
Nordic Bioscience A/S

Herlev Hovedgade 205, DK-2730 Herlev

Annual Report for 2023

CVR No. 30 79 99 68

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 27/6 2024

Thomas Nielsen
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 Nordic Bioscience A/S for the financial year 1 January - 31 December 2023.

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

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

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

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

Herlev, 27 June 2024

Executive Board

Morten Asser Karsdal
Manager

Board of Directors

Claus Henrik Christiansen

Bente Juel Christiansen

Thomas Nielsen

Independent Auditor's report

To the shareholders of Nordic Bioscience A/S

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

Hellerup, 27 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob F Christiansen
State-Authorised Public Accountant
mne18628

Kristian Højgaard Carlsen
State Authorised Public Accountant
mne44112

Company information

The Company	Nordic Bioscience A/S Herlev Hovedgade 205 2730 Herlev Telephone: +45 44 52 52 52 Email: info@nordicbio.com CVR No: 30 79 99 68 Financial period: 1 January - 31 December Incorporated: 13 August 2007 Municipality of reg. office: Herlev
Board of Directors	Claus Henrik Christiansen Bente Juel Christiansen Thomas Nielsen
Executive Board	Morten Asser Karsdal
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	236,409	313,570	246,888	252,312	212,800
Profit/loss of primary operations	33,096	139,790	109,579	114,038	94,280
Net financials	9,912	-1,340	-882	-1,553	-5,474
Profit/loss before tax	43,008	138,108	108,354	112,156	95,515
Net profit/loss for the year	33,664	113,234	89,869	93,354	74,292
Balance sheet					
Balance sheet total	291,155	271,867	233,284	262,106	264,472
Investment in property, plant and equipment	9,901	4,934	3,962	7,124	22,044
Equity	61,597	71,667	57,009	113,378	120,093
Number of employees	171	167	150	136	133
Ratios					
Profit margin	14.0%	44.6%	44.4%	45.2%	44.3%
Net margin	36.1%	36.4%	37.0%	34.9%	34.1%
Return on assets	11.4%	51.4%	47.0%	43.5%	35.6%
Return on equity	50.5%	176.0%	105.5%	80.0%	123.7%

The financial highlights from 2019 to 2020 have not been restated as a result of changes in accounting policies on the recognition of development projects and revenue in 2022.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Management's review

Key activities

The object of the Company is to operate within biotechnology and other related businesses, including to own subsidiaries and related investments.

Development in the year

The income statement of the Company for 2023 shows a profit of DKK 33,664,027, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 61,596,655.

Profit/loss for the year in relation to expected developments

The profit/loss for the year was below the outlook expressed in the Annual Report for 2022. The main driver for the performance in 2023 was a shortfall in samples to be measured leading to a lower activity level compared to 2022. Meanwhile the company have increased the R&D efforts on primarily automating manual products, by converting manual ELISA biomarkers to automated high-precision platforms such as the COBAS platform from Roche Diagnostics and i10 platform from IDS plc.

Outlook

The company expects increased revenue and earnings in 2024 compared to 2023. The order intake increased in the fall of 2023 and the signed backlog per December 31st 2023 was record high, with good visibility into the next 3-4 years revenue.

Use of financial instruments

Inflation-risk is low as the Company is not bound to material agreements with long duration and fixed prices. Credit-risk is low as the customer-base is broad and the largest customers within top-25 Pharma-Companies. The Company has a good profitability and no interest-bearing debt, except for customary Danish Mortgage debt (long term property financing).

Knowledge resources

The key to the Company's success is our 25 years of research in the ECM (Extracellular Matrix). Our staff counts more than 167 employees, of whom more than 120 are directly engaged in the research and development activities. We seek to foster a unique and competitive environment with the freedom to explore scientific ideas. We believe in publishing our scientific results and publish more than 50 scientific articles a year in the highest ranked specialist journals.

Environmental performance

We use a minimal number of products in our activities and limited quantities hereof, which could potentially damage the external environment. We find it very important to comply with or exceed all applicable environmental regulations and have a good and close relationship with the relevant authorities overseeing such activities.

