

# ***AJ Vaccines A/S***

Artillerivej 5, DK-2300 Copenhagen S

## **Annual Report for 1 January - 31 December 2021**

CVR No 37 91 11 43

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on

28 June 2022

Chairman of the General Meeting  
Grant Lawrence, CFO,

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## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of AJ Vaccines A/S 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.

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

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

Copenhagen, 28 June 2022

### **Executive Board**

Ole Vahlgren  
CEO

### **Board of Directors**

Abdulaziz Hamad Aljomaih  
Chairman

Mustafa Nasir Farooki

Muhammed Ali A. Alesayi

Saddam Abdulqawi Hussein  
Alhumaikani

Shan-E-Abbas Ashary

# Independent Auditor's Reports

To the Shareholder of AJ Vaccines 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of AJ Vaccines A/S for the financial year 1 January - 31 December 2021, 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 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.

# Independent Auditor's Reports

## **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.

## **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

## Independent Auditor's Reports

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, 28 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant

mne18651

Claus Carlsson

State Authorised Public Accountant

mne29461

## Company Information

### **The Company**

AJ Vaccines A/S  
Artillerivej 5  
DK-2300 Copenhagen S

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Website: [www.ajvaccines.com](http://www.ajvaccines.com)

CVR No: 37 91 11 43  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Abdulaziz Hamad Aljomailh, Chairman  
Mustafa Nasir Farooki  
Mohammed Ali A. Alesayi  
Saddam Abdulqawi Hussein Alhumaikani  
Shan-E-Abbas Ashary

### **Executive Board**

Ole Vahlgren, CEO

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

The development of the Company is described by the following financial highlights:

	01.01.2021- 31.12.2021 TDKK	01.01.2020 31.12.2020 TDKK	01.01.2019- 31.12.2019 TDKK	01.01.2018- 31.12.2018 TDKK	01.09.2016- 31.12.2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	351.862	351.618	323.471	362.192	312.613
Gross profit/loss	-303.976	-313.896	-224.533	-150.698	-114.639
Operating profit/loss	-455.058	-433.564	-355.457	-321.585	-285.516
Profit/loss before financial income and expenses	-455.347	-419.367	-326.218	-284.113	-396.665
Net financials	-37.981	-25.110	-36.888	-27.138	867
Net profit/loss for the year	-486.388	-450.212	-288.603	-244.490	446.623
<b>Balance sheet</b>					
Total assets	1.472.466	1.727.646	1.850.926	1.397.594	1.140.148
Equity	815.875	1.052.358	1.185.744	903.163	708.932
Number of employees	558	702	719	684	594



# Management's Review

## **Key activities**

AJ Vaccines is a Biopharmaceutical Company specializing in developing and manufacturing of innovative vaccines, diagnostics and therapeutic solutions. The company has a high-quality product portfolio consisting of stand-alone and combination vaccines for polio, tuberculosis control and treatment against superficial bladder cancer. AJ Vaccines is engaged in the entire manufacturing process from sourcing of supplies to filling and packaging of end products, which are sold globally

## **Our Vision and Mission**

Our Vision being “A world free of serious diseases across generations. Life by life” whereas our Mission states that we “Create innovative vaccines, diagnostics and therapeutic solutions of the highest quality for the world”. In addition, it has been chosen to specify e.g. “serious diseases” and “across generations”, to broaden our field of work to include more than vaccines as well as to include the focus from infants to families, elderly and pregnancy etc. In this way our Vision has a profound influence on all we do, and all initiatives are chosen to support our overall aspiration to protect and preserve lives. These initiatives support the ambition of AJ Vaccines to become a notable player on the international vaccine markets and to exhibit exceptional growth in terms of both manufacturing output and revenue.

## **2021 – a year navigating the challenges of the COVID-19 pandemic**

AJ Vaccines has been challenged by a need to respond to the COVID-19 Pandemic. The outbreak has brought a halt to the regular immunization programs conducted by UNICEF, WHU, PAHO and many other organizations. To ensure a safe environment, employees have been put in and out of isolation, but this has also meant a decrease in productivity. Sales has been affected by the social distancing as people due to COVID-19 has been reluctant to gather for vaccinations as well as several countries has prioritized COVID vaccines as UNICEF in May 2020 reported a slowed down of immunization campaigns for measles/rubella, polio, meningococcal, DTP and many other antigens.

## **Strategy**

AJ Vaccines commenced activities in January 2017 through the acquisition of the vaccine manufacturing activities from Statens Serum Institute in Denmark. Management has identified significant growth opportunities through transforming AJ Vaccines into a performance and commercial focused business, with a reliable and profitable manufacturing output.

Products are sold through local and regional marketing authorizations. WHO pre qualifications enables selected products and solutions to be sold through pooled procurement programs such as UNICEF and Pan American Health Organization.

Few suppliers and high demand generally characterize the markets for AJ Vaccines' products. Especially

## Management's Review

the markets of BCG Vaccine for Tuberculosis immunization and BCG Culture for the standard treatment of bladder cancer as well as IPV vaccine for polio immunization (Picovax). This was the result of a development project funded by Bill & Melinda Gates Foundation. initiated in 2012 to develop a stand-alone dose sparing Inactivated Polio Vaccine (IPV) to support the WHO global Polio Eradication Program.

