Non-current	197.910	212.472	0	0
Current	30.748	30.152	0	0
Total lease liabilities	228.658	242.624	0	0

Note to the Financial Statements

Note 15 - Cash flow statement adjustments

	Consolidated		Parent	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Financial income	-261	-83.941	-27	-76.191
Financial expenses excl IFRS	275.022	339.213	250.457	311.301
IFRS 16 interests	17.338	17.970	0	0
Depreciation, amortisation and impairment losses, including losses and gains on sales	95.338	152.250	0	0
Income from investments in subsidiaries		0	268.089	486.388
Tax on profit/loss for the year	-721	-2.010	-774	0
Other adjustments	0	0	-5	0
	386.715	423.482	517.740	721.498

Note 16 - Change in working capital

	Consolidated		Parent	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Change in inventories	-55.510	118.323	0	0
Change in receivables	23.578	-2.303	25.692	-29.757
Change in trade payables, etc	-34.552	-50.807	-2.586	981
	-66.484	65.213	23.106	-28.776

Note to the Financial Statements

Note 17 - Contingent assets, liabilities and other financial obligations

	Consolidated		Parent	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
payments:				
Within 1 year	-607	-404	0	0
Between 1 and 5 years	-97	-704	0	0
After 5 years	0	0	0	0
	-704	-1.108	0	0

Other contingent liabilities

The AJ Vaccines Holding group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of AJ Vaccines Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Note 18 - Related parties

	Basis
Controlling interest	
AJ Intech Sdn. Bhd.	Parent
AJ Pharma Ltd. II	Parent
White Crystals Limited	Parent
Pergola Holding Inc	Parent
Other related parties	
Abdulaziz Hamad Aljomaih	CEO
Mustafa Nasir Farooki	Director
Shan-E-Abbas Ashary	Director
Mohammed Ali A. Alesayi	Director
Saddam Abdulqawi Hussein Alhumaikani	Director
Golden Edge LTD, Cayman Islands	Affiliate
Maha Investment Company Limited	Affiliate
Topaz Hub Holding Company	Affiliate

Note to the Financial Statements

Note 18 - Related parties continued

Transactions

All transactions with related parties have been carried out at arm's length principle

There have been no transactions with the Board of Directors, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered offices</u>
Pergola Holding Inc	British Virgin Islands
AJ Intech Sdn. Bhd.	Malaysia

The Group Annual Report of AJ Intech Sdn. Bhd. may be obtained at the following address:
Suite 2-03 Level 4, 2nd floor Menara Atlan 161B, Jalan Ampang
50450 Kuala Lumpur, Wilayah Persekutuan

Note 19 - Fee to auditors appoind at the general meeting

	<u>Consolidated</u>	
	<u>2022</u>	<u>2021</u>
	<u>TDKK</u>	<u>TDKK</u>
PricewaterhouseCoopers		
Audit fee	1.069	959
Other assurance engagements	119	143
Tax advisory services	89	85
	<u>1.277</u>	<u>1.187</u>

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of AJ Vaccines Holding ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C including use of IFRS 9, 15 and 16 with respect to recognition and measurement.

The Consolidated and Parent Company Financial Statements for 2022 are presented in TDKK.

Change in comparative figures:

In 2022 the Company changed the principles for allocation of cost by nature to cost by function. The comparative figures for 2021 have been adjusted using the same principles. The effect is illustrated below:

	<u>2021</u>	<u>Adjustment</u>	<u>2021</u> <u>Adjusted</u>
	TDKK	TDKK	TDKK
Cost of sales	655.838	- 55.257	600.581
Sales and distributions expenses	21.797	7.079	28.876
Development expenses	37.374	3.593	40.967
Administrative expenses	91.911	44.585	136.496
Total	<u>806.920</u>	<u>0</u>	<u>806.920</u>

The above illustration shows 2021 original figures, adjustment and 2021 adjusted figures, which is presented in the financial statement for 2022. According to the new principal IT, HC cost etc. is now to a larger extent allocated to administrative expenses.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

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

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, AJ Vaccines Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control is classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realized and unrealized profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date is translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Business segments and geographical segments

Information on business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue comprises the fair value of the consideration received or receivable for sales of goods. Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party and discounts. The revenue is recognized when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably and when any significant risks and rewards of ownership of the

Notes to the Financial Statements

goods or right to the services are transferred and the company no longer retains managerial responsibility for, or control of, the goods or services sold.

