AJ Vaccines Holding ApS

Artillerivej 5, DK-2300 Copenhagen S

Annual Report for 9 January - 31 December 2017

CVR No 38 31 57 73

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/05 2018

Tina Øster Larsen
Chairman

Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of AJ Vaccines Holding ApS for the financial year 9 January - 31 December 2017.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2017.

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.

Copenhagen, 28 May 2018

Executive Board

Shan-E-Abbas Ashary Executive Officer	Tabassum Khan Executive Officer	Mustafa Nasir Farooki Executive Officer

Independent Auditor's Report

To the Shareholder of AJ Vaccines Holding ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 9 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of AJ Vaccines Holding ApS for the financial year 9 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group'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 Group's and 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

Independent Auditor’s Report

may cause the Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 May 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen statsautoriseret revisor mne18651	Claus Carlsson statsautoriseret revisor mne29461

Company Information

The Company	AJ Vaccines Holding ApS Artillerivej 5 DK-2300 Copenhagen S Telephone: + 45 + 45 7229 7000 E-mail: info@AJVaccines.com Website: www.ajvaccines.com CVR No: 38 31 57 73 Financial period: 9 January 2017 - 31 December 2017 Municipality of reg. office: Copenhagen
Executive Board	Shan-E-Abbas Ashary Tabassum Khan Mustafa Nasir Farooki
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group
	2017
	TDKK
Key figures	
Profit/loss	
Revenue	312,613
Gross profit/loss	(114,639)
Operating profit/loss	(286,430)
Profit/loss before financial income and expenses	396,617
Net financials	(3,544)
Net profit/loss for the year	443,336
Balance sheet	
Balance sheet total	1,146,081
Equity	443,386
Cash flows	
Cash flows from:	
- operating activities	(230,719)
- investing activities	(63,135)
including investment in property, plant and equipment	(40,031)
- financing activities	376,849
Change in cash and cash equivalents for the year	82,995
Number of employees	594

Management's Review

Consolidated and Parent Company Financial Statements of AJ Vaccines Holding ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

Key activities

AJ Vaccines is a Danish Biopharmaceutical Company specializing in manufacturing of Vaccines and Therapeutic products.

AJ Vaccines commenced activities in January 2017 through the acquisition of the vaccine manufacturing activities from Statens Serum Institute in Denmark.

The acquired activities comprise a fully operational production setup in Copenhagen, Denmark, including more than 550 highly skilled employees and more than 100 years of know-how within vaccines and biologicals.

Strategy

At the time of takeover the Business was characterized by low production output, low investment levels, long product release time and frequent break-downs. As a result, the Business was unable to deliver on orders and capitalize on market opportunities for existing products, yielding poor profitability. Management has identified significant growth opportunities through transforming AJ Vaccines into a performance focused business, with a reliable and profitable production output.

Products include stand-alone and combination vaccines and other biologicals, and are sold globally, through local and regional marketing authorizations and WHO pre-qualifications which enables selected products 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 the markets for combination vaccines containing pertussis (Whooping Cough) immunization, the BCG Vaccine for Tuberculosis immunization and BCG Culture for Bladder Cancer treatment. In addition, AJ Vaccines expects to be a major supplier of vaccines for WHO's polio eradication program, which is currently in significant undersupply.

Management's Review

AJ Vaccines has therefore initiated a strategy to upgrade and transform the business into a profitable commercial operation. This process includes a full realignment of the existing production setup and a comprehensive investment program to refurbish, upgrade and maintain existing manufacturing facilities. This will ensure the step change in output capacity that is required to meet the high demand in most markets.

The transformation strategy includes several initiatives, within five major areas:

1. Organizational change: New cross-functional management team to ensure organizational alignment, to optimize production process, commercial activity, geographical expansion and general upgrade of departments.

2.Cultural change program has been initiated to create a performance based organization focused on output and deliverables.

3. Operational Excellence program focused on optimizing processes, stabilize manufacturing processes, reduce scrap rates, increased output per batch.