### **Market overview**

The market is dominated by four multinational pharmaceuticals, GlaxoSmithKline, Merck & Co., Pfizer and Sanofi. However, a historical undersupply, high barriers of entry and competitors focusing on other pharmaceutical product categories, leave room for companies such as AJ Vaccines, who solely focuses on the vaccine market and related products.

Vaccine sales in high income countries ("HICs") where it is generally sold directly to governments, at the same time, vaccines sales to middle-income countries ("MICs") are sold through a mix of procurement agencies (e.g. PAHO for Latin America), government, distributors and private insurers. Vaccines to low-income countries ("LICs") are often sold through pooled international procurement agencies such as UNICEF and PAHO.

Long lead-time of manufacturing facilities due to regulations, and extensive R&D process also poses a barrier of entry for competing products. The development of new vaccines normally stretches over several years and requires large investment with significant risk of failure. yielding clear visibility of the competitor landscape over the medium term.

Over the past decades the vaccine market has been characterized by undersupply mainly due to the limited number of suppliers. limited manufacturing capacity and high price pressure. suggesting that the largest suppliers struggle with competing internal priorities and focus on other pharmaceutical products. The undersupply characterizing the vaccine market offers a significant opportunity for AJ Vaccines who hold a product portfolio of almost exclusively undersupplied vaccine products.

### **Statement of corporate social responsibility in accordance with the Danish Financial Statement Act 99a**

AJ Vaccines initiated in 2020 the official certification process to comply with the requirement for containment of poliovirus in accordance with WHO's Global Action Plan to eradicate polio (GAPIII). The official Certificate of Participation (CP) was endorsed and issued to AJ Vaccines in July 2020 by the Global Certification Commission for Polio Eradication.

AJ Vaccines collaborates with The Bill & Melinda Gates Foundation. on the development of a reduced dose Polio Vaccine. aimed at providing affordable polio vaccines to the GAVI countries.

## Management's Review

As a global pharmaceutical company, we support the United Nation's Sustainable Development Goals that aim to ensure a sustainable future by addressing social, environmental and economic challenges across the globe. We contribute by protecting people from serious infectious diseases across generations, hence our support initiatives are focused on UN Goal 3 (Health) and 17 (Partnerships).

### **1. RESPONSIBLE MANUFACTURING**

#### *1.1 Policy*

We endeavor to protect the environment and reduce our carbon footprint by monitoring and reducing the environmental impact of our business activities. Related to our manufacturing of vaccines, we comply with all regulatory requirements in this area. Furthermore, we strive to reduce the environmental impact of all our business activities.

#### *1.2 Risks*

AJ Vaccines acknowledges that there is an inherent risk of negatively impacting the environment and climate through our manufacturing. We have identified the main risk factors to be release of infectious substances, energy consumption and noise emissions. How we handle these risks is described below.

#### *1.3 Actions*

The environmental work is headed by our department for Environment. Health and Safety were the implementation and monitoring of our environmental permits and our environmental management system is anchored.

Examples of our work in this area are:

- Integrating the environmental management system into daily activities
- Ensuring a systematic approach to monitoring environmental permits in accordance with CWW BREF.
- Ensuring compliance regarding containment requirements
- Implementing a bio-risk management system in compliance with WHO requirements (GAPIII)
- Working on yield improvements and reducing energy consumption and emissions per produced unit

#### *1.4 Result*

The result of our ethical business practices is that no incidents related to corruption or human rights issues have been reported in 2021, and we continue to have a strong reputation and legacy as being an ethical and trustworthy business partner.

# Management's Review

## **2. RESPONSIBLE EMPLOYER**

### *2.1 Policy*

#### Health and Safety at work

We are committed to ensure that our employees have a safe working environment. Thus, relevant training and protective equipment are provided to all employees. Furthermore, we monitor safety risk and have a system for handling and mitigating identified risks.

Having a highly skilled and engaged workforce is key to the success of our company and we believe that one of the most relevant factors in this regard is a combined focus on the physical and psychological working conditions for – and wellbeing of – our employees.

In this regard we have implemented regular surveys to monitor employee satisfaction and engagement. The responses provide us with an indication as to how engaged our employees are in their working environment, as well as, how well-managed AJ Vaccines is as a company. The results also assist us in identifying action areas in our drive for continuous improvements towards an attractive workplace.

In addition to the above we strongly support the “Universal Declaration of Human Rights” and the “ILO Declaration of Fundamental Principles and Rights at Work” and do not tolerate offensive behavior in any form. We do not consider any other risks in relation to human rights.

### *2.2. Risks*

Despite the above-mentioned efforts we acknowledge that there are risks within our activities that potentially can result in injuries and have a negative impact on the physical and psychological working conditions for our employees.

