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## **CMC Biologics A/S**

### Annual Report for 2015

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Reg. No. 25 95 09 41

Vandtårnsvej 83B  
2860 Sorborg

Date of the Annual General Meeting

31 May 2016

Chairman of the Annual General Meeting

J. Brinker

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## Company Information

**The Company** CMC Biologics A/S  
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Reg. No.: 25 95 09 41  
Established: 15 March 2001  
Registered office: Copenhagen  
Financial year: 1 January – 31 December

**Board of Directors** Jesper Bramming (Chairman)  
Stephen Lehman  
Patricio Massera

**Executive Board** Patricio Massera

**Auditor** PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup  
Denmark

## Financial Highlights

	2015	2014	2013	2012	2011
<b>Income statement</b>					
<i>(DKK million)</i>					
Revenue*	320.5	311.1			
Gross profit	62.3	45.8	37.2	27.8	45.0
Operating profit / loss	22.3	12.2	4.2	-4.0	15.4
Financial income / expenses, net	-13.9	-9.1	-4.3	-6.1	-7.5
Profit/loss before tax	8.4	3.1	0.0	-10.1	7.8
Profit / loss for the year	8.4	3.2	-0.1	1.9	7.8
<b>Statement of financial position</b>					
<i>(DKK million)</i>					
Total assets	404.2	346.6	311.3	298.9	279.9
Equity	147.9	139.5	136.3	136.5	134.5
<b>Staff</b>					
Average number of full-time employees	209	199	185	175	169
<b>Key figures in percent</b>					
Return on assets	5.9	3.7	1.4	negative	5.6
Equity ratio	36.6	40.3	43.8	45.7	48.1

\* Not requirement before 2014

## Management's Review

### Activities

CMC Biologics A/S ("CMC" or the "Company") is a Contract Development Manufacturing Organisation (CDMO) that provides high value added process development, scale-up and production of biopolymers such as protein material and antibodies to the biopharmaceutical industry.

CMC group is a world leading biologics CDMO offering development of high performance manufacturing processes and the production of Active Pharmaceutical Ingredients (APIs) for drug development, and for commercialised drug product.

CMC group has fully integrated process development and manufacturing operations in Copenhagen, Denmark (CMC Biologics A/S) and in Seattle and Berkeley, USA (CMC ICOS Biologics Inc.). CMC Biologics A/S is conducting all its activities out of the Danish facilities.

The Company is fully controlled by CMC Biologics S.à r.l.

### Financial review

In 2015 the Company's revenue grew to DKK 320.5m corresponding to 3% over 2014. Significant investments and increase in operational cost were made in anticipation of continued growing activity in 2016 and beyond, particularly aimed at strengthening the Company's platform for commercial manufacture. The increased revenue resulted in growing operating profit to DKK 22.3m in 2015 (2014: DKK 12.2m). This improvement was achieved despite the increase in cost base undertaken to strengthen of the Company's infrastructure for manufacture of in-market products. After financial charges and tax the Company generated a net profit in 2015 of DKK 8.4m (2014: DKK 3.2m).

Equity stood at DKK 147.9m (2014: DKK 139.5m) at the end of the year, corresponding to an equity ratio of 34.8%.

The financial performance in 2015 corresponds to expectations.

### 2015 Business Review

2015 was a transformational year for CMC, in that one drug product program that CMC supply API to, did file application (BLA) with the FDA for commercial approval. As part of this FDA approval process, a Pre-License-Inspection was performed successfully at the CMC site. Further, CMC was successful in securing several late stage clinical programs to which the Company will supply API for final clinical registration trials and when times come most likely also supply API for long-term commercial launch. Also, the Company continued to secure several new clients and business contracts for early clinical trial API supply.

In order to accommodate the strong business intake CMC strengthening its infrastructure and increased its staff as well as increased its manufacturing capacity significantly.

