Gubra ApS

Hørsholm Kongevej 11 B, DK-2970 Hørsholm

Annual Report for 1 January - 31 December 2021

CVR No 30 51 40 41

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 23/5 2022

Thomas Holst Laursen
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 2021.

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 2021 of the Company and of the results of the Company operations and cash flows for 2021.

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

Hørsholm, 23 May 2022

Executive Board

Henrik Blou
CEO

Board of Directors

Niels Vrang Chairman	Jacob Jelsing Vice Chairman	Steffen Theodor Petersen
Alexander Thomas Martensen-Larsen		

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 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 2021, 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 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 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, 23 May 2022
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: 13rd financial year Municipality of reg. office: Hørsholm
Board of Directors	Niels Vrang , Chairman Jacob Jelsing , Vice Chairman Steffen Theodor Petersen Alexander Thomas Martensen-Larsen
Executive Board	Henrik Blou, CEO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød
Banks	Sydbank Kongens Nytorv 30, 1050 København V

Financial Highlights

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

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	224.024	134.886	152.422	106.276	77.677
Profit/loss before financial income and expenses	105.024	22.524	37.586	22.129	19.376
Net financials	-1.575	-2.184	-2.688	-1.641	-1.327
Net profit/loss for the year	83.653	19.953	27.773	16.401	14.061
Balance sheet					
Balance sheet total	298.511	194.052	170.084	130.173	106.490
Equity	162.587	86.295	69.631	47.138	35.163
Cash flows					
Cash flows from:					
- operating activities	86.400	35.134	37.394	-2.497	37.580
- investing activities	-24.335	-6.058	-23.674	-12.060	-65.422
- financing activities	-13.378	-2.384	-247	9.910	59.421
Change in cash and cash equivalents for the year	48.686	26.693	13.473	-4.647	31.579
Number of employees	151	157	165	130	87
Ratios					
Return on assets	35,2%	11,6%	22,1%	17,0%	18,2%
Solvency ratio	54,5%	44,5%	40,9%	36,2%	33,0%
Return on equity	67,2%	25,6%	47,6%	39,9%	49,4%

For definitions of ratios, see under accounting policies.

Management's Review

Key activities

In 2021 Gubra continued its hybrid business model combining research services to the biotech and pharma industry with proprietary research and collaboration programs.

Development in the year

The gross profit was DKK 224.024.071 against DKK 134.886.095 in 2020. Profits before tax was DKK 103.449.224 compared to DKK 20.339.680 the year before. Cash and cash equivalents were DKK 115.785.409 compared to DKK 67.099.010 the year before. The Company's Executive Management consider the results satisfactory.

The result for the year is a combination of satisfactory development in the contract research business as well as remarkable growth in partnerships/collaborations including milestones reached compared to the previous year.

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.

Operating risks

Proprietary research programs are inherently associated with risk. To mitigate this Gubra continues its strategy to launch such programs in collaboration with experienced partners. Gubra constantly keeps under systematic review the overall risk involved in conducting niche research services to the biotech and pharmaceutical industry and the overall risk when entering research collaborations with partners from the pharmaceutical industry or from the public sector. Frequent risk assessment of all the company's proprietary projects is performed by the Company's Executive Management together with the responsible department managers, project leaders and internal experts and specialists.

Market risks

No known market risks have material impact on the financial position of Gubra.

Financial risk

The main part of Gubra's revenue is denominated in foreign currency. The associated risk of currency fluctuations is mitigated through contracting mostly 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

Current incentive programme

The company's current share programme concerns the possibility to acquire shares free of charge of up to 1% of the current share capital until the year 2022. We refer to Note 2 to the Annual Report for further information.

Statutory statement of Corporate Social Responsibilty

Some years back it was decided by the Board of Gubra to donate 10% of the Company's profits before tax to climate/biodiversity activities. Furthermore all expenses on flights were decided to be matched 1-to-1 for carbon offset activities (i.e. 1 DKK spend on flights generate 1 DKK to carbon offset activities).

The pool for climate/biodiversity/carbon offsetting activities had an opening balance in 2021 of DKK 5,1 million. Expenses over the year have gone to various sponsorships and donations. At year end the pool increased by DKK 10,6 million from the 2021 profits before tax and from flight matching leaving a closing balance of DKK 13,1 million to be spent over the coming years. Up to DKK 1,1 million has already been reserved for various donations in 2022.

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

Subsequent events

As of Jan 10, 2022 Gubra has entered into a new partnership. A research collaboration agreement with Silence Therapeutics PLC concerning the develop of RNAi therapies against novel liver-directed targets.

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

2022 Outlook

The Company's Executive Management is optimistic about 2022 and expects the year to show satisfying results in both turnover and profits based on further positive development in the service business as well as in the partnership collaborations. It is expected that revenue in 2022 from milestones will be less compared to 2021.

Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Gross profit/loss		**224.024.071**	**134.886.095**
Staff expenses	2	-103.593.318	-100.636.117
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-9.762.995	-9.320.985
Other operating expenses	4	-5.643.995	-2.405.428
Profit/loss before financial income and expenses		**105.023.763**	**22.523.565**
Financial income	5	368.577	56.606
Financial expenses	6	-1.943.116	-2.240.491
Profit/loss before tax		**103.449.224**	**20.339.680**
Tax on profit/loss for the year	7	-19.796.436	-386.430
Net profit/loss for the year		**83.652.788**	**19.953.250**

Balance Sheet 31 December

Assets

	Note	2021	2020
		DKK	DKK
Acquired licenses		91.576	141.526
Intangible assets	8	**91.576**	**141.526**
Land and buildings		73.609.776	58.144.631
Other fixtures and fittings, tools and equipment		17.707.436	18.556.801
Leasehold improvements		0	0
Property, plant and equipment	9	**91.317.212**	**76.701.432**
Deposits		239.529	233.544
Fixed asset investments	10	**239.529**	**233.544**
Fixed assets		**91.648.317**	**77.076.502**
Trade receivables		83.975.104	41.269.947
Contract work in progress	11	4.888.349	5.563.585
Other receivables		722.652	0
Corporation tax		781.481	2.310.256
Prepayments	12	709.272	732.389
Receivables		**91.076.858**	**49.876.177**
Cash at bank and in hand		**115.785.409**	**67.099.010**
Currents assets		**206.862.267**	**116.975.187**
Assets		**298.510.584**	**194.051.689**

Balance Sheet 31 December

Liabilities and equity

	Note	2021	2020
		DKK	DKK
Share capital		132.632	132.632
Retained earnings		96.138.115	79.531.266
Proposed dividend for the year		66.316.000	6.631.600
Equity		**162.586.747**	**86.295.498**
Provision for deferred tax	14	1.213.795	945.879
Provisions		**1.213.795**	**945.879**
Mortgage loans		42.295.411	44.456.544
Lease obligations		3.605.162	7.220.196
Long-term debt	15	**45.900.573**	**51.676.740**
Mortgage loans	15	2.161.133	2.143.370
Lease obligations	15	4.379.999	4.724.975
Trade payables		5.376.576	4.470.288
Contract work in progress, liabilities	11	67.573.500	19.408.051
Other payables		6.760.352	21.784.985
Deferred income	16	2.557.909	2.601.903
Short-term debt		**88.809.469**	**55.133.572**
Debt		**134.710.042**	**106.810.312**
Liabilities and equity		**298.510.584**	**194.051.689**

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	79.531.266	6.631.600	86.295.498
Ordinary dividend paid	0	0	-6.631.600	-6.631.600
Purchase of treasury shares	0	-729.939	0	-729.939
Net profit/loss for the year	0	17.336.788	66.316.000	83.652.788
Equity at 31 December	**132.632**	**96.138.115**	**66.316.000**	**162.586.747**

In the financial year 2021 the company has acquired nom. 660 treasury shares for DKK 729.939 (corresponding to 0,49 % of the total contributed capital).

The company holds per 31 December 2021 nom. 513 treasury shares corresponding to 0,39 % of the total contributed capital.

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

Cash Flow Statement 1 January - 31 December

	Note	2021	2020
		DKK	DKK
Net profit/loss for the year		83.652.788	19.953.250
Adjustments	17	31.133.970	11.943.554
Change in working capital	18	-8.812.847	6.331.674
Cash flows from operating activities before financial income and expenses		**105.973.911**	**38.228.478**
Financial income		368.577	56.607
Financial expenses		-1.943.118	-2.240.489
Cash flows from ordinary activities		**104.399.370**	**36.044.596**
Corporation tax paid		-17.999.745	-910.413
Cash flows from operating activities		**86.399.625**	**35.134.183**
Purchase of property, plant and equipment		-24.328.824	-6.057.678
Deposits		-5.985	0
Cash flows from investing activities		**-24.334.809**	**-6.057.678**
Repayment of mortgage loans		-2.143.370	-2.073.590
Repayment of loans from credit institutions		86.502	47.303
Reduction of lease obligations		-3.960.010	-4.268.813
Raising of mortgage loans		0	7.200.000
Purchase of treasury shares		-729.939	-3.288.667
Dividend paid		-6.631.600	0
Cash flows from financing activities		**-13.378.417**	**-2.383.767**
Change in cash and cash equivalents		**48.686.399**	**26.692.738**
Cash and cash equivalents at 1 January		67.099.010	40.406.272
Cash and cash equivalents at 31 December		**115.785.409**	**67.099.010**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		115.785.409	67.099.010
Cash and cash equivalents at 31 December		**115.785.409**	**67.099.010**

Notes to the Financial Statements

1 Subsequent events

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

2 Staff expenses

	2021	2020
	DKK	DKK
Wages and salaries	88.169.910	86.095.931
Pensions	11.432.098	11.402.069
Other social security expenses	1.040.943	1.190.649
Other staff expenses	2.950.367	1.947.468
	103.593.318	**100.636.117**
Average number of employees	**151**	**157**