To ensure that we adhere to our policies and act on identified risks, we have taken the following measures, among others:

- Ensure new employees receive safety related information and training targeted their specific tasks
- Use an electronic system to register all accidents and near miss incidents and perform mitigating actions by identifying root causes and establishing the needed action plans to ensure a proactive approach to accident prevention.

### *2.3. Actions*

To ensure that we adhere to our policies and commitments to protect human and labor rights as well as to act on identified risks, we have taken the following measures, among others:

- We have conducted employee engagement surveys. Following up with workshops to ensure prioritization and alignment with the results of the survey.

## Management's Review

- We have, as a part of our compliance efforts, implemented policies and processes to ensure adherence to the EU General Data Protection Regulation and thereby protection of personal data and the right to privacy.
- We have conceptualized Performance and Development Dialogue (PDD) ensuring a continuous focus on our employee's well-being, personal development and performance was rolled out in 2019. The PDD naturally addresses the findings and key conclusions of the employee engagement surveys.
- We educate hence enable our leaders to drive the transformation of our company, people and culture.
- Conducted Workplace Assessments for all employees including home workplaces to ensure a healthy and safe working environment.

### *2.4. Results*

Based on our continuing efforts in this area, it is our belief that we have succeeded in showing that AJ Vaccines is a responsible employer as we have seen a reduction to workplace related incidents and near-miss incidents. We have also increased our focus on the wellbeing of our employees.

## **3. RESPONSIBLE BUSINESS**

### *3.1 Policy*

Business ethics and integrity are core values at AJ Vaccines. and we are committed to maintain high professional standards across all areas of our activities. We have a zero-tolerance policy with regard to corruption and bribery in all its forms. AJ Vaccines A/S is working with the UN sustainability development goals and are via this work supporting human rights. We take pride in complying with the regulations concerning "Good Manufacturing Practices". "Good Pharmacovigilance Practices" and "Good Distribution Practices" that apply to our products. We are also highly aware of our ability to contribute positively to the surrounding society with our specific skills and products.

### *3.2 Risks*

We assess our risk of exposure to corruption in connection with our business to be low. However, we take corruption and bribery in all its forms very seriously. We have implemented policies and procedures to prevent our employees from being exposed to and engage in such activities. The handling of these risks is described in the sections below.

### *3.3. Actions*

We have implemented ambitious standards for ethics and integrity through several instruments. Some examples are:

- Our "Company Rules of Procedures" provides employees with guidance on our strict practice on gifts and the risk of conflict of interest.

## Management's Review

- We have clear procedures and controls in place regarding signing and approving contracts and invoices on behalf of AJ Vaccines.
- We comply with regulations on human trials and animal trials and we are reducing our use of animal tests.

### *3.4. Results*

The result of our ethical business practices is that no incidents related to corruption or human rights issues have been reported in 2021, and we continue to have a good reputation and legacy as being an ethical and trustworthy business partner.

## **4. Outlook for the future**

We plan to continue our efforts in this area in the coming years:

- Further formalizing our CSR-policies and strengthening the transparency by e.g. setting-up goals and KPIs for material topics.
- Joining the UN Global Compact as a member.

## **Statement on gender composition in accordance with the Danish Financial Statement Act 99b**

AJ Vaccines is proud to have a diverse workforce in relation to nationality, gender, age, education etc. We fully support gender equality at all levels of the organization and continuously strive to find the most competent individual for the job – regardless of gender. AJ Vaccines currently employs app. 36% men and 64% women.

### **1. The Board of Directors – current composition and target figure**

AJ Vaccines' Board of Directors presently consists of five members of which all are men. We maintain our goal to have at least one female member of the Board of Directors in 2023. No female candidates were found in 2021 but the aim is to have a female member in the Board of Directors by 2023

### **2. Other management levels**

AJ Vaccines has an even gender distribution on the other management levels with 52% men and 48% women across our business.

## **Privacy and GDPR in accordance with the Danish Financial Statements Act 99d**

AJ Vaccines is focused on privacy and protection of personal data, covering the data of employees, partners and other stakeholders. AJ Vaccines has implemented strong measures to protect personal data and complies with the EU General Data Protection Regulation (GDPR) and national personal data protection regulation. AJ

## Management's Review

Vaccines have implemented a Data Ethics Policy in 2021. In this policy AJ Vaccines approach to data ethics as defined pursuant to section 99d of the Danish Financial Statements Act.

All employees have received GDPR and data training and going forward all new employees will get trained as part of their introduction program. In 2022 AJ Vaccines will keep the same level of effort to secure that AJ Vaccines complies with the above- mentioned policies and new employees receive the training in GDPR and data.

### **Financial review**

In 2021 revenues were DKK 352 million (2020: DKK 352m). Profit before interest and taxes or EBIT were DKK -455 million (2020: DKK -419m) which was in line with expectations for the year. As of 31st December 2021 the Company had free cash and cash equivalents of DKK 9 million (2020: DKK 5m).

#### *Income Statement*

##### *Revenue*

Revenue for the period was DKK 352 million (2020: DKK 352m).

Revenue from vaccines sales was DKK 340 million (2020: DKK 340m).