Further in 2015, CMC continued to emphasise: increased market reach, client satisfaction, timely and reliable delivery, highest quality standards and "best-in-class" technology. Lots of effort was given to build and strengthen capabilities for servicing API manufacture of commercial launched product.

Since CMC was started in 2001, the Company's growth is a result of significant repeat business from clients, combined with an enlarged customer base and an important increase in the average client contract size. This positive development has to a very large extent been possible due to the highly skilled and dedicated staff at CMC.

At 31 December 2015 CMC had a staff in Denmark of 209 employees.

As the number of customers and projects increases and contracts become larger, higher demands are imposed on CMC's ability to manage a complex and increasingly differentiated production portfolio. To ensure flexibility, high quality, robustness and efficient production CMC continued also in 2015 to strengthen its organisation and production processes.

### Research activities

In 2015, CMC continued to enhance its technologies and processes in the development laboratories and in the production lines. In several instances these R&D efforts lead to improved production yields, faster timelines, better-refined products and better characterization. It is the Company's strategy to continue to invest in better technologies with the objective to provide better value to CMC's customers.

### **Scientific resources**

CMC also enhanced its already strong scientific and practical knowledge platforms within the areas of: development, scale-up, manufacturing and the analysis of biopharmaceuticals covering early discovery, cGMP clinical trials and commercial scale production.

### **Increasingly high demands**

Today, CMC provides manufacturing services for several late stage clinical products, which are expected to receive final approval by the health authorities to be marketed commercially. As a “knowledge and experience based company” CMC has the need to retain and develop its employees. The Company is well aware of these challenges and is therefore working on increasing the career opportunities within CMC as well as introducing improvements in the other aspects of working life that are important to the employees.

### **Corporate social responsibility**

As an international company in the biopharmaceutical industry, CMC has an important social responsibility. CMC strives to live up to this responsibility and is recognised by its stakeholders as reliable and responsible characterised by professionalism, honesty and integrity.

CMC works systematically to improve the working environment and environmental conditions in every area of the Company.

As a world leader in a knowledge intensive and high value added industry CMC is aware of its responsibility towards society. Thus, CMC does actively promote responsible corporate behaviour and to be proactive in ensuring that our employees are being trained. It is the Company's policy to employ best practices in every aspect of how CMC interphase with society including environmental matters and being a “good corporate citizen”.

### **Objectives regarding participation of women in the Board of Directors and Leadership team**

The Board of Directors and the Leadership Team in CMC are accountable to the Company's shareholders for the way the Company conducts its business. The composition of the Board of Directors and the leadership team must therefore be such that the combined competencies of the Board and leadership team enable them to inspire, guide and oversee the Company's development, and address and resolve the issues and challenges faced by the Company at any time.

To ensure that discussions include multiple perspectives representing the complex global pharmaceutical environment, the Board of Directors and Leadership team aspires to be diverse in gender and nationality. We further believe that diversity allows us to better understand customer needs in different cultures, attract and retain talented people from around the world, and operate more effectively in a global business environment by always selecting the best candidate for a position. The company expects to have at least one female board member within the next 3 years.

As of 31 December 2015 45 % of all managers (Leadership Team and other managers) were women.

The Company wants to be an attractive workplace for both female and male managers where men and women consider that they have equal and fair opportunities for promotion to higher managerial positions and that their competences can be used in the best possible way irrespective of gender.

The objective with regard to the proportion of the underrepresented gender is to have a diversity of 40:60 between genders.

### **Events after 31st December 2015**

No significant subsequent events occurred after the financial year-end that would have a material impact on these annual accounts.

### **Outlook for 2016**

The improved markets conditions experienced in 2015 appear to continue.

Today, the Company has a very strong order book for 2016 and is also beginning to see the build-up of a solid order book for 2017. It is management's ambition that the investments made in human resources and in plant and equipment in 2015 will yield increased operational leverage in 2016.

### **Final remarks**

Since CMC was started in 2001, CMC has experienced overall strong performance and demonstrated an ability to continue a successful development despite at times, very challenging periods. We would like to thank all our customers, employees, shareholders, and other partners for making this possible.

