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# *Taconic Biosciences A/S*

Tornbjergvej 40, DK-4623 Lille Skensved

## Annual Report for 2023

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CVR No. 10 50 45 70

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 4/7 2024

Christopher Vincent  
Peri  
Chairman of the  
general meeting



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company information	4
Financial Highlights	5
Management's Review	6
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	9
Balance sheet 31 December	10
Statement of changes in equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14

# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Taconic Biosciences A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations and cash flows for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Lille Skensved, 4 July 2024

## Executive Board

Christopher Vincent Peri  
CEO

## Board of Directors

Nancy Jo Sandy  
Chairman

Christopher Vincent Peri

Jonna Sørensen Ulrich

# Independent Auditor's report

To the shareholder of Taconic Biosciences A/S

## Opinion

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

We have audited the Financial Statements of Taconic Biosciences A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 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.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

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

## 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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

# Independent Auditor's report

## Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 4 July 2024

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Lone Vindbjerg Larsen  
State Authorised Public Accountant  
mne34548

Jacob Dannefer  
State Authorised Public Accountant  
mne47886

## Company information

<b>The Company</b>	Taconic Biosciences A/S Tornbjergvej 40 4623 Lille Skensved  Telephone: +45 86841699 Email: taconiceurope@taconic.com Website: www.taconic.dk  CVR No: 10 50 45 70 Financial period: 1 January - 31 December Incorporated: 1 November 1986 Financial year: 36th financial year Municipality of reg. office: Køge
<b>Board of Directors</b>	Nancy Jo Sandy, chairman Christopher Vincent Peri Jonna Sørensen Ulrich
<b>Executive Board</b>	Christopher Vincent Peri
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

# Financial Highlights

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	219,632	213,803	161,323	178,607	188,798
Gross profit	70,867	69,053	53,011	50,514	58,784
Profit/loss of primary operations	3,811	2,582	-12,658	-11,076	-5,602
Profit/loss of financial income and expenses	-3,344	-1,223	-773	88	-196
Net profit/loss for the year	467	1,359	-13,431	-10,986	-5,798
<b>Balance sheet</b>					
Balance sheet total	146,004	136,628	123,431	137,028	130,502
Investment in property, plant and equipment	11,813	4,020	8,799	4,211	22,657
Equity	-3,418	-3,885	-5,244	8,187	19,173
<b>Cash flows</b>					
Cash flows from:					
- operating activities	17,559	-8,436	5,436	5,955	4,335
- investing activities	-11,813	-2,370	-7,833	-4,211	-18,836
- financing activities	12,454	5,819	-1,610	8,295	17,851
Change in cash and cash equivalents for the year	18,200	-4,987	-4,007	10,039	3,350
Number of employees	119	118	120	118	120
<b>Ratios</b>					
Gross margin	32.3%	32.3%	32.9%	28.3%	31.1%
Profit margin	1.7%	1.2%	-7.8%	-6.2%	-3.0%
Return on assets	2.6%	1.9%	-10.3%	-8.1%	-4.3%
Solvency ratio	-2.3%	-2.8%	-4.2%	6.0%	14.7%
Return on equity	-12.8%	-29.8%	-912.7%	-80.3%	-26.3%

For definition and explanation of financial ratios a reference to accounting policies.

# Management's review

## Key activities

The principal activities of the company are production and sale of laboratory mice and rats for biomedical research purposes. The animals are sold in Denmark and abroad to pharmaceutical companies and academic institutions. In addition, the company breeds laboratory mice on contract.

The company has two production sites in Denmark, as well as a quality control laboratory.

The company is European distributor of laboratory mice and rats from the parent company, Taconic Biosciences, Inc., USA, and for a Japanese research institution.

Finally, the company offers a number of laboratory services related to laboratory animals, including microbiological diagnostics, globally harmonized health standards and more.

## Market overview

Over the last couple of years the market for pre-clinical services has evolved in several areas. The well-known attrition rate of therapeutic candidates in the drug discovery process has increased the focus on pre-clinical stage testing. This has implied an increase in demand for the company's genetically modified products and contract services for customer owned genetically modified models.

Taconic's Denmark facility will continue to work in close connection to the headquarters in the United States and with all global facilities to ensure Taconic retains a leadership position within the animal model industry.

93 % of the Company's revenues represented exports.

## Development in the year

The income statement of the Company for 2023 shows a profit of DKK 466,587, and at 31 December 2023 the balance sheet of the Company shows a negative equity of DKK 3,418,000.