Revenue other product sales and contract work amounted to DKK 12 million (2020: DKK 12m).

Vaccine sale and other product in 2021 sale in line to 2020 with DKK 352 million (2020: DKK 352m).

##### *Cost of Sales*

Cost of sales totaled DKK 656 million (2020: DKK 666m).

In 2020 a commercial approach was applied to determine need for write down to net realizable value of inventory and the approach is applied for 2021 as well.

##### *Research and development costs*

The total research and development, excluding impairment of ongoing development projects, amounted to DKK 9 million (2020: DKK 11m) all related to the development project "IPV Alum". The project is funded by the Bill & Melinda Gates Foundation, hence no cost was capitalized.

##### *Administrative costs*

The sale and administrative cost totaled DKK 114 million (2020: DKK 109m).

## Management's Review

### *Financial income and financial expenses*

Financial income was DKK 7 million (2020: DKK 12m). Income was primarily due to FX gains on working capital and loans.

Financial expenses amounted to DKK 45 million (2020: DKK 37m), of which DKK 6 million (2020: DKK 7m) was interest expense on loans and DKK 20 million (2020: DKK 7m) due to FX loss and DKK 18 million (2020: DKK 22m) was interest expenses related to IFRS 16 liabilities.

### *Other income*

Other income was DKK 10 million (2020: DKK 14m). Other income is funding from the Bill & Melinda Gates Foundation of the IPV Alum development project.

### *Tax on loss for the year*

Tax on the loss for the year was DKK 2 million (2020: DKK 2m) corresponding to a tax rate of 1% (2020: 1%)

### *Liquidity and capital resources*

As of 31 December 2021, AJ Vaccines had free cash and cash equivalents of DKK 9 million (2020: DKK 5 m).

### *Currency risk*

Currency risk include the risk arising from sales contracts being denominated in currencies other than Danish kroner. Contracts are primarily in DKK, USD and EUR, meaning that other currencies do not represent significant currency risks.

The exposure from fluctuations in USD is increased because a significant part of the exposures relates to three USD denominated loans. These loans are not hedged.

### *Balance Sheet*

The balance sheet total was DKK 1.473 million as of 31 December 2021 (2020: DKK 1.728m).

### *Assets*

The intangible assets are DKK 291 million (2020: DKK 348m).

Tangible assets are DKK 679 million (2020: DKK 793m). Additions for the year is primarily related to investments related to right of use assets, Fill & Finish and IPV alum facilities.

Inventories 31 December 2021 DKK 329 million (2020: DKK 435m) of which finished goods amounted to DKK 19 million (2020: DKK 36m) net of write-down.



## Management's Review

Receivables and prepayment 31 December 2021 DKK 138 million (2020: DKK 115m) of which trade receivables amounted to DKK 80 million (2020: DKK 84m).

As of 31 December 2021, cash and cash equivalents are DKK 14 million (2020: DKK 21m) of which DKK 5 million (2020: DKK 15m) is restricted cash related to funds received from The Bill and Melinda Gates Foundation.

### *Equity*

After the transfer of the loss for the year and the capital contribution for the year the equity is DKK 816 million (2020: DKK 1.052m).

### *Liabilities*

Deferred income at 31 December 2021 was DKK 5 million (2020: DKK 14m). Deferred revenue is all related to the IPV Alum project with The Bill & Melinda Gates foundation.

### **Outlook**

Due to the COVID-19 situation the management cannot give an expectation for the level of revenue expected in 2022. However, the potential growth will be mainly driven by an increase in sales of core products Picovax® and potential upsides on BCG related products culture.

Due to planned capex and opex investments in 2022 the company is still on a journey to complete a full transformation of the business to a commercially orientated business with focus on increased output and profit maximization means that losses are still expected for 2022 and the year to come. See also note 1 to the Financial Statements. Management estimates an improvement in EBIT in the range of DKK 20- 60 million in 2022. The large spread is due to uncertainties with COVID-19.

### **Uncertainty relating to recognition and measurement**

In connection with the preparation of the financial statements, Management has made a number of estimates and assumptions concerning carrying amounts. Management has made the following accounting judgments which significantly affect the amounts recognized in the financial statements.

- Impairment of assets
- Inventories, including impairment and production overheads

The carrying amounts of plant and equipment carried at cost or amortized costs are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal depreciation. If that is the case, the asset is written down to the recoverable amount, which is the higher of its

## Management's Review

fair value less costs to sell and its value in use. Impairment losses on property, plant and equipment are recognized under the same line items as depreciation of the assets.

# Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
Revenue	2	351.862	351.618
Cost of sales	3	-655.838	-665.514
<b>Gross profit/loss</b>		<b>-303.976</b>	<b>-313.896</b>
Sales and distributions expenses	3	-21.797	-30.368
Development expenditure	3	-37.374	-10.566
Administrative expenses	3	-91.911	-78.734
<b>Operating profit/loss</b>		<b>-455.058</b>	<b>-433.564</b>
Other operating income		9.711	14.197
<b>Profit before financial income and expenses</b>		<b>-445.347</b>	<b>-419.367</b>
Income from investments in subsidiaries	4	-5.070	-8.060
Financial income	5	7.382	11.835
Financial expenses	6	-45.363	-36.945
<b>Profit/loss before tax</b>		<b>-488.398</b>	<b>-452.537</b>
Tax on profit/loss for the year	7	2.010	2.325
<b>Net profit/loss for the year</b>	14	<b>-486.388</b>	<b>-450.212</b>

## Balance sheet 31 December

<b>Assets</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>TDKK</b>	<b>TDKK</b>
Technology		256.503	298.952
Software		33.412	47.197
Development projects in progress		1.075	1.625
<b>Intangible assets</b>	<b>8</b>	<b>290.990</b>	<b>347.774</b>
Right-of-use assets		210.796	261.199
Leasehold Improvements		141.779	150.884
Plant and machinery		249.277	199.989
Other fixtures and fittings, tools and equipment		15.060	2.012
Property, plant and equipment in progress		62.053	178.442
<b>Property, plant and equipment</b>	<b>9</b>	<b>678.965</b>	<b>792.526</b>
Investments in subsidiaries	10	21.339	16.602
Fixed asset investments		<b>21.339</b>	<b>16.602</b>
<b>Fixed assets</b>		<b>991.293</b>	<b>1.156.902</b>
<b>Total non-current assets</b>		<b>991.293</b>	<b>1.156.902</b>
<b>Inventories</b>	<b>11</b>	<b>329.433</b>	<b>435.183</b>
Trade receivables		79.925	83.676
Receivables from group enterprises		21.645	970
Other receivables		25.944	23.049
Corporation tax receivable from group enterprises		2.010	2.325
Prepayments		8.652	4.844
<b>Receivables</b>		<b>138.176</b>	<b>114.864</b>
<b>Cash at bank and in hand</b>		<b>13.564</b>	<b>20.697</b>
<b>Currents assets</b>		<b>481.173</b>	<b>570.744</b>
<b>Assets</b>		<b>1.472.466</b>	<b>1.727.646</b>

## Balance sheet 31 December

<b>Liabilities and equity</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>TDKK</b>	<b>TDKK</b>
Share capital		37.220	34.987
Share premium account		1.937.788	1.691.125
Retained earnings		-1.159.133	-673.753
<b>Equity</b>	<b>12</b>	<b>815.875</b>	<b>1.052.359</b>
Lease Liabilities	13	212.472	263.532
Other provisions		60.521	54.761
Loan from government		10.463	0
<b>Total non-current liabilities</b>		<b>283.456</b>	<b>318.293</b>
Lease Liabilities	13	30.152	30.792
Trade payables		58.159	42.240
Payables to group enterprises		179.803	154.782
Other payables		100.475	115.171
Deferred income		4.546	14.009
<b>Current liabilities</b>		<b>373.135</b>	<b>356.994</b>
<b>Total liabilities</b>		<b>656.591</b>	<b>675.287</b>
<b>Liabilities and equity</b>		<b>1.472.466</b>	<b>1.727.646</b>
Letter of support		1	
Distribution of profit		14	
Contingent assets, liabilities and other financial obligations		15	
Related parties		16	
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## Statement of Changes in Equity

	<b>Share capital</b>	<b>Share premium account</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>TDKK</b>	<b>TDKK</b>	<b>TDKK</b>	<b>TDKK</b>
Equity at 1 January 2021	34.987	1.691.125	-673.753	1.052.359
Capital increase	2.233	246.663	0	248.896
Exchange rate adjustments	0	0	1.008	1.008
Net profit/loss for the year	0	0	-486.388	-486.388
<b>Equity at 31 December 2021</b>	<b>37.220</b>	<b>1.937.788</b>	<b>-1.159.133</b>	<b>815.875</b>

	<b>Share capital</b>	<b>Share premium account</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>TDKK</b>	<b>TDKK</b>	<b>TDKK</b>	<b>TDKK</b>
Equity at 1 January 2020	32.125	1.376.104	-222.485	1.185.744
Capital increase	2.862	315.021	0	317.883
Adjustment for group internal profit of purchase of AJ Biologics	0	0	-1.056	-1.056
Net profit/loss for the year	0	0	-450.212	-450.212
<b>Equity at 31 December 2020</b>	<b>34.987</b>	<b>1.691.125</b>	<b>-673.753</b>	<b>1.052.359</b>

# Notes to the Financial Statements

## 1 Letter of support

Following the outbreak of Covid-19, the Company experienced a decrease demand of vaccines and revenue. AJ Vaccines owners have not been immediately impacted by the outbreak of Covid-19.

The Company is still in a turnaround phase and need further liquidity to finance the turnaround and investments in accordance with business plan.

The Company has received a letter of support from the owners of the Company, in which it is guaranteed that the Company will be supported with sufficient liquidity, to support the current investment program, and to finance expected losses until 30 June 2023. Hence the annual report is prepared on going concern basis.

AJ Vaccines Group is committed to settle all their financial obligations when they fall due. The Board of Directors are determined to address any delays in settlement arising due to temporary issue that can occur. The owners have since acquisition of AJ Vaccines Group demonstrated their full support to fund the AJ Vaccines Group.

