Gubra ApS

Hørsholm Kongevej 11 B, DK-2970 Hørsholm

Annual Report for 1 January - 31 December 2019

CVR No 30 51 40 41

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 14/5 2020

Jan K. Villadsen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Gubra ApS for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations and cash flows for 2019.

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

Hørsholm, 14 May 2020

Executive Board

Henrik Blou
CEO

Board of Directors

Niels Vrang Chairman	Jacob Jelsing Vice Chairman	Steffen Theodor Petersen

Independent Auditor's Report

To the Shareholders of Gubra ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Gubra ApS for the financial year 1 January - 31 December 2019, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

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 misstate-

ment, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

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, 14 May 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen State Authorised Public Accountants mne18651	Michael Krath State Authorised Public Accountants mne34155

Company Information

The Company	Gubra ApS Hørsholm Kongevej 11 B DK-2970 Hørsholm CVR No: 30 51 40 41 Financial period: 1 January - 31 December Incorporated: 9 October 2008 Financial year: 11st financial year Municipality of reg. office: Hørsholm
Board of Directors	Niels Vrang , Chairman Jacob Jelsing , Vice Chairman Steffen Theodor Petersen
Executive Board	Henrik Blou, CEO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød
Banks	Sydbank Kongens Nytorv 30, 1050 København V Lægernes Bank Dirch Passers Allé 76, 2000 Frederiksberg

Financial Highlights

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

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	149.095	106.276	77.677	52.656	32.734
Profit/loss before financial income and expenses	37.586	22.129	19.376	10.915	4.658
Net financials	-2.688	-1.641	-1.327	-1.644	-663
Net profit/loss for the year	27.773	16.401	14.061	7.263	2.954
Balance sheet					
Balance sheet total	170.084	130.173	106.490	76.230	67.626
Equity	69.631	47.138	35.163	21.733	14.683
Cash flows					
Cash flows from:					
- operating activities	37.394	-2.497	37.580	11.772	0
- investing activities	-23.674	-12.060	-65.422	-10.354	0
- financing activities	-247	9.910	59.421	2.568	0
Change in cash and cash equivalents for the year	13.473	-4.646	31.579	3.986	0
Number of employees	165	130	87	63	45
Ratios					
Return on assets	22,1%	17,0%	18,2%	14,3%	6,9%
Solvency ratio	40,9%	36,2%	33,0%	28,5%	21,7%
Return on equity	47,6%	39,9%	49,4%	39,9%	22,4%

For definitions of ratios, see under accounting policies.

Management's Review

Key activities

In 2019 the Company continued its hybrid business model combining research services to the biotech and pharma industry with proprietary research programs and collaboration programs

Development in the year

The income statement of the Company for 2019 shows a profit of DKK 27,772,986, and at 31 December 2019 the balance sheet of the Company shows equity of DKK 69,630,915.

Development of activities and financial matters

In DKK	2019	2018	Change	In %
Gross Profit	149.094.922	106.276.334	42.818.588	40%
Profit before Financial Expenses	37.585.719	22.129.167	15.456.552	70%
Profit before Tax	34.897.527	20.488.054	14.409.473	70%
Cash and Cash Equivalents	40.406.271	27.383.702	13.022.569	48%

As shown in the above table the gross profit was DKK 149.094.922 against DKK 106.276.334 in 2018.

Profits before tax was DKK 34.897.527 compared to DKK 20.488.054 the year before. Cash and cash equiavalents were DKK 40.406.271 compared to DKK 27.383.702 the year before. The Executive Management consider the results satisfactory.

The positive development for the year is a result of growth in the contract research business combined with successful achievements of milestones in our collaborations.

Financial risks

The majority of the revenue of Gubra is denominated in foreign currency. The associated risk of currency fluctuations is mitigated through contracting in low volatility currencies such as EUR.
Financial risks, including risks related to interest rate and currency fluctuations, availability of financing opportunities and cash flow forecasting accuracy, are managed and regularly assessed by the Company's Executive Management.

