
Gubra ApS

Hørsholm Kongevej 11 B, DK-2970 Hørsholm

Annual Report for 1 January - 31 December 2020

CVR No 30 51 40 41

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
11/5 2021

Sara Jordal Gorell Dujardin
Chairman of the General
Meeting



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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 2020.

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 2020 of the Company and of the results of the Company operations and cash flows for 2020.

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

Hørsholm, 11 May 2021

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 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 2020, 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-

Independent Auditor's Report

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

Independent Auditor's Report

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, 11 May 2021

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: 12nd 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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	134.886	152.422	106.276	77.677	52.656
Profit/loss before financial income and expenses	22.524	37.586	22.129	19.376	10.915
Net financials	-2.184	-2.688	-1.641	-1.327	-1.644
Net profit/loss for the year	19.953	27.773	16.401	14.061	7.263
Balance sheet					
Balance sheet total	194.052	170.084	130.173	106.490	76.230
Equity	86.295	69.631	47.138	35.163	21.733
Cash flows					
Cash flows from:					
- operating activities	35.134	37.394	-2.497	37.580	11.772
- investing activities	-6.058	-23.674	-12.060	-65.422	-10.354
- financing activities	-2.384	-247	9.910	59.421	2.568
Change in cash and cash equivalents for the year	26.693	13.473	-4.647	31.579	3.986
Number of employees	157	165	130	87	63
Ratios					
Return on assets	11,6%	22,1%	17,0%	18,2%	14,3%
Solvency ratio	44,5%	40,9%	36,2%	33,0%	28,5%
Return on equity	25,6%	47,6%	39,9%	49,4%	39,9%

For definitions of ratios, see under accounting policies.

Management's Review

Key activities

In 2020 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 134.886.095 against DKK 152.421.519 in 2019. Profits before tax was DKK 20.339.680 compared to DKK 34.897.527 the year before. Cash and cash equivalents were DKK 67.099.010 compared to DKK 40.642.388 the year before. The Executive Management consider the results satisfactory.

The result for the year is an effect of satisfactory growth in the contract research business in a year where Gubra received fewer milestone payments from partnership collaborations compared to the previous year.

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 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

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

Financial risk

The main part 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.

Current incentive programme

The company's current share programme concerns the possibility to acquire shares free of charge of up to 3% of the current share capital until the year 2022. We refer to Note 2 to the Annual Report for further information.

Management's Review

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 was previously 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 are 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 2020 of DKK 4,6 million. Expenses over the year have gone to various sponsorships and donations. At year end the pool increased by DKK 2,3 million from the 2020 profits before tax and flight matching leaving a closing balance of DKK 5,1 million to be spent over the coming years. Up to DKK 2 million have already been reserved for various donations in 2021 and 2022.

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

Subsequent events

As of March 1, 2021 Gubra has entered into a new partnership collaboration agreement with Boehringer Ingelheim GmbH concerning the identification of peptides that can be used as novel obesity therapies.

As of April 1, 2021 Gubra has acquired another 22 hectares of farmland on the island of Langeland. It is the intention to incorporate this land into Gubra's existing "Forest and Nature Project Løkkeby".

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

2021 Outlook

The Executive Management is very optimistic about 2021 and expects the year to show record turnover and profits based on further positive development in the service business as well as in the partnership collaborations.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		134.886.095	152.421.519
Staff expenses	2	-100.636.117	-104.739.595
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-9.320.985	-8.946.207
Other operating expenses	4	-2.405.428	-1.149.998
Profit/loss before financial income and expenses		22.523.565	37.585.719
Financial income	5	56.606	397.142
Financial expenses	6	-2.240.491	-3.085.334
Profit/loss before tax		20.339.680	34.897.527
Tax on profit/loss for the year	7	-386.430	-7.124.541
Net profit/loss for the year		19.953.250	27.772.986

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Acquired licenses		141.526	191.476
Intangible assets	8	141.526	191.476
Land and buildings		58.144.631	46.024.497
Other fixtures and fittings, tools and equipment		18.556.801	21.851.786
Leasehold improvements		0	0
Prepayments for property, plant and equipment		0	12.090.760
Property, plant and equipment	9	76.701.432	79.967.043
Deposits		233.544	233.544
Fixed asset investments	10	233.544	233.544
Fixed assets		77.076.502	80.392.063
Trade receivables		41.269.947	43.495.032
Contract work in progress	11	5.563.585	2.694.368
Other receivables		0	217.774
Corporation tax		2.310.256	2.089.587
Prepayments	12	732.389	552.925
Receivables		49.876.177	49.049.686
Cash at bank and in hand		67.099.010	40.642.388
Currents assets		116.975.187	89.692.074
Assets		194.051.689	170.084.137