	<b>2021</b>	<b>2020</b>
	<b>TDKK</b>	<b>TDKK</b>
<b>2 Revenue</b>		
<b>Geographical segments</b>		
Denmark	97.843	98.820
The European Union	186.847	101.644
Other	67.172	151.154
	<b>351.862</b>	<b>351.618</b>
<b>Business segments</b>		
Vaccines sale	339.923	339.721
Other product sale	3.535	3.450
Contract work	8.404	8.447
	<b>351.862</b>	<b>351.618</b>
<b>3 Staff</b>		
Wages and salaries	300.886	364.385
Pensions	37.703	46.029
Other social security expenses	4.693	5.415
Other staff expenses	14.432	15.140
	<b>357.714</b>	<b>430.969</b>
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	298.487	374.154
Distribution expenses	12.074	16.341
Development expenditure	3.462	5.871
Administrative expenses	43.693	34.603
	<b>357.716</b>	<b>430.969</b>
Executive Board	6.191	5.413
<b>Average number of employees</b>	<b>558</b>	<b>702</b>

## Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
<b>4 Loss from investments in subsidiaries</b>		
Share of losses of subsidiaries	-5.070	-8.060
	<u>          </u>	<u>          </u>
<b>5 Financial income</b>		
Exchange gains	7.382	11.835
	<u>7.382</u>	<u>11.835</u>
<b>6 Financial expense</b>		
Interest expense to group enterprises	6.234	7.129
Interest expense related to right-of-use assets	17.971	22.066
Other financial expenses	1.342	274
Exchange loss	19.816	7.476
	<u>45.363</u>	<u>36.945</u>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	-2.010	-2.325
	<u>-2.010</u>	<u>-2.325</u>



## Notes to the Financial Statements

### 8 Intangible assets

	Technology	Software	Develop- ment projects in progress	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2021	342.075	190.500	1.625	534.200
Additions for the year	0	0	67	67
Disposals and reclassifications for the year	0	0	0	0
Reclassification from tangible assets	0	0	1.008	1.008
Transfers for the year	0	1.625	-1.625	0
<b>Cost at 31 december 2021</b>	<b>342.075</b>	<b>192.125</b>	<b>1.075</b>	<b>535.275</b>
Impairment losses and amortisation at 1 January 2021	-43.123	-143.303	0	-186.426
Impairments for the year	-24.201	0	0	-24.201
Amortisation for the year	-18.248	-15.410	0	-33.658
<b>Impairment losses and amortisation at 31. December 2021</b>	<b>-85.572</b>	<b>-158.713</b>	<b>0</b>	<b>-244.285</b>
<b>Carrying amount at 31 December 2021</b>	<b>256.503</b>	<b>33.412</b>	<b>1.075</b>	<b>290.990</b>
			2021	2020
			TDKK	TDKK
Amortisation and impairment of intangible assets are recognised in the following items:				
Cost of sales			55.896	25.564
Administrative expenses			1.963	7.775
			<b>57.859</b>	<b>33.339</b>

## 9 Property, plant and equipment

	Right-of-use-assets	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2021	345.271	165.179	323.588	2.948	178.441	1.015.427
Change of accounting policy for leases	0	0	0	0	0	0
Additions for the year	15.988	0	1.497	5.200	11.456	34.141
Remeasurement	-48.693	0	0	0	0	-48.693
Reclassification of Property, plant and equipment in progress to development projects in progress	0	0	0	0	-1.008	-1.008
Disposals for the year	-39	0	0	0	-3.709	-3.748
Transfers for the year	0	0	84.999	9.891	-94.890	0
<b>Cost at 31 december 2021</b>	<b>312.527</b>	<b>165.179</b>	<b>410.084</b>	<b>18.039</b>	<b>90.290</b>	<b>996.119</b>
Impairment losses and depreciation at 1 january 2021	-84.073	-14.295	-123.598	-936	0	-222.902
Impairments for the year			-1.286		-28.237	-29.523
Depreciation for the year	-17.658	-9.105	-35.923	-2.043	0	-64.729
Disposals and reclassifications for the year			0			0
<b>Impairment losses and depreciation at 31. December 2021</b>	<b>-101.731</b>	<b>-23.400</b>	<b>-160.807</b>	<b>-2.979</b>	<b>-28.237</b>	<b>-317.154</b>
<b>Carrying amount at 31 December 2021</b>	<b>210.796</b>	<b>141.779</b>	<b>249.277</b>	<b>15.060</b>	<b>62.053</b>	<b>678.965</b>
					2021	2020
					TDKK	TDKK
Depreciation and impairment of property, plant and equipment are recognised in the following items						
Cost of sales					46.951	58.831
Development cost					28.237	0
Administrative expenses					19.064	4.380
					<b>94.252</b>	<b>63.211</b>

**Impairment**

AJ Vaccines has not generated profits since acquisition of activities in 2017. For 2021 AJ Vaccines has performed an impairment test of all assets. Management considers AJ Vaccines as a single cash-generating unit as this is how Management makes decisions and assess business performance. Subsidiaries is excluded as no subsidiary is significant or have identical cash flows at the end of 2021.