Agreements with commercial partners generally include non-refundable upfront license and collaboration fees, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur, and revenue from the supply of products. For these agreements that include multiple elements, total contract consideration is attributed to separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in standalone transactions provided that each component has value to the partner on a standalone. The then allocated consideration is recognized as revenue in accordance with the principles described above.

Sales of goods and licenses that transfer the rights associated with ownership of an intangible asset are recognized at a point in time when control is transferred. Revenue from development services and licenses that do not transfer the right of ownership to an intangible asset are recognized over time in line with the execution and delivery of the work. If multiple components are not separable, they are combined into a single component and recognized over the period where the company is actively involved in development and deliver significant services to the collaboration partner.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labor costs and indirect production costs such as maintenance and depreciation, etc., as well as operation, administration, and management of factories.

Cost of sales also includes research and development costs that do not qualify for capitalization as well as amortization of capitalized development costs.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses.

Development expenses

Development expenditure indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Notes to the Financial Statements

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including goodwill and income related to the Bill & Melinda Gates Foundation.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

The company are using the possibility to apply for the tax credit scheme.

The Company is jointly taxed with the Danish subsidiary. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Intangible assets include Software, Technology (including completed development projects), development projects in progress and lease agreement.

Intangible assets are measured at historic cost less accumulated amortization and impairment losses.

Software	3-7 years
Technology	20 years
Acquired other similar rights	4 years

The carrying amounts of plant and equipment carried at cost or amortized costs are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal depreciation. If that is the case, the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on property, plant and equipment are recognized under the same line items as depreciation of the assets.

Notes to the Financial Statements

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognized in cost over the period of construction. All indirectly attributable borrowing expenses are recognized in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-14 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 125.000 are expensed in the year of acquisition.

Right of use assets

The group mainly leases office buildings, warehouses, laboratories, and vehicles.

For contracts which are, or contain, a lease, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. The right-of-use asset is periodically adjusted for certain remeasurements of the lease liability and reduced by any impairment losses.

The lease is the non-cancellable period of a lease.

When determining the term, Management considers multiple factors that create economic incentives to exercise an option to extend the lease or not to terminate the lease, including termination penalties, potential relocation costs and whether significant leasehold improvements have been capitalized on the lease, with a remaining useful life which exceeds the fixed minimum duration of the lease.

Notes to the Financial Statements

Remeasurement of the right of use assets as revised lease payments on rented premises has been renegotiated as a remeasuring of the right of use asset and lease liability has been performed with initial rate applied 7%.

When determining the term, Management considers multiple factors that create economic incentives to exercise an option to extend the lease or not to terminate the lease, including termination penalties, potential relocation costs and whether significant leasehold improvements have been capitalized on the lease, with a remaining useful life which exceeds the fixed minimum duration of the lease.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the incremental borrowing rate. Lease payments consist of fixed payments from commencement date.

The lease liability is measured using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments, typically due to a change in index or rate (e.g. inflation) on property leases.

Residual value guarantees that are expected to be paid are included in the initial measurement of the lease liability.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognized and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealized intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises

The total positive net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Notes to the Financial Statements

Subsidiaries with a negative net asset value are recognized at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognized in provisions.

The acquisition method of accounting is used to account for business combinations. In case on group internal acquisition, differences between the net book value in the company acquired form a group company and the acquisitions price paid is recognized directly on equity under retained earnings.

Inventories

Inventories except for raw materials are measured at the standard cost method less write-downs for obsolescence and net realizable value. Raw materials are measured at moving average.

For raw materials, cost is determined as direct acquisition costs incurred. The cost of finished goods produced in-house and work in progress includes raw materials, consumables, filling cost, QC testing and direct payroll costs plus indirect costs of production.

Indirect cost of production includes indirect materials and labor as well as maintenance of and depreciation on the machinery used in production processes, rent for factory buildings and equipment used and cost of production administration and management. The net realizable value is the estimated sales price in the ordinary course of business less relevant sales costs determined on the basis of marketability, obsolescence and changes in the expected sales price.

Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to nominal value less provisions for bad debts.

Group balances and other receivables are recognized to amortised cost.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognized in the income statement in financial income and expenses.

Financial debts

Loans are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortized cost; the difference between the proceeds and the nominal value is recognized as an interest expense in the income statement over the loan period.

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items

Notes to the Financial Statements

included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand". The cash flow statement cannot be immediately derived from the published financial records.