## Statement by the Management on the Annual Report

Today the Board of Directors and the Executive Board presented the Annual Report for 2015 of CMC Biologics A/S.

The Annual Report has been presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements provide a true and fair view of the Company's assets, liabilities and equity, financial position at 31 December 2015 and results of the Company's activities in the accounting period 1 January - 31 December 2015.

In our opinion the Management's Review provides a fair review of the matters the review deals with.

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

Copenhagen, 31 May 2016


**Executive Board**

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Patricio Massera

**Board of Directors**

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Jesper Bramming  
(Chairman)  

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Stephen Lehman  

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Patricio Massera

## Independent Auditor's Report

### To the shareholders of CMC Biologics A/S Report on the Financial Statements

We have audited the Financial Statements of CMC Biologics A/S for the financial year 1 January – 31 December 2015, which comprise income statement, statement of financial position, notes and summary of accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### Management's Responsibility 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

The audit has not resulted in any qualification.

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

### Statement on Management's Review

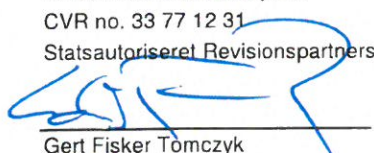
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Copenhagen, 31 May 2016

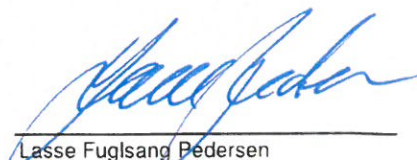
### PricewaterhouseCoopers

CVR no. 33 77 12 31

Statsautoriseret Revisionspartnerselskab



Gert Fisker Tomczyk  
State Authorised Public Accountant



Lasse Fuglsang Pedersen  
State Authorised Public Accountant



## Income Statement for the Period 1 January – 31 December

(DKK '000)

	Note	2015	2014
Revenue	1	320,466	311,091
Production expenses	2.4	<u>258,129</u>	<u>265,248</u>
<b>Gross profit</b>	2.4	62,337	45,843
Sales expenses	2.4	7,827	5,608
Administrative expenses	2,3,4	<u>32,202</u>	<u>28,041</u>
<b>Operating profit/loss</b>		22,308	12,194
Financial income	5	3,292	4,085
Financial expenses	6	<u>17,228</u>	<u>13,179</u>
<b>Profit/loss before tax</b>		8,373	3,100
Tax on profit/loss for the year	7	<u>0</u>	<u>81</u>
<b>Profit/loss for the year</b>		<u><u>8,373</u></u>	<u><u>3,181</u></u>
<i>Proposed distribution of net profit for the year:</i>			
Profit/loss for the year		8,373	3,181
Transferred from retained earnings ect.		<u>96,668</u>	<u>93,488</u>
<b>For distribution, total</b>		<u><u>105,041</u></u>	<u><u>96,668</u></u>
Proposed dividend for the financial year		0	0
Retained earnings ect.		<u>105,041</u>	<u>96,668</u>
<b>Distribution, total</b>		<u><u>105,041</u></u>	<u><u>96,668</u></u>

## Statement of Financial Position at 31 December

(DKK '000)