**Method**

The impairment test of AJ Vaccines is based on a discounted cash-flow model. The net present value is compared to the carrying value of assets. The discounted cash flow includes a budget period of nine years. The WACC used in the impairment test are based on benchmarked data and compared to peers. Historical trends have been used for estimate for key parameters such as revenue, productivity improvements, working capital. Significant assumptions and estimates are applied to the discounted expected future cash flows. WACC used in the impairment test was 11% and growth in terminal period 2%. The impairment test showed sign of impairment, and consequently parts of technology was written down.

## Notes to the Financial Statements

	<b>2021</b>	<b>2020</b>
	<b>TDKK</b>	<b>TDKK</b>
<b>10 Investments in subsidiaries</b>		
Cost at 1 January	164.453	151.144
Additions for the year	8.808	13.309
Cost at 31 December	<u>173.261</u>	<u>164.453</u>
Value adjustments at 1 January	-147.851	-138.755
Other adjustments	-8	0
Adjustment Currency	1.008	-1.056
Intra-group eliminations	-1.216	0
Net profit/loss for the year	-3.855	-8.040
Value adjustments at 31 December	<u>-151.922</u>	<u>-147.851</u>
<b>Carrying amount at 31 December</b>	<b><u>21.339</u></b>	<b><u>16.602</u></b>

Investments in subsidiaries are specified as follows:

<b>Name</b>	<b>Place of registered office</b>	<b>Share capital</b>	<b>Votes and ownership</b>	<b>Equity</b>	<b>Net profit/loss for the year</b>
		<b>TMYR</b>		<b>TMYR</b>	<b>TMYR</b>
AJ VACCINES SDN. BHD.	Kuala Lumpur, Malaysia	20	100%	-5	-9
AJ Biologics	Kuala Lumpur, Malaysia	3.000	100%	14.339	-9.203

AJ Vaccines A/S have no commitment to cover negative equity in subsidiaries.

	<b>2021</b>	<b>2020</b>
	<b>TDKK</b>	<b>TDKK</b>
<b>11 Inventories</b>		
Raw materials and consumables	32.399	41.428
Semi finished goods	278.428	357.663
Finished goods and goods for resale	18.606	36.092
	<b><u>329.433</u></b>	<b><u>435.183</u></b>

## 12 Equity

The share capital consists of 37.220.483 shares of a nominal value of TDKK 1. No shares carry any special rights

## Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	<u>TDKK</u>	<u>TDKK</u>
<b>13 Lease liabilities</b>		
Non-current	212.472	263.532
Current	<u>30.152</u>	<u>30.792</u>
Total lease liabilities	<u><b>242.624</b></u>	<u><b>294.324</b></u>

AJ Vaccines A/S agreed on amendments to the main lease of property in January 2021 that was reduced and partly replaced with new office facilities in March 2021.

<b>14 Distribution of profit</b>		
Retained earnings	<u>-486.388</u>	<u>-450.212</u>
	<u><b>-486.388</b></u>	<u><b>-450.212</b></u>

# Notes to the Financial Statements

## 15 Contingent assets, liabilities and other financial obligations

### Financial obligations

Obligations under operating leases. Total future lease payments:

Within 1 year	26	341
Between 1 and 5 years	0	26
After 5 years	0	0
	<u>26</u>	<u>367</u>

### Other contingent liabilities

The AJ Vaccines Holding group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of AJ Vaccines Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 16 Related parties

### Controlling interest

AJ Vaccines Holding ApS  
AJ Intech Sdn. Bhd.  
AJ Pharma Ltd. II  
White Crystals Limited  
Pergola Holding Inc

### Basis

Parent  
Parent  
Parent  
Parent  
Parent

# Notes to the Financial Statements

## 16 Related parties - continued

### Other related parties

Abdulaziz Hamad Aljomaih	Chairman of Board of Directors
Mustafa Nasir Farooki	Board of Directors
Muhammed Ali A. Alesayi	Board of Directors
Saddam Abdulqawi Hussein Alhumaikani	Board of Directors
Shan-E-Abbas Ashary	Board of Directors
Maha Investment Company Limited	Non-controlling owner
Topaz Hub Holding Company	Non-controlling owner
Golden Edge Ltd, Cayman Islands	Affiliate

### Transactions

All transactions with related parties have been carried out at arm's length principle.

There have been no transactions with the Executive Board, the Board of Directors, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Pergola Holding Inc	British Virgin Islands
AJ Vaccines Holding ApS	Denmark

The Group Annual Report of AJ Vaccines Holding ApS can be obtained at the following address

Artillerivej 5  
2300 Copenhagen  
Denmark

	<u>2021</u>	<u>2020</u>
	<u>TDKK</u>	<u>TDKK</u>
<b>17 Fee to auditors appointed at the general meeting</b>		
<b>PricewaterhouseCoopers</b>		
Audit fee	657	641
Other assurance engagements	154	110
Tax advisory services	46	210
	<u>857</u>	<u>961</u>

# Notes to the Financial Statements

## **18 Accounting Policies**

The Annual Report of AJ Vaccines A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C including use of IFRS 9, 15 and 16 with respect to recognition and measurement.