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		132.632	132.632
Retained earnings		79.531.266	69.498.283
Proposed dividend for the year		6.631.600	0
Equity		86.295.498	69.630.915
Provision for deferred tax	14	945.879	1.249.193
Provisions		945.879	1.249.193
Mortgage loans		44.456.544	39.528.151
Lease obligations		7.220.196	10.788.657
Other payables		0	3.219.307
Long-term debt	15	51.676.740	53.536.115
Mortgage loans	15	2.143.370	1.945.353
Credit institutions		47.303	236.116
Lease obligations	15	4.724.975	5.425.327
Trade payables		4.422.985	3.536.023
Contract work in progress, liabilities	11	19.408.051	22.265.274
Other payables	15	21.784.985	8.770.779
Deferred income	16	2.601.903	3.489.042
Short-term debt		55.133.572	45.667.914
Debt		106.810.312	99.204.029
Liabilities and equity		194.051.689	170.084.137
Subsequent events	1		
Distribution of profit	13		
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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	69.498.283	0	69.630.915
Purchase of treasury shares	0	-3.288.667	0	-3.288.667
Net profit/loss for the year	0	13.321.650	6.631.600	19.953.250
Equity at 31 December	132.632	79.531.266	6.631.600	86.295.498

In the financial year 2020 the company has acquired nom. 2.194 treasury shares for DKK 3.288.667 (corresponding to 1,65 % of the total contributed capital).

The company holds per 31 December 2020 nom. 2.202 treasury shares corresponding to 1,66 % of the total contributed capital.

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

Cash Flow Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Net profit/loss for the year		19.953.250	27.772.986
Adjustments	17	11.943.554	18.758.940
Change in working capital	18	6.331.674	1.848.977
Cash flows from operating activities before financial income and expenses		38.228.478	48.380.903
Financial income		56.607	397.142
Financial expenses		-2.240.489	-3.085.334
Cash flows from ordinary activities		36.044.596	45.692.711
Corporation tax paid		-910.413	-8.299.091
Cash flows from operating activities		35.134.183	37.393.620
Purchase of property, plant and equipment		-6.057.678	-23.673.685
Cash flows from investing activities		-6.057.678	-23.673.685
Repayment of mortgage loans		-2.073.590	-224.859
Repayment of loans from credit institutions		47.303	0
Reduction of lease obligations		-4.268.813	0
Raising of mortgage loans		7.200.000	5.258.640
Purchase of treasury shares		-3.288.667	-3.967.477
Other equity entries		0	13.500
Dividend paid		0	-1.326.320
Cash flows from financing activities		-2.383.767	-246.516
Change in cash and cash equivalents		26.692.738	13.473.419
Cash and cash equivalents at 1 January		40.406.272	26.932.853
Cash and cash equivalents at 31 December		67.099.010	40.406.272
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		67.099.010	40.642.388
Overdraft facility		0	-236.116
Cash and cash equivalents at 31 December		67.099.010	40.406.272

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.

	<u>2020</u> DKK	<u>2019</u> DKK
2 Staff expenses		
Wages and salaries	86.095.931	89.947.050
Pensions	11.402.069	10.856.500
Other social security expenses	1.190.649	1.247.050
Other staff expenses	1.947.468	2.688.995
	<u>100.636.117</u>	<u>104.739.595</u>
Average number of employees	<u>157</u>	<u>165</u>

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 for employees that acquire shares free of charge up to 3 % of the current share capital until the year 2022. The acquisition can be up to 1/2 per year. In the period up to 2022, a maximum of 2.652 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

	2020 DKK	2019 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	9.271.035	8.896.257
	9.320.985	8.946.207
4 Other operating expenses		
CSR expenses	1.872.464	1.149.998
Langeland expenses	480.710	0
Loss on sale of fixed assets	52.254	0
	2.405.428	1.149.998
5 Financial income		
Other financial income	2.090	0
Exchange gains	54.516	397.142
	56.606	397.142
6 Financial expenses		
Other financial expenses	1.486.640	2.784.305
Exchange adjustments, expenses	753.851	301.029
	2.240.491	3.085.334
7 Tax on profit/loss for the year		
Current tax for the year	689.744	6.442.414
Deferred tax for the year	-303.314	682.127
	386.430	7.124.541

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	58.275
Amortisation for the year	49.950
Impairment losses and amortisation at 31 December	108.225
Carrying amount at 31 December	141.526