	Note	2015	2014
<b>Assets</b>			
Finished development projects		3,070	3,047
Development projects in progress		43,622	28,007
<b>Intangible assets</b>	8	<u>46,692</u>	<u>31,054</u>
Plant and machinery		48,226	52,348
Other fixtures and fittings, tools and equipment		986	1,174
Leasehold improvements		68,127	75,718
Assets under construction		15,723	436
<b>Tangible fixed assets</b>	9	<u>133,063</u>	<u>129,677</u>
<b>Deposits</b>	10	<u>15,433</u>	<u>14,505</u>
<b>Financial fixed assets</b>		<u>15,433</u>	<u>14,505</u>
<b>Total fixed assets</b>		<u>195,188</u>	<u>175,236</u>
Raw materials and consumables		27,174	17,791
<b>Inventories</b>		<u>27,174</u>	<u>17,791</u>
Work in progress	11	45,646	37,780
Trade receivables		42,962	15,285
Deferred tax asset	7	30,700	30,700
Intercompany receivables	12	33,545	50,441
Other receivables		4,504	1,577
Prepayments	13	1,281	2,310
<b>Receivables</b>		<u>158,637</u>	<u>138,093</u>
<b>Cash</b>		<u>23,228</u>	<u>15,474</u>
<b>Total current assets</b>		<u>209,041</u>	<u>171,358</u>
<b>Total assets</b>		<u>404,229</u>	<u>346,594</u>

## Statement of Financial Position at 31 December

(DKK '000)

	Note	2015	2014
<b>Liabilities and equity</b>			
Share capital		42,853	42,853
Retained earnings etc.		105,042	96,669
Proposed dividend for the financial year		0	0
<b>Total equity</b>	14	<u>147,895</u>	<u>139,522</u>
Debt to credit institutes	15	138,230	128,720
Prepayments from customers	16	16,896	25,340
<b>Long-term liabilities other than provisions</b>		<u>155,126</u>	<u>154,060</u>
Intercompany debt		1,169	1,721
Prepayments from customers	16	8,443	0
Debt to credit institutes	15	1,117	1,113
Advances from customers	11	30,442	18,212
Trade payables		31,508	9,085
Other debt		28,529	22,882
<b>Short-term liabilities other than provisions</b>		<u>101,208</u>	<u>53,013</u>
<b>Total liabilities</b>		<u>256,334</u>	<u>207,073</u>
<b>Total liabilities and equity</b>		<u>404,229</u>	<u>346,594</u>
Contingent assets and liabilities etc.	17		
Assets charged or otherwise provided as security	18		
Related parties	19		

## Notes

(DKK '000)

<b>Note 1 - Revenue</b>	<b>2015</b>	<b>2014</b>
Revenue, Denmark	42,118	27,277
Revenue, abroad	278,349	283,814
	<u>320,466</u>	<u>311,091</u>
Production revenue	257,940	250,283
Raw material revenue	62,526	60,807
	<u>320,466</u>	<u>311,091</u>
<b>Note 2 – Staff costs</b>	<b>2015</b>	<b>2014</b>
<i>Total staff costs constitute:</i>		
Wages and salaries, gross	137,975	127,720
Of this capitalised on internal projects	-15,893	-7,238
Wages and salaries, net	122,082	120,481
Pension schemes	8,893	7,819
Other expenses for social security	1,163	1,159
	<u>132,138</u>	<u>129,459</u>
Remuneration to Executive Board and Board of Directors regarding board function	<u>2,633</u>	<u>2,759</u>
Average number of full time employees	<u>209</u>	<u>199</u>

Members of Management participate in an "exit bonus programme" in the parent company CMC Biologics S.à.r.l. Under the programme they will upon an "exit" in total receive a cash payment of approx. 1 % of the value increase since the initial investment was made or since commencement of service, whichever comes later.

<b>Note 3 – Fee to auditor</b>	<b>2015</b>	<b>2014</b>
Audit	329	321
Other statements	15	20
Tax consulting (including VAT and charges)	225	233
Other services	206	156
	<u>775</u>	<u>730</u>

## Notes

(DKK '000)

### Note 4 – Amortisation, depreciation and impairment

Amortisation, depreciation and write-downs on intangible and tangible fixed assets for the year have been recognised in the following items:

	2015	2014
Production expenses	18,303	24,689
Sales expenses	157	70
Administrative expenses	647	349
	<u>19,107</u>	<u>25,107</u>

### Note 5 – Financial income

	2015	2014
Interest income from group enterprises	3,272	4,050
Other interest income	20	35
	<u>3,292</u>	<u>4,085</u>