The Financial Statements for 2021 are presented in TDKK.

## **Consolidated Financial Statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of AJ Vaccines Holding A/S, the Company has not prepared consolidated financial statements.

## **Cash Flow Statement**

Pursuant to section 86(4) of the Danish Financial Statements Act, the cash flow statement is included in the consolidated financial statements of AJ Vaccines Holding ApS, and the company has not prepared a cash flow statement.

# Notes to the Financial Statements

## 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.

## 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 is 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.

## Business segments and geographical segments

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.



# Notes to the Financial Statements

## Income Statement

### Revenue

Revenue comprises the fair value of the consideration received or receivable for sales of goods. Revenue is measured net of value added tax, duties, etc collected on behalf of a third party and discounts. The revenue is recognized when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably and when any significant risks and rewards of ownership of the goods or right to the services are transferred and the company no longer retains managerial responsibility for, or control of, the goods or services sold.

Agreements with commercial partners generally include non-refundable upfront license and collaboration fees, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur, and revenue from the supply of products. For these agreements that include multiple elements, total contract consideration is attributed to separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in standalone transactions provided that each component has value to the partner on a standalone. The allocated consideration is recognized as revenue in accordance with the principles described above.

Sales of goods and licenses that transfer the rights associated with ownership of an intangible asset are recognized at a point in time when control is transferred. Revenue from development services and licenses that do not transfer the right of ownership to an intangible asset are recognized over time in line with the execution and delivery of the work. If multiple components are not separable, they are combined into a single component and recognized over the period where the company is actively involved in development and deliver significant services to the collaboration partner.

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised technology costs.

# Notes to the Financial Statements

## **Distribution expenses**

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses.

## **Development expenditure**

Development expenditure indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

## **Administrative expenses**

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

## **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including goodwill and income related to the Bill & Melinda Gates Foundation.

## **Income from investments in subsidiaries**

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

## **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 recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

The company are using the possibility to apply for the tax credit scheme.

# Notes to the Financial Statements

The Company is jointly taxed with the parent company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Intangible assets include Software, Technology (include completed development projects), development projects in progress and lease agreement.

Intangible assets are measured at historic cost less accumulated amortization and impairment losses.

Software	3-7 years
Technology	20 years
Acquired other similar rights	4 years

The carrying amounts of plant and equipment carried at cost or amortized costs are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal depreciation. If that is the case, the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on property, plant and equipment are recognized under the same line items as depreciation of the assets.

### 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 recognized in cost over the period of construction. All indirectly attributable borrowing expenses are recognized in the income statement.

## Notes to the Financial Statements

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:

Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-14 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 125,000 are expensed in the year of acquisition.

### Right of use assets

AJ Vaccines A/S mainly leases office buildings, warehouses, laboratories and vehicles.

For contracts which are, or contain, a lease, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. The right-of-use asset is periodically adjusted for certain remeasurements of the lease liability and reduced by any impairment losses.

The lease is the non-cancellable period of a lease.

When determining the term, Management considers multiple factors that create economic incentives to exercise an option to extend the lease or not to terminate the lease, including termination penalties, potential relocation costs and whether significant leasehold improvements have been capitalised on the lease, with a remaining useful life which exceeds the fixed minimum duration of the lease.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the incremental borrowing rate. Lease payments consist of fixed payments from commencement date.

The lease liability is measured using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments, typically due to a change in index or rate (e.g. inflation) on property leases.

Residual value guarantees that are expected to be paid are included in the initial measurement of the lease liability.

# Notes to the Financial Statements

## 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.

## Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries. Subsidiaries with a negative net asset value are recognized at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognized in provisions.

The acquisition method of accounting is used to account for business combinations. In case on group internal acquisition, difference between the net book value in the company acquired from a group company and the acquisition price paid is recognized directly on equity under retained earnings.

## Inventories

Inventories except for raw materials are measured at the standard cost method less write-downs for obsolescence and net realizable value. Raw materials are measured at moving average.

For raw materials, cost is determined as direct acquisition costs incurred. The cost of finished goods produced in-house and work in progress includes raw materials, consumables, filling cost, QC testing and direct payroll costs plus indirect costs of production.

Indirect cost of production include indirect materials and labour as well as maintenance of and depreciation on the machinery used in production processes, rent for factory buildings and equipment

## Notes to the Financial Statements

used and cost of production administration and management. The net realisable value is the estimated sales price in the ordinary course of business less relevant sales costs determined on the basis of marketability, obsolescence and changes in the expected sales price.

### Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional. They are subsequently measured to amortised cost.

Group balances and other receivables are recognized to amortised cost.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### 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, including the tax base of tax loss carryforwards, 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 deferred 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 are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently,

## **Notes to the Financial Statements**

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.

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost.

### **Deferred income**

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