Management's Review

Operating risks

Proprietary research programs are inherently associated with risk. To mitigate this Gubra is continuing its strategy to launch such programs in collaboration with partners. Gubra constantly monitors, supervises and assesses the overall risk involved in conducting niche research services to the biotech and pharmaceutical industry and the overall risk when entering into research collaborations with partners from the pharmaceutical industry or from the public sector. This includes frequent risk assessment of all the company's proprietary projects by the Executive Management together with the responsible group leaders, project managers and internal experts.

Market risks

The general trend of the biotech and pharma industry is towards a higher degree of outsourcing meaning the underlying research service market is growing. However, a general economic slowdown and a subsequent reduction in global GDP growth as a result of the outbreak of coronavirus may adversely impact the business of Gubra. First and foremost the biotech segment could be exposed, but also the big pharma segment could be affected resulting in a slower growth rate or even a contraction of the market.

Current incentive programme

The company's current share programme concerns the possibility to acquire shares free of charge of up to 4,5 % of the current share capital until the year 2022. The acquisition can be up to 1/3 per year. We refer to note 2 to the Annual Report for further information.

Intellectual capital resources

Gubra is depending on highly skilled employees across a wide range of functions. Gubra is constantly aiming at being able to attract, develop and retain highly knowledgeable people and to be a company, where employees will thrive, regardless of their background or nationality.

Statutory statement of corporate social responsibility

It has been decided by the Board of Gubra to donate 10% of the Company's profits before tax to climate/ biodiversity activities starting with the profits from the year 2018. On top of that it has been decided to match all expenses on flights 1-to-1 for carbon offset activities (i.e. 1 DKK spend on flights generate 1 DKK to carbon offset activities) starting with the year 2019

Donations to climate/biodiversity activities in 2019 amounted to DKK 1.149.998 which is specified in Note 4 to the Annual Report as Other Operating Expenses. In 2018 donations to climate/biodiversity activities amounted to DKK 271.543.

The total remaining pool for climate/biodiversity/carbon offsetting activities primo 2020 amounts to DKK 4.567.015, which can be calculated as follows:10% of 2018 pretax profits (DKK 2.048.805) plus 10% of 2019 pretax profits (DKK 3.489.753) plus 1-to-1 flight matching 2019 (DKK 449.998) deducted by the accumulated donations in 2018 and 2019 (DKK 1.421.541).

Further detailing of these initiatives can be found in the Company CSR report and on www.gubra.dk.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Subsequent events

The outbreak in early 2020 of the coronavirus pandemic is very likely to lead to a general economic slowdown and a reduction in global GDP growth or a recession, which may have an adverse impact on the financial results of Gubra in 2020.

As part of our climate/biodiversity initiatives it is the intention to convert the acquired farmland over the coming years into a mossaic of forrests, meadows and small plots of organic farming. The acquisition will in 2020 be partly financed through a mortgage loan

As of January 1, 2020 Gubra has acquired 76 acres of farmland on the island of Langeland. It is the intention to convert the acquired farmland over the coming years into a mossaic of forrests, meadows and small plots of organic farming.

No further events have occurred subsequent to the balance sheet date, which would have a material impact on the financial position of Gubra.

2020 Outlook

A general economic slowdown or recession due to the outbreak of the coronavirus pandemic could negatively impact the worldwide demand for preclinical research services. However, it is difficult to predict the impact on specialty niche service providers like Gubra. Currently the management expects 2020 to be a year with profits that are in line with or lower than 2019.

Income Statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Gross profit/loss		**149.094.922**	**106.276.334**
Staff expenses	2	-101.412.998	-76.898.722
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-8.946.207	-6.976.902
Other operating expenses	4	-1.149.998	-271.543
Profit/loss before financial income and expenses		**37.585.719**	**22.129.167**
Financial income	5	96.113	187.993
Financial expenses	6	-2.784.305	-1.829.106
Profit/loss before tax		**34.897.527**	**20.488.054**
Tax on profit/loss for the year	7	-7.124.541	-4.087.031
Net profit/loss for the year		**27.772.986**	**16.401.023**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	1.326.320
Retained earnings	27.772.986	15.074.703
	27.772.986	**16.401.023**