### Note 6 – Financial expenses

	2015	2014
Interest payable to group enterprises	0	121
Foreign exchange loss, net	1,966	107
Other interest expenses	15,262	12,951
	<u>17,228</u>	<u>13,179</u>

### Note 7 – Tax on net results

	2015	2014
Current tax	0	0
Deferred tax (income)	0	0
Adjustment from previous years	0	-81
Total	<u>0</u>	<u>-81</u>

The possibility of using negative income and tax depreciation results in a total tax asset of approx. DKK 56 million. Due to uncertainty regarding the full utilisation of the tax asset and timing hereof, only DKK 31 million has been included based on expectation of utilisation within 3-4 years.

## Notes

(DKK '000)

### Note 8 – Intangible fixed assets

	Finished development projects	Ongoing development projects
Cost at 1 January	4,222	28,007
Addition in the year	64	16,453
Reclassification	838	-838
Disposals in the year	0	0
Cost at 31 December	<u>5,123</u>	<u>43,622</u>
Amortisation and write-down at 1 January	-1,175	0
Amortisation in the year	-878	0
Amortisation reversed on disposed assets	0	0
Amortisation and write-down at 31 December	<u>-2,053</u>	<u>0</u>
Carrying amount at 31 December	<u>3,070</u>	<u>43,622</u>

### Note 9 – Tangible fixed assets

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction
Cost at 1 January	118,933	4,338	107,568	436
Addition in the year	3,516	334	2,644	15,287
Disposals in the year	-351	0	0	0
Cost at 31 December	<u>122,098</u>	<u>4,672</u>	<u>110,212</u>	<u>15,723</u>
Depreciation and write-down at 1 January	-66,585	-3,163	-31,849	0
Depreciation in the year	-7,472	-522	-10,235	0
Depreciation reversed on disposed assets	185	0	0	0
Depreciation and write-down at 31 December	<u>-73,872</u>	<u>-3,685</u>	<u>-42,084</u>	<u>0</u>
Carrying amount at 31 December	<u>48,226</u>	<u>986</u>	<u>68,127</u>	<u>15,723</u>

### Note 10 – Financial fixed assets

	Deposits
Cost at 1 January	14,505
Additions in the year	928
Disposals in the year	0
Cost at 31 December	<u>15,433</u>
Carrying amount at 31 December	<u>15,433</u>

## Notes

(DKK '000)

<b>Note 11 – Work in progress</b>	<b>2015</b>	<b>2014</b>
Sales value of the production	112,752	81,931
Payments received on account	-97,548	-62,363
Work in progress, net	<u>15,204</u>	<u>19,568</u>

*Recognised in the balance sheet as follows:*

Work in progress, assets	45,646	37,780
Advances from customers, liabilities	-30,442	-18,212
	<u>15,204</u>	<u>19,568</u>

<b>Note 12 - Intercompany Receivables</b>	<b>2015</b>	<b>2014</b>
After 5 years	0	7,020
Between 1 and 5 years	32,512	41,646
Within 1 year	1,033	1,775
Total Intercompany Receivables	<u>33,545</u>	<u>50,441</u>

### Note 13 – Prepayments, current asset

Prepayments primarily comprise prepaid expenses in relation to service contracts and insurance premium.

### Note 14 – Equity

	<b>1/1 2015</b>	<b>Proposed distribution of net profit</b>	<b>31/12 2015</b>
Share capital	42,853	0	42,853
Retained earnings etc.	96,669	8,373	105,042
	<u>139,522</u>	<u>8,373</u>	<u>147,895</u>

<b>Share capital</b>	<b>2015</b>	<b>2014</b>
<i>The share capital comprises the following classes of shares:</i>		
Class A shares, 4,176,495 shares of a nominal value of DKK 1	4,176	4,176
Class B shares, 38,676,478 shares of a nominal value of DKK 1	38,677	38,677
	<u>42,853</u>	<u>42,853</u>

The B-shares carry certain preferences regarding subscription of capital and distribution of dividend.