## The past year and follow-up on development expectations from last year

During 2023 the Company's revenue increased by 2,7%. This increase is primary due to additional commercial model volume resulting from Distribution agreements supporting the Asian market offset by a decrease in Service revenue as customers took actions to rationalize their project portfolio and one large project coming to an end. During 2023, the Company achieved an increase in profit from operating activities offset by increased interest expense associated with Intercompany obligations.

In comparison to the 2023 Annual Operating Plan (AOP) the Company's revenue is 18,5% under the expectation. This is mainly due to lower demand for commercial models, a decrease in Service revenue as customers took actions to rationalize their project portfolio, and one large project coming to an end. Although the total expenses ended 8,5% below AOP, the revenue shortfall could not be compensated. Further other expenses, such as additional management charges and increased interest expense associated with Intercompany obligations were leading to the lower profit, compared to the expectation of 20-40 Mio. DKK.

## Capital resources

The Company's equity amounts to DKK -3,418,000 at 31 December 2023 and is therefore subject to section 119 of the Danish Companies Act of capital losses

The Company has received a letter of support from Taconic Biosciences Inc. stating that they will provide necessary support to ensure that the Company will be able to meet its obligations. Further, amounts owed and additional future loans or amounts owed will not be called unless the liquidity position of the Company is adequate to justify such. The support letter is valid until 30 June 2025.



# Management's review

## Operating risks

The company is exposed to a certain production risk in form of murine pathogens, which may affect the production. The company has and will continue to implement new breeding technologies, including individually ventilated cages, in order to minimize this risk and also performs extensive health monitoring of animals.

Genetic non-conformance is another risk. The breeding methods are aimed at minimizing this risk, and the animals bred are subject to genetic control. Genetic monitoring has been kept at a high level during 2023 and will continue in 2024.

## Foreign exchange risks

Our products are traded primarily in DKK and EUR and purchases are made in DKK, USD and JPY.

## Interest rate risks

Fluctuation in interest rates may have an impact on net income. The Company currently does not have any external financing arrangements, however the Company does have Intercompany Liabilities.

Due to the interest rate development and the Intercompany Payable aging, the Company received Intercompany charges for interest.

## Strategy

The strategy for the European Market is consistent with Taconic's corporate strategy. Brand elevation continues to be a priority, with supporting efforts consisting of content marketing, new asset creation, bold messaging, targeted prospecting, and new products that leverage market demand.

## Targets and expectations for the year ahead

The company's management has created a better correlation between revenue and capacity, which will continue to be a focus in the future. The company is working on adapting production capacity and continuing to lead the industry in creating the best solutions for customers.

The Company expects to improve its financial results during 2024 through revenue increase of 6,7% and the resulting impact on gross margin. The costs are expected to increase moderate by 3,5%. The management charges and the interest expenses on Intercompany obligations will remain on the level of 2023 beside some inflation rate increases. The net income expectation is a profit between 5-10 Mio. DKK.

## Research and development

The Company does not perform research and development but rather relies on the group organization for new products.

## External environment

Customers' expectations of quality are continuously rising, and the company expects to continue focusing on quality as a primary part of the strategy. CRISPR continues to be a technology that has changed the landscape of animal model development and drug discovery, Taconic is uniquely positioned among its competitors because it offers both CRISPR and more complex gene modification technologies.

Taconic is also expected to gain from a trend in research towards more specialized, genetically specific, animal models.

# Management's review

## Intellectual capital resources

Taconic has built a global reputation for providing customers with the best animal model solutions. A major component of this strategy is the interface between the customer and Taconic. To ensure that the connection with its customers remains strong, Taconic has a strong commitment to both providing strong branding and educational marketing content, while also continuously training the global sales team on its products and services.

## Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

## Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 have not been affected by any unusual events.

## Subsequent events

After the balance date the company received a legal decision from the Danish Tax Agency. Management will appeal the decision because they do not agree with the Danish Tax Agency. Given the uncertain outcome of the case, no liability has been recorded in the financial statement. The Company does not expect it to have a material impact on the financial statements.

No other events affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Revenue		219,632,263	213,803,360
Expenses for raw materials and consumables		-85,169,307	-69,878,628
Other external expenses		-63,595,896	-74,872,028
<b>Gross profit</b>		<b>70,867,060</b>	<b>69,052,704</b>
Staff expenses	2	-57,561,491	-56,926,475
Depreciation and impairment losses of property, plant and equipment	3	-9,495,001	-9,544,055
<b>Profit/loss before financial income and expenses</b>		<b>3,810,568</b>	<b>2,582,174</b>
Financial income		1,146,219	167,899
Financial expenses	4	-4,490,200	-1,390,623
<b>Profit/loss before tax</b>		<b>466,587</b>	<b>1,359,450</b>
Tax on profit/loss for the year		0	0
<b>Net profit/loss for the year</b>	5	<b>466,587</b>	<b>1,359,450</b>