Balance Sheet 31 December

Assets

	Note	2019	2018
		DKK	DKK
Acquired licenses		191.476	241.426
Intangible assets	8	**191.476**	**241.426**
Land and buildings		46.024.497	46.901.796
Other fixtures and fittings, tools and equipment		21.851.786	18.289.458
Leasehold improvements		0	0
Prepayments for property, plant and equipment		12.090.760	0
Property, plant and equipment	9	**79.967.043**	**65.191.254**
Deposits		233.544	227.848
Fixed asset investments	10	**233.544**	**227.848**
Fixed assets		**80.392.063**	**65.660.528**
Trade receivables		43.495.032	32.824.767
Contract work in progress	11	2.694.368	3.289.475
Other receivables		217.774	186.746
Corporation tax		2.089.587	232.910
Prepayments	12	552.925	595.299
Receivables		**49.049.686**	**37.129.197**
Cash at bank and in hand		**40.642.388**	**27.383.702**
Currents assets		**89.692.074**	**64.512.899**
Assets		**170.084.137**	**130.173.427**

Balance Sheet 31 December

Liabilities and equity

	Note	2019	2018
		DKK	DKK
Share capital		132.632	132.632
Retained earnings		69.498.283	45.679.274
Proposed dividend for the year		0	1.326.320
Equity		**69.630.915**	**47.138.226**
Provision for deferred tax	14	1.249.193	567.066
Provisions		**1.249.193**	**567.066**
Mortgage loans		39.528.151	37.887.453
Lease obligations		10.788.657	9.698.608
Other payables		3.219.307	0
Long-term debt	15	**53.536.115**	**47.586.061**
Mortgage loans	15	1.945.353	1.859.535
Credit institutions		236.116	450.849
Lease obligations	15	5.425.327	3.209.748
Trade payables		3.536.023	4.810.070
Contract work in progress, liabilities	11	22.265.274	13.041.197
Other payables	15	8.770.779	8.803.296
Deferred income	16	3.489.042	2.707.379
Short-term debt		**45.667.914**	**34.882.074**
Debt		**99.204.029**	**82.468.135**
Liabilities and equity		**170.084.137**	**130.173.427**
Subsequent events	1		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	19		
Accounting Policies	20		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	132.632	45.679.274	1.326.320	47.138.226
Ordinary dividend paid	0	0	-1.326.320	-1.326.320
Ordinary dividend on treasury shares	0	13.500	0	13.500
Purchase of treasury shares	0	-3.967.477	0	-3.967.477
Net profit/loss for the year	0	27.772.986	0	27.772.986
Equity at 31 December	**132.632**	**69.498.283**	**0**	**69.630.915**

In the financial year 2019 the company has acquired nom. 4.018 treasury shares for DKK 3.967.477 (corresponding to 3,03% of the total contributed capital).

The company holds per 31 December 2019 nom. 2.555 treasury shares corresponding to 1,93 % of the total contributed capital.

Treasury shares are acquired in connection with an employee incentive programme.

Cash Flow Statement 1 January - 31 December

	Note	2019	2018
		DKK	DKK
Net profit/loss for the year		27.772.986	16.401.023
Adjustments	17	18.758.940	12.705.046
Change in working capital	18	1.848.977	-27.276.275
Cash flows from operating activities before financial income and expenses		**48.380.903**	**1.829.794**
Financial income		96.113	187.993
Financial expenses		-2.784.305	-1.784.774
Cash flows from ordinary activities		**45.692.711**	**233.013**
Corporation tax paid		-8.299.091	-2.730.260
Cash flows from operating activities		**37.393.620**	**-2.497.247**
Purchase of intangible assets		0	-249.751
Purchase of property, plant and equipment		-23.673.685	-11.809.769
Cash flows from investing activities		**-23.673.685**	**-12.059.520**
Repayment of mortgage loans		-224.859	-12.009.746
Raising of long-term debts		5.258.640	26.345.606
Purchase of treasury shares		-3.967.477	-3.372.882
Other equity entries		13.500	0
Dividend paid		-1.326.320	-1.052.635
Cash flows from financing activities		**-246.516**	**9.910.343**
Change in cash and cash equivalents		**13.473.419**	**-4.646.424**
Cash and cash equivalents at 1 January		26.932.853	31.579.277
Cash and cash equivalents at 31 December		**40.406.272**	**26.932.853**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		40.642.388	27.383.702
Short-term bank debts		-236.116	-450.849
Cash and cash equivalents at 31 December		**40.406.272**	**26.932.853**