## Notes

(DKK '000)

### Note 15 - Debt to credit institutes

Repayments, due under 1 year, is stated under short-term liabilities.

Other liabilities is stated under long-term.

	2015	2014
<i>Future payments:</i>		
After 5 years	0	0
Between 1 and 5 years	141,603	133,759
Long-term part	141,603	133,759
Within 1 year	1,117	1,113
Total future payments	142,720	134,872

### Note 16 – Prepayments, non-current liabilities

*Liabilities due:*

	2015	2014
After 5 years	0	0
Between 1 and 5 years	16,896	25,340
Within 1 year	8,443	0
	25,340	25,340

### Note 17 – Contingent liabilities etc.

#### Tennacy agreement

Moreover, the Company has a tenancy agreement terminable with 12 months' notice from 1 May 2028. The yearly rent amounts to DKK 15,539 thousand in 2015 corresponding to a total commitment of DKK 208 million (not discounted back to its present value).

The Company has a restoration and renovation liability of the facilities towards the landlord. The amount is unknown but it is not expected to have significant impact on the Company's financial position.

<b>Operating leases</b>	2015	2014
Lease commitments falling due for payment within five years of the balance sheet date, total	311	361
Of this lease commitments falling due within one year	180	181



## **Notes**

*(DKK '000)*

### **Note 18 – Assets charged or otherwise provided as security**

The Company has pledged its owner's mortgage of DKK 30,000 thousand with security in plant and equipment located with a carrying amount of DKK 133,063 thousand. The Company has further issued a registered floating charge of total DKK 40,000 thousand with security in plant, equipment, inventory ect. with a carrying amount of DKK 249,982 thousand.

An account pledge agreement has been entered into by the Company as pledger concerning the bank accounts of the Company with the carrying amount of DKK 23,228 thousand.

### **Note 19 – Related parties**

Related parties consist of the Board of Directors and Executive Board together with enterprises affiliated with the parent company CMC Biologics III SCS, Luxembourg. The parent company and the sister company CMC Biologics Inc. had in 2015 intercompany balances (net asset of DKK 32,376 thousand) with the Company as well as transactions with the Company that have been undertaken at an arm's length basis.

The accounts of CMC Biologics A/S are included in the consolidated accounts of CMC Biologics S.à r.l., 2 Rue Joseph Hackin, Luxembourg.

### **Ownership**

The following shareholders are registered in the Company's register of shareholders as being owners of minimum 5 % of the voting rights or minimum 5 % of the share capital:

FCPI Poste Innovation, c/o Innoven Partenaires, 10, Rue De La Paix, 75002 Paris, France.  
CMC Biologics III SCS, 2, Rue Joseph Hackin, Luxembourg.

## **Accounting policies**

The Annual Report for CMC Biologics A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act regarding large sized class C companies.

The accounting policies are unchanged compared to last year.

The Annual Report for 2015 is presented in DKK.

### **Recognition and measurement**

Income is recognised in the income statement as earned. All expenses including depreciation/amortisation and impairment losses are recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that the future economic benefits will flow out of the Company and when the measurement of the value of the liability is reliable.

On initial recognition, assets and liabilities are recognised at cost. Subsequently, assets and liabilities are measured as described below for each item.

### **Income statement**

#### **Revenue**

Revenue comprises revenue from the contract manufacturing of high value added process development, scale-up and production of biopolymers such as protein material and antibodies to the biopharmaceutical industry.

The Company provides contract manufacturing solutions that are specifically customised to each customer. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively based upon the percentage completion of project stages and completion of contract milestone activity at the reporting date.

Gross profit comprises revenue with deduction of production costs.

#### **Production costs**

Production costs include staff expenses, consumables, expenses related to Company premises, depreciation etc.

#### **Sales expenses**

Sales expenses include expenses for salesmen, advertising, marketing etc.