9 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Prepayments for property, plant and equipment DKK	Total DKK
Cost at 1 January	54.268.436	43.704.685	441.153	12.090.760	110.505.034
Additions for the year	14.896.862	4.184.380	0	0	19.081.242
Disposals for the year	0	-4.416.488	0	-12.090.760	-16.507.248
Cost at 31 December	69.165.298	43.472.577	441.153	0	113.079.028
Impairment losses and depreciation at 1 January	8.243.939	21.852.898	441.153	0	30.537.990
Depreciation for the year	2.776.728	6.494.307	0	0	9.271.035
Impairment and depreciation of sold assets for the year	0	-3.431.429	0	0	-3.431.429
Impairment losses and depreciation at 31 December	11.020.667	24.915.776	441.153	0	36.377.596
Carrying amount at 31 December	58.144.631	18.556.801	0	0	76.701.432
Including assets under finance leases amounting to	0	10.645.094	0	0	10.645.094

Notes to the Financial Statements

10 Fixed asset investments

	Deposits DKK
Cost at 1 January	233.544
Cost at 31 December	233.544
Carrying amount at 31 December	233.544

11 Contract work in progress

	2020 DKK	2019 DKK
Selling price of work in progress	73.173.421	59.500.092
Payments received on account	-87.017.889	-79.070.998
	-13.844.468	-19.570.906
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	5.563.585	2.694.368
Prepayments received recognised in debt	-19.408.051	-22.265.274
	-13.844.466	-19.570.906

12 Prepayments

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

13 Distribution of profit

	2020 DKK	2019 DKK
Proposed dividend for the year	6.631.600	0
Retained earnings	13.321.650	27.772.986
	19.953.250	27.772.986

Notes to the Financial Statements

	2020	2019
	DKK	DKK
14 Provision for deferred tax		
Provision for deferred tax at 1 January	1.249.193	567.066
Amounts recognised in the income statement for the year	<u>-303.314</u>	<u>682.127</u>
Provision for deferred tax at 31 December	<u>945.879</u>	<u>1.249.193</u>

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:

	2020	2019
	DKK	DKK
Mortgage loans		
After 5 years	35.703.736	31.603.290
Between 1 and 5 years	<u>8.752.808</u>	<u>7.924.861</u>
Long-term part	44.456.544	39.528.151
Within 1 year	<u>2.143.370</u>	<u>1.945.353</u>
	<u>46.599.914</u>	<u>41.473.504</u>
Lease obligations		
Between 1 and 5 years	<u>7.220.196</u>	<u>10.788.657</u>
Long-term part	7.220.196	10.788.657
Within 1 year	<u>4.724.975</u>	<u>5.425.327</u>
	<u>11.945.171</u>	<u>16.213.984</u>
Other payables		
Between 1 and 5 years	<u>0</u>	<u>3.219.307</u>
Long-term part	0	3.219.307
Other short-term payables	<u>21.784.985</u>	<u>8.770.779</u>
	<u>21.784.985</u>	<u>11.990.086</u>

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 research, technology, experimental development etc.

	<u>2020</u>	<u>2019</u>
	DKK	DKK
17 Cash flow statement - adjustments		
Financial income	-56.606	-397.142
Financial expenses	2.240.491	3.085.334
Depreciation, amortisation and impairment losses, including losses and gains on sales	9.373.239	8.946.207
Tax on profit/loss for the year	386.430	7.124.541
	<u>11.943.554</u>	<u>18.758.940</u>

18 Cash flow statement - change in working capital

Change in receivables	-605.824	-10.069.506
Change in trade payables, etc	6.937.498	11.918.483
	<u>6.331.674</u>	<u>1.848.977</u>

Notes to the Financial Statements

	<u>2020</u> DKK	<u>2019</u> 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 at December	58.144.631	46.024.497
The following assets have been placed as security with a letter of indemnity in company assets representing a nominal value of DKK 6.000.000:		
Other fixtures and fittings, tools and equipment	18.556.801	21.851.788
Trade receivables	41.269.947	43.495.032
Rental and lease obligations		
Lease obligations under financial leases. Total future lease payments:		
Within 1 year	4.724.975	5.425.327
Between 1 and 5 years	7.220.196	10.788.657
	<u>11.945.171</u>	<u>16.213.984</u>
Lease obligations under operating leases. Total future lease payments		
Total Future lease payments	328.413	215.268
Lease obligations, period of non-terminability 6 months	431.618	422.365
Other contingent liabilities		
There are no further security and contingent liabilities at 31 December 2020.		

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Gubra ApS for 2020 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 2020 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	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$