## Balance sheet 31 December

### Assets

	Note	2023	2022
		DKK	DKK
Land and buildings		60,185,428	53,835,421
Other fixtures and fittings, tools and equipment		15,114,682	18,370,364
Property, plant and equipment in progress		2,001,149	2,777,574
<b>Property, plant and equipment</b>	<b>6</b>	<b>77,301,259</b>	<b>74,983,359</b>
<b>Fixed assets</b>		<b>77,301,259</b>	<b>74,983,359</b>
<b>Inventories</b>	<b>7</b>	<b>4,203,002</b>	<b>4,516,750</b>
Trade receivables		30,805,782	40,438,477
Receivables from group enterprises		3,943,076	4,884,876
Other receivables		591,279	870,624
Prepayments		116,141	90,540
<b>Receivables</b>		<b>35,456,278</b>	<b>46,284,517</b>
<b>Cash at bank and in hand</b>		<b>29,043,049</b>	<b>10,842,877</b>
<b>Current assets</b>		<b>68,702,329</b>	<b>61,644,144</b>
<b>Assets</b>		<b>146,003,588</b>	<b>136,627,503</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital	8	2,100,000	2,100,000
Retained earnings		-5,518,000	-5,984,587
<b>Equity</b>		<b>-3,418,000</b>	<b>-3,884,587</b>
Other payables		2,900,978	4,636,434
<b>Long-term debt</b>	9	<b>2,900,978</b>	<b>4,636,434</b>
Trade payables		6,413,160	13,033,878
Payables to group enterprises		128,323,639	113,490,026
Other payables	9	11,396,809	9,125,299
Deferred income	10	387,002	226,453
<b>Short-term debt</b>		<b>146,520,610</b>	<b>135,875,656</b>
<b>Debt</b>		<b>149,421,588</b>	<b>140,512,090</b>
<b>Liabilities and equity</b>		<b>146,003,588</b>	<b>136,627,503</b>
Going concern	1		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Subsequent events	15		
Accounting Policies	16		

## Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 January	2,100,000	-5,984,587	-3,884,587
Net profit/loss for the year	0	466,587	466,587
<b>Equity at 31 December</b>	<b><u>2,100,000</u></b>	<b><u>-5,518,000</u></b>	<b><u>-3,418,000</u></b>

## Cash flow statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Result of the year		466,587	1,359,450
Adjustments	11	12,838,982	11,216,855
Change in working capital	12	4,276,072	-19,789,289
<b>Cash flow from operations before financial items</b>		<b>17,581,641</b>	<b>-7,212,984</b>
Financial income		1,146,219	167,899
Financial expenses		-1,168,997	-1,390,624
<b>Cash flows from operating activities</b>		<b>17,558,863</b>	<b>-8,435,709</b>
Purchase of property, plant and equipment		-11,812,901	-3,870,156
Sale of property, plant and equipment		0	1,500,000
<b>Cash flows from investing activities</b>		<b>-11,812,901</b>	<b>-2,370,156</b>
Repayment of mortgage loans		0	-875,443
Repayment of payables to group enterprises		497,665	0
Raising of payables to group enterprises		11,956,545	6,694,588
<b>Cash flows from financing activities</b>		<b>12,454,210</b>	<b>5,819,145</b>
<b>Change in cash and cash equivalents</b>		<b>18,200,172</b>	<b>-4,986,720</b>
Cash and cash equivalents at 1 January		10,842,877	15,829,597
<b>Cash and cash equivalents at 31 December</b>		<b>29,043,049</b>	<b>10,842,877</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		29,043,049	10,842,877
<b>Cash and cash equivalents at 31 December</b>		<b>29,043,049</b>	<b>10,842,877</b>

# Notes to the Financial Statements

## 1. Going concern

The Company's equity amounts to DKK -3,418,000 at 31 December 2023 and is therefore subject to section 119 of the Danish Companies Act of capital losses. We have been informed that the management works continuously with improvement and optimization of the Company's operations and financial performance and that it is the management's expectation that the Company will re-establish the share capital from its own profits.

The Company has received a letter of support from Taconic Biosciences Inc. stating that they will provide necessary support to ensure that the Company will be able to meet its obligations. Further, loan extended and additional future loans extends to the Company from Taconic Biosciences Inc. will not be called unless the liquidity position of the Company is adequate to justify such repayment. The support letter is valid until 30 June 2025.