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to ”close down their countries” will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

The Company’s customers have indicated that they will continue projects in progress, but there is still a risk that COVID-19 will have negative impacts on the Company’s revenue and earnings in 2020. Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020. Naturally, Management will make an effort to recapture any lost revenue later in the year.

At this time, it is not possible to calculate the size of the negative COVID-19 impact.

2 Staff expenses

	2019	2018
	DKK	DKK
Wages and salaries	87.678.440	66.154.924
Pensions	10.856.500	8.453.836
Other social security expenses	1.247.050	1.029.169
Other staff expenses	1.631.008	1.260.793
	101.412.998	**76.898.722**
Average number of employees	**165**	**130**

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

The company's current share programme concerns the possibility to acquire shares free of charge up to 4,5 % of the current share capital until the year 2022. The acquisition can be up to 1/3 per year. In the period up to 2022, a maximum of 5.967 shares can be received free of charge.

It is a precondition for receiving the shares, that the employees in question are employed at the times of the granting of shares.

Notes to the Financial Statements

		2019	2018
		DKK	DKK
3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	49.950	8.325
	Depreciation of property, plant and equipment	8.896.257	6.968.577
		8.946.207	**6.976.902**
4	**Other operating expenses**		
	Fulgeværnsfonden, a biodiversity project	100.000	80.000
	The Kasigau Corridor (Kenya) biodiversity project	449.998	191.543
	350 The Climate Movement	100.000	0
	The "Danmark planter træer" forestation project	500.000	0
		1.149.998	**271.543**
5	**Financial income**		
	Other financial income	0	599
	Exchange gains	96.113	187.394
		96.113	**187.993**
6	**Financial expenses**		
	Other financial expenses	2.784.305	1.829.106
		2.784.305	**1.829.106**
7	**Tax on profit/loss for the year**		
	Current tax for the year	6.442.414	3.819.112
	Deferred tax for the year	682.127	267.919
		7.124.541	**4.087.031**

Notes to the Financial Statements

8 Intangible assets

	Acquired licenses
	DKK
Cost at 1 January	249.751
Cost at 31 December	249.751
Impairment losses and amortisation at 1 January	8.325
Amortisation for the year	49.950
Impairment losses and amortisation at 31 December	58.275
Carrying amount at 31 December	**191.476**

9 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments for property, plant and equipment	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	52.596.688	33.795.138	441.153	0	86.832.979
Additions for the year	1.671.748	9.909.538	0	12.090.760	23.672.046
Cost at 31 December	54.268.436	43.704.676	441.153	12.090.760	110.505.025
Impairment losses and depreciation at 1 January	5.694.892	15.505.680	441.153	0	21.641.725
Depreciation for the year	2.549.047	6.347.210	0	0	8.896.257
Impairment losses and depreciation at 31 December	8.243.939	21.852.890	441.153	0	30.537.982
Carrying amount at 31 December	**46.024.497**	**21.851.786**	**0**	**12.090.760**	**79.967.043**
Including assets under finance leases amounting to	0	14.885.101	0	0	14.885.101

Notes to the Financial Statements

10 Fixed asset investments

	Deposits
	DKK
Cost at 1 January	227.848
Additions for the year	5.696
Cost at 31 December	233.544
Carrying amount at 31 December	**233.544**

11 Contract work in progress

	2019	2018
	DKK	DKK
Selling price of work in progress	59.500.092	51.318.247
Payments received on account	-79.070.998	-61.069.967
	-19.570.906	**-9.751.720**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	2.694.368	3.289.475
Prepayments received recognised in debt	-22.265.274	-13.041.197
	-19.570.906	**-9.751.722**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