Research and development activities

The Company carries out research and development within the pharmaceutical sector. The activities are focused on biomarkers, with the vast majority being either formation or degradation of different collagens. The biomarkers are typically used to help diagnose or predict the development of various diseases.

Subsequent events

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Revenue		236,409,270	313,570,104
Production expenses	1	-56,123,343	-50,324,424
Gross profit		180,285,927	263,245,680
Development expenditure	1	-100,782,887	-84,855,994
Administrative expenses	1	-47,657,988	-40,961,228
Operating profit/loss		31,845,052	137,428,458
Other operating income	2	1,250,727	2,361,335
Profit/loss before financial income and expenses		33,095,779	139,789,793
Income from investments in subsidiaries		0	-341,641
Financial income	3	11,174,179	444,420
Financial expenses	4	-1,261,930	-1,784,496
Profit/loss before tax		43,008,028	138,108,076
Tax on profit/loss for the year	5	-9,344,001	-24,874,507
Net profit/loss for the year	6	33,664,027	113,233,569

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK	DKK
Completed development projects		7,972,730	6,791,668
Development projects in progress		0	1,627,708
Intangible assets	7	7,972,730	8,419,376
Land and buildings		65,637,478	66,927,864
Other fixtures and fittings, tools and equipment		13,175,945	9,164,787
Leasehold improvements		0	0
Property, plant and equipment	8	78,813,423	76,092,651
Fixed assets		86,786,153	84,512,027
Raw materials and consumables		23,613,106	27,402,158
Inventories		23,613,106	27,402,158
Trade receivables		17,868,667	35,720,772
Contract work in progress		1,383,467	309,381
Receivables from group enterprises		88,811,935	65,767,591
Other receivables		5,538,824	72,034
Prepayments	9	1,050,555	485,396
Receivables		114,653,448	102,355,174
Cash at bank and in hand		66,102,225	57,597,217
Current assets		204,368,779	187,354,549
Assets		291,154,932	271,866,576

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		10,000,000	10,000,000
Retained earnings		11,596,655	11,666,978
Proposed dividend for the year		40,000,000	50,000,000
Equity		61,596,655	71,666,978
Provision for deferred tax	10	3,259,415	2,949,003
Provisions		3,259,415	2,949,003
Mortgage loans		39,829,240	42,197,610
Long-term debt	11	39,829,240	42,197,610
Mortgage loans	11	2,823,426	3,260,000
Prepayments received from customers		145,948,097	72,840,760
Trade payables		7,475,196	12,227,871
Contract work in progress		3,248,095	2,845,266
Payables to group enterprises		0	41,141,384
Payables to group enterprises relating to corporation tax		8,720,304	5,620,158
Deposits		164,346	164,346
Other payables		16,839,525	15,046,638
Deferred income	12	1,250,633	1,906,562
Short-term debt		186,469,622	155,052,985
Debt		226,298,862	197,250,595
Liabilities and equity		291,154,932	271,866,576
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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	10,000,000	11,666,978	50,000,000	71,666,978
Ordinary dividend paid	0	0	-50,000,000	-50,000,000
Other equity movements	0	6,265,650	0	6,265,650
Net profit/loss for the year	0	-6,335,973	40,000,000	33,664,027
Equity at 31 December	10,000,000	11,596,655	40,000,000	61,596,655

Other equity movements is the value of the Groups Warrent program.

Notes to the Financial Statements

	2023	2022
	DKK	DKK
1. Staff		
Wages and salaries	107,811,789	92,833,201
Pensions	7,212,072	6,625,533
Other social security expenses	601,811	413,490
Other staff expenses	3,803,598	4,450,945
	<u>119,429,270</u>	<u>104,323,169</u>
<p>Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.</p>		
Average number of employees	<u>171</u>	<u>167</u>
	2023	2022
	DKK	DKK
2. Other operating income		
Other income	<u>1,250,727</u>	<u>2,361,335</u>
	<u>1,250,727</u>	<u>2,361,335</u>
	2023	2022
	DKK	DKK
3. Financial income		
Interest received from group enterprises	6,528,381	0
Other financial income	4,457,676	444,420
Exchange adjustments	188,122	0
	<u>11,174,179</u>	<u>444,420</u>
	2023	2022
	DKK	DKK
4. Financial expenses		
Other financial expenses	1,261,930	1,086,324
Exchange adjustments, expenses	0	698,172
	<u>1,261,930</u>	<u>1,784,496</u>