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 provides the possibility for employees to acquire shares free of charge up to 1% of the current share capital until the year 2022. In the period up to 2022, a maximum of 1.326 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

		2021	2020
		DKK	DKK
3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	49.950	49.950
	Depreciation of property, plant and equipment	9.713.045	9.271.035
		9.762.995	**9.320.985**
4	**Other operating expenses**		
	CSR expenses	2.388.908	1.872.464
	Langeland expenses	2.905.228	480.710
	Loss on sale of fixed assets	0	52.254
	Other expenses	349.859	0
		5.643.995	**2.405.428**
5	**Financial income**		
	Other financial income	5.788	2.090
	Exchange gains	362.789	54.516
		368.577	**56.606**
6	**Financial expenses**		
	Other financial expenses	1.738.432	1.486.640
	Exchange losses	204.684	753.851
		1.943.116	**2.240.491**
7	**Tax on profit/loss for the year**		
	Current tax for the year	19.528.520	689.744
	Deferred tax for the year	267.916	-303.314
		19.796.436	**386.430**

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	108.225
Amortisation for the year	49.950
Impairment losses and amortisation at 31 December	158.175
Carrying amount at 31 December	**91.576**

9 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	69.165.298	43.472.577	441.153	113.079.028
Additions for the year	18.329.064	5.999.760	0	24.328.824
Cost at 31 December	87.494.362	49.472.337	441.153	137.407.852
Impairment losses and depreciation at 1 January	11.020.667	24.915.775	441.153	36.377.595
Depreciation for the year	2.863.919	6.849.126	0	9.713.045
Impairment losses and depreciation at 31 December	13.884.586	31.764.901	441.153	46.090.640
Carrying amount at 31 December	**73.609.776**	**17.707.436**	**0**	**91.317.212**
Including assets under finance leases amounting to	0	6.701.581	0	6.701.581

Notes to the Financial Statements

10 Fixed asset investments

	Deposits
	DKK
Cost at 1 January	233.544
Additions for the year	5.985
Cost at 31 December	239.529
Carrying amount at 31 December	**239.529**

	2021	2020
	DKK	DKK

11 Contract work in progress

	2021	2020
Selling price of work in progress	71.696.359	73.173.421
Payments received on account	-134.381.510	-87.017.889
	-62.685.151	**-13.844.468**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	4.888.349	5.563.585
Prepayments received recognised in debt	-67.573.500	-19.408.051
	-62.685.151	**-13.844.466**

12 Prepayments

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

	2021	2020
	DKK	DKK

13 Distribution of profit

	2021	2020
Proposed dividend for the year	66.316.000	6.631.600
Retained earnings	17.336.788	13.321.650
	83.652.788	**19.953.250**

Notes to the Financial Statements

14 Provision for deferred tax

	2021	2020
	DKK	DKK
Provision for deferred tax at 1 January	945.879	1.249.193
Amounts recognised in the income statement for the year	267.916	-303.314
Provision for deferred tax at 31 December	**1.213.795**	**945.879**

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:

	2021	2020
	DKK	DKK
Mortgage loans		
After 5 years	33.469.844	35.703.736
Between 1 and 5 years	8.825.567	8.752.808
Long-term part	42.295.411	44.456.544
Within 1 year	2.161.133	2.143.370
	44.456.544	**46.599.914**
Lease obligations		
Between 1 and 5 years	3.605.162	7.220.196
Long-term part	3.605.162	7.220.196
Within 1 year	4.379.999	4.724.975
	7.985.161	**11.945.171**

16 Deferred income

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

Notes to the Financial Statements

		2021	2020
		DKK	DKK
17	**Cash flow statement - adjustments**		
	Financial income	-368.577	-56.606
	Financial expenses	1.943.116	2.240.491
	Depreciation, amortisation and impairment losses, including losses and gains on sales	9.762.995	9.373.239
	Tax on profit/loss for the year	19.796.436	386.430
		31.133.970	**11.943.554**

		2021	2020
18	**Cash flow statement - change in working capital**		
	Change in receivables	-42.729.456	-605.824
	Change in trade payables, etc	33.916.609	6.937.498
		-8.812.847	**6.331.674**

Notes to the Financial Statements

	2021	2020
	DKK	DKK

19 Contingent assets, liabilities and other financial obligations

Charges and security

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

Land and buildings, carrying amount	73.609.776	58.144.631

The following assets have been placed as security for lease obligations:

	6.701.581	10.645.094

The following assets have been placed as security with a corporate mortgage in company assets representing a nominal value of DKK 6.000.000:

Other fixtures and fittings, tools and equipment	17.707.436	18.556.801
Trade receivables	83.975.104	41.269.947

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments

Total Future lease payments	113.478	328.413
Lease obligations, period of non-terminability 6 months	438.588	431.618

Other contingent liabilities

There are no further security and contingent liabilitites at 31 December 2021.

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Gubra ApS for 2021 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 2021 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, other operating income, 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 Company Corporate 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.

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

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