13 Distribution of profit

	2019	2018
	DKK	DKK
Proposed dividend for the year	0	1.326.320
Retained earnings	27.772.986	15.074.703
	27.772.986	**16.401.023**

Notes to the Financial Statements

14 Provision for deferred tax

	2019	2018
	DKK	DKK
Provision for deferred tax at 1 January	567.066	620.794
Amounts recognised in the income statement for the year	682.127	267.919
Amounts recognised in the income statement previous year	0	-321.647
Provision for deferred tax at 31 December	**1.249.193**	**567.066**

15 Long-term debt

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:

	2019	2018
	DKK	DKK
Mortgage loans		
After 5 years	31.603.290	30.109.467
Between 1 and 5 years	7.924.861	7.777.986
Long-term part	39.528.151	37.887.453
Within 1 year	1.945.353	1.859.535
	41.473.504	**39.746.988**
Lease obligations		
Between 1 and 5 years	10.788.657	9.698.608
Long-term part	10.788.657	9.698.608
Within 1 year	5.425.327	3.209.748
	16.213.984	**12.908.356**
Other payables		
Between 1 and 5 years	3.219.307	0
Long-term part	3.219.307	0
Other short-term payables	8.770.779	8.803.296
	11.990.086	**8.803.296**

Notes to the Financial Statements

16 Deferred income

Deferred income is prepayments granted from The Innovation Fund Denmark which offers co-financing projects focussing is on researh, technology, experimental development etc.

	2019	2018
	DKK	DKK

17 Cash flow statement - adjustments

Financial income	-96.113	-187.993
Financial expenses	2.784.305	1.829.106
Depreciation, amortisation and impairment losses, including losses and gains on sales	8.946.207	6.976.902
Tax on profit/loss for the year	7.124.541	4.087.031
	18.758.940	**12.705.046**

18 Cash flow statement - change in working capital

Change in receivables	-10.069.506	-22.563.011
Change in trade payables, etc	11.918.483	-4.713.264
	1.848.977	**-27.276.275**

Notes to the Financial Statements

19 Contingent assets, liabilities and other financial obligations

	2019	2018
	DKK	DKK

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	2019	2018
Land and buildings, carrying amount at December	46.024.497	46.901.796

The following assets have been placed as security with a letter of indeminity in company assets representing a nominal value of DKK 6.000.000.:

	2019	2018
Other fixtures and fittings, tools and equipment	21.851.788	18.289.458
Trade receivables	43.495.032	32.824.767

Rental and lease obligations

Lease obligations under finansial leases. Total future lease payments:

	2019	2018
Within 1 year	5.425.327	3.209.748
Between 1 and 5 years	10.788.657	9.698.608
	16.213.984	**12.908.356**

Lease obligations under operating leases. Total future lease payments

	2019	2018
Total Future lease payments	215.268	438.365
Lease obligations, period of non-terminability 6 months	422.365	422.365

Other contingent liabilities

There are no further security and contingent liabilitites at 31 December 2019.

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Gubra ApS for 2019 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 2019 are presented in DKK.

Recognition and measurement

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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

20 Accounting Policies (continued)

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

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.

Contract work in progress (construction contracts) concerning pre-clinical contract research services is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

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 intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise items of a secondary nature to the main activities of the CompanyCorporate Social Responsibility.

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

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Notes to the Financial Statements

20 Accounting Policies (continued)

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 recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised 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:

Buildings	10-50 years
Other fixtures and fittings, tools and equipment	5-10 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

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 amortisation and depreciation.

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

Fixed asset investments

Fixed asset investments consist of deposit.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning the next financial year.

Equity

Own shares proceeds on the purchase and sale of own shares and dividend from such shares are recognised in 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.

Deferred tax assets are measured at the value at which the asset is expected to be realised, 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 crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the de-

Notes to the Financial Statements

20 Accounting Policies (continued)

ferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised 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 recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans, 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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, amortisation and impairment losses, and provisions. 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 intangible as-

Notes to the Financial Statements

20 Accounting Policies (continued)

sets, 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” and ”Overdraft facilities”.

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$