#### **Administrative expenses**

Administrative expenses include staff expenses, expenses related to Company premises, office costs, and costs related to operating leases etc.

#### **Net financials**

Financial income and financial expenses are recognised in the income statement with the amounts related to the financial year. Financial income and financial expenses include interest receivable and payable, financial expenses related to finance leases, exchange gains and losses on transactions denominated in foreign currencies, and charges related to the Danish Scheme for Payment of Tax on Account etc.

#### **Tax on results for the year**

Tax on results for the year which comprises current tax and changes in deferred tax is recognised in the income statement with the portion of taxes related to the taxable income for the year whereas the portion attributable to entries on equity is recognised directly in equity.

## Statement of financial position

### Intangible assets

Intangible assets consist of intellectual property rights including patents, finished development projects including software and development projects in progress and prepayment for intangible assets. Directly attributable costs capitalised as part of the development projects include employee costs and an appropriate portion of relevant overheads.

Development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Assets are amortised by the straight-line method over the finite expected useful lives of assets as follows:

Intellectual property rights	10 years
IT software	5 years
Process development	5 years

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs of disposal.

### Fixed assets

Technical equipment and machinery, other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation. Assets are depreciated by the straight-line method over the expected useful lives of assets as follows:

Technical equipment and machinery	10 - 20 years
Operating equipment, fixtures and fittings, tools and equipment	3 years
Leasehold improvements in the lease period	9 - 15 years

### Leases

Leases related to tangible assets of which the Company assumes all material risks and rewards of ownership (finance leases) are measured in the statement of financial position as assets. On initial recognition, the assets are valued at computed cost equal to fair value. Assets held under finance leases are depreciated as other similar tangible assets.

The capitalised remaining lease obligation is recognised in the statement of financial position as a debt and the interest on the lease obligation is charged to the income statement.

### Receivables

Receivables are measured at amortised cost which usually equals nominal value. Provisions made for bad debts reduce the value.

### Inventories

Inventories are measured at cost using the first-in, first-out (FIFO) formula. Where net realisable value is lower than cost, inventories are written down to the lower value.

Cost of goods for resale as well as raw materials and consumables comprises the acquisition price plus landed costs and indirect production costs.

### Work-in-progress

Work-in-progress is measured at sales value of the work carried out. The sales value is measured on the basis of the level of completion on the balance sheet date and the total expected income from the individual work-in-progress.

If the sales value cannot be calculated reliably, the sales value is measured at expenses incurred or net realisation value, if lower.

The individual work-in-progress is recognised in the statement of financial position under receivables or debt depending on the net value of the sales price with deduction of invoicing on account and prepayments.

**Exit bonus programme costs**

Costs related to Management exit bonus programme are not recognized as this is optional according to Danish Financial Statements Act. Costs are fully recognized in ultimate parent company, CMC Biologics S.à

**Prepayments**

Prepayments comprise incurred expenses related to the following financial year.

**Liabilities other than provisions**

Debt to credit institutes is measured at amortised cost including transaction cost.

**Foreign currency translation**

Transactions denominated in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising between the rate on the date of transaction and the rate on the payment day are recognised in the income statement as financial income or expenses.

Receivables, debt and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated by applying the exchange rates at the balance sheet date. Differences arising between the rate at the balance sheet date and the rate at the date of the arising of the receivable or debt are recognised in the income statement under financial income and expenses.

Fixed assets purchased in foreign currencies are measured at the rate of the date of transaction.

**Statement of cash flow**

In accordance with section 86 subsection 4 in the Danish Financial Statements Act information regarding the cash flow statement is not disclosed other than in the consolidated financial statements.

**Financial highlights**

Explanation of financial ratios

$$\text{Return on assets} = \frac{\text{Operating profit} \times 100}{\text{Average assets}}$$

$$\text{Average assets} = \frac{\text{Total assets, year 0} - \text{Total assets, year -1}}{2}$$

$$\text{Equity ratio} = \frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$