Notes to the Financial Statements

	2023	2022
	DKK	DKK
5. Income tax expense		
Current tax for the year	8,720,305	5,620,158
Deferred tax for the year	310,412	19,254,350
Adjustment of tax concerning previous years	313,284	-1
	9,344,001	24,874,507

	2023	2022
	DKK	DKK
6. Profit allocation		
Proposed dividend for the year	40,000,000	50,000,000
Retained earnings	-6,335,973	63,233,569
	33,664,027	113,233,569

	Completed development projects	Develop- ment projects in progress
	DKK	DKK
7. Intangible fixed assets		
Cost at 1 January	10,870,310	1,627,708
Additions for the year	0	4,647,436
Transfers for the year	6,275,144	-6,275,144
Cost at 31 December	17,145,454	0
Impairment losses and amortisation at 1 January	4,078,642	0
Amortisation for the year	5,094,082	0
Impairment losses and amortisation at 31 December	9,172,724	0
Carrying amount at 31 December	7,972,730	0

Completed development projects and development projects in progress include the development of technology which automate various processes within the production of biomarkers. The development projects comprise both external consultancy fees and internal labor costs.

Notes to the Financial Statements

8. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 January	78,648,937	32,822,512
Additions for the year	415,840	9,485,532
Disposals for the year	-251,248	-47,808
Cost at 31 December	<u>78,813,529</u>	<u>42,260,236</u>
Impairment losses and depreciation at 1 January	11,721,073	23,657,725
Depreciation for the year	1,706,226	5,474,374
Impairment and depreciation of sold assets for the year	-251,248	-47,808
Impairment losses and depreciation at 31 December	<u>13,176,051</u>	<u>29,084,291</u>
Carrying amount at 31 December	<u>65,637,478</u>	<u>13,175,945</u>
Amortised over	<u>50 years</u>	<u>3-7 years</u>

Leased equipment included in the above amounts to DKK 3,325,000 (DKK 0 in 2022).

9. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

10. Provision for deferred tax

	2023	2022
	DKK	DKK
Deferred tax liabilities at 1 January	2,949,003	-16,305,347
Amounts recognised in the income statement for the year	310,412	19,254,350
Deferred tax liabilities at 31 December	<u>3,259,415</u>	<u>2,949,003</u>

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK

11. 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:

Mortgage loans

After 5 years	28,535,534	29,228,545
Between 1 and 5 years	11,293,706	12,969,065
Long-term part	39,829,240	42,197,610
Within 1 year	2,823,426	3,260,000
	<u>42,652,666</u>	<u>45,457,610</u>

12. Deferred income

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

13. Contingent assets, liabilities and other financial obligations

The Entity participates in a Danish joint taxation arrangement in which Nordic Bioscience Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Notes to the Financial Statements

14. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
- Nordic Bioscience Holding A/S, Herlev Hovedgade 205, Herlev, Denmark	owns all of the shares in Nordic Bioscience A/S and has the controlling interest.
- Romarine ApS, Herlev Hovedgade 205, Herlev, Denmark	owns 74% of the shares in Nordic Bioscience Holding A/S and has the controlling interest.

Transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were carried out in the financial year.

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

<u>Name</u>	<u>Place of registered office</u>
Nordic Bioscience Holding A/S	Herlev

Notes to the Financial Statements

15. Accounting policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Translation policies

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Notes to the Financial Statements

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress consist of EU-projects which are included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production expenses

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Development expenditure

Research and development costs comprise research costs, costs of development projects not qualifying for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

Administrative expenses

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income and expenses

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Intellectual property rights etc comprise development projects completed and in progress.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Leasehold improvements	10 years
Other fixtures and fittings, tools and equipment	3-7 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

The fixed assets' residual values are determined at nil.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Notes to the Financial Statements

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write downs for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a contract in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Notes to the Financial Statements

Equity

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, the Entity has not prepared any cash flow statement, as such statement is included in the annual report of Nordic Bioscience Holding A/S.

Financial Highlights

Explanation of financial ratios

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