## 2. Staff Expenses

	2023	2022
	DKK	DKK
Wages and salaries	50,680,025	50,922,804
Pensions	4,401,655	4,017,537
Other social security expenses	2,479,811	1,986,134
	<u>57,561,491</u>	<u>56,926,475</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	<u>119</u>	<u>118</u>
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## 3. Depreciation and impairment losses of property, plant and equipment

	2023	2022
	DKK	DKK
Depreciation of property, plant and equipment	9,495,001	10,144,055
Impairment of tangible assets	0	-600,000
	<u>9,495,001</u>	<u>9,544,055</u>



## Notes to the Financial Statements

	2023	2022
	DKK	DKK
<b>4. Financial expenses</b>		
Interest paid to group enterprises	3,818,868	0
Other financial expenses	189,560	180,859
Exchange loss	481,772	1,209,764
	<u>4,490,200</u>	<u>1,390,623</u>

	2023	2022
	DKK	DKK
<b>5. Profit allocation</b>		
Retained earnings	466,587	1,359,450
	<u>466,587</u>	<u>1,359,450</u>

## 6. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK
Cost at 1 January	91,968,971	61,753,786	2,777,574
Additions for the year	9,457,179	2,355,722	0
Transfers for the year	0	776,425	-776,425
Cost at 31 December	<u>101,426,150</u>	<u>64,885,933</u>	<u>2,001,149</u>
Impairment losses and depreciation at 1 January	38,133,550	43,383,422	0
Depreciation for the year	3,107,172	6,387,829	0
Impairment losses and depreciation at 31 December	<u>41,240,722</u>	<u>49,771,251</u>	<u>0</u>
Carrying amount at 31 December	<u>60,185,428</u>	<u>15,114,682</u>	<u>2,001,149</u>
Amortised over	<u>25 years</u>	<u>3-7 years</u>	

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>7. Inventories</b>		
Raw materials and consumables	2,535,345	2,380,141
Finished goods and goods for resale	3,157,210	4,590,430
Assets meant for sale	-1,489,553	-2,453,821
	<u>4,203,002</u>	<u>4,516,750</u>

## 8. Share capital

The share capital consists of 2,100 shares of a nominal value of DKK 2,100,000. No shares carry any special rights.

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>9. Long-term debt</b>		
Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.		
The debt falls due for payment as specified below:		
<b>Other payables</b>		
After 5 years	2,900,978	4,636,434
Long-term part	2,900,978	4,636,434
Other short-term payables	11,396,809	9,125,299
	<u>14,297,787</u>	<u>13,761,733</u>

## 10. Deferred income

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

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>11. Cash flow statement - Adjustments</b>		
Financial income	-1,146,219	-167,899
Financial expenses	4,490,200	1,390,623
Depreciation, amortisation and impairment losses, including losses and gains on sales	9,495,001	9,994,131
	<u>12,838,982</u>	<u>11,216,855</u>

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>12. Cash flow statement - Change in working capital</b>		
Change in inventories	313,748	-1,913,870
Change in receivables	9,886,443	-20,464,446
Change in trade payables, etc	-5,924,119	2,589,027
	<u>4,276,072</u>	<u>-19,789,289</u>

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>13. Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	102,264	178,333
Between 1 and 5 years	242,271	226,272
	<u>344,535</u>	<u>404,605</u>

#### Other contingent liabilities

The Company has a non-recognised tax asset showing DKK 8,110k (2022: DKK 8,322k).

# Notes to the Financial Statements

## 14. Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
ACP Canopy Holdings, Inc., USA	Ultimate parent
Taconic Biosciences Inc., USA	Smallest parent

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

## 15. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

After the balance date the company received a legal decision from the Danish Tax Agency. Management will appeal the decision because they do not agree with the Danish Tax Agency. Given the uncertain outcome of the case, no liability has been recorded in the financial statement. The Company does not expect it to have a material impact on the financial statements.

No other events affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Notes to the Financial Statements

## 16. Accounting policies

The Annual Report of Taconic Biosciences A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK.

### Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

Assets are recognised 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 recognised 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.

### 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 recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

## Income statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

# Notes to the Financial Statements

## Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

## Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

## Financial income and expenses

Financial income and expenses are recognised 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 recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

## Balance sheet

### 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.

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:

Production buildings	25 years
Other fixtures and fittings, tools and equipment	3-7 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

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

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

### Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

## Notes to the Financial Statements

The cost of animals comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### Receivables

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

### Prepayments

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

### Financial liabilities

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

### Deferred income

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

### Cash Flow Statement

The cash flow statement shows the 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 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. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

#### *Cash flows from investing activities*

Cash flows from investing activities comprise cash flows from acquisitions and disposals of property, plant and equipment.

#### *Cash flows from financing activities*

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise .

The cash flow statement cannot be immediately derived from the published financial records.

# Notes to the Financial Statements

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$