4. Sales initiatives: Re-establish trust and relationship with previous customers who suffered due to lack of production and supply, and evaluate new tender opportunities based concrete business case analysis. Upgraded Sales and Marketing Division will ensure dedicated focus on optimizing sales efforts.

5. Extensive investment program to ensure a reliable production output as well as increased capacity to support forecast sales growth

6. Business development initiatives:
Various initiatives including opportunistic sale of production licenses, strategic partnerships on development in relation to new products and entry into new markets

In addition, AJ Vaccines will continue to add talent to the organization, through extensive recruitment of new employees. In 2017, AJ Vaccines created more than 100 new positions within the Danish organization.

These initiatives support the ambition of AJ Vaccine to become a notable Danish player on the international vaccine markets and to exhibit exceptional growth in terms of both manufacturing output and revenue.

Market overview

The global vaccine market amounted to approximately USD 30bn globally in 2016 and is expected to grow to approximately USD 40bn by 2020, mainly driven by novel vaccines, new vaccination recommendations and increasing vaccination rates (i.e. a larger share of the population being vaccinated).

The market is dominated by four multinational pharmaceuticals; GlaxoSmithKline, Merck & Co., Pfizer and Sanofi, who account for more than 80% of global vaccine sales.

However, a historical undersupply, high barriers of entry and competitors' focusing on other pharmaceutical product categories, leaves room for companies such as AJ Vaccines, who solely focuses on the vaccine market and related products.

Vaccine sales in high income countries ("HICs"), which are generally sold to governments, account for 82% of global vaccine sales but only 20% of global volume. At the same time, vaccines sales to low income countries ("LICs") and middle income countries ("MICs") account for 18% of global vaccine sales and 80% of global volume. Sales to MICs are sold through a mix of procurement agencies (e.g. PAHO for Latin America), government, distributers and private insurers. Vaccines to LICs are often sold through pooled international procurement agencies such as UNICEF and PAHO. Examples include AJ Vaccines' Tuberculosis BCG vac. and also the Polio IPV Vaccine.

Vaccine production typically involves a process including a biological agent which is highly dependent on manufacturing know-how. In addition, biological production activities are strictly regulated and requires extensive investments to comply with necessary standards, and only a few manufacturers (including AJ Vaccines) meet the international standards established by e.g. the EU. The strict regulation also provides high barriers of entry for new producers on the market, as the establishment of new compliant production facilities require extensive investment and have an expected lead-time of 5+ years.

In addition to long lead-time of production facilities due to regulations, an extensive R&D process also poses a barrier of entry for competing products. The development of new vaccines normally stretches over 7-15 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 (with the exception of influenza vaccines), mainly due to the limited number of suppliers and limited production capacity, suggesting that the largest suppliers struggle with competing internal priorities and focus on other pharmaceutical products.

The undersupply characterizing the vaccine market poses a significant opportunity for AJ Vaccines who hold a product portfolio of almost exclusively undersupplied vaccine products.

Financial review

The financial review is based on the Company's consolidated financial information for the period 9th January to 31st December, 2017.

Income statement

Revenue for the period was DKK 313 million.

Revenue from vaccines sales was DKK 190 million, revenue from sale of license was DKK 101 million and other product sales and contract work amounted to DKK 22 million.

Management's Review

Costs of goods sold

Cost of sales totaled DKK 426 million. Write downs amounted to DKK 120 million, of which DKK 88 million is write-downs to net realizable value and DKK 32 million is write-downs due to technical obsolence. Other production costs of DKK 164 million is cost not directly variable with production volume and excess capacity.

Research and development costs

The total research and development spending was DKK 52 million mostly related to the ongoing development project "IPV Alum" as the project is funded by the Bill & Melinda Gates Foundation, hence no cost was capitalized. New R&D projects are being on boarded in 2018 to enhance the product portfolio.

Distribution and administrative costs

The distribution costs were DKK 36 million and the administrative costs were DKK 81 million.

Financial income and financial expenses

Financial income was DKK 8 million.

Income was primarily due to FX gains on USD Loans.

Financial expenses amounted to DKK 13 million.

Other Income

Other income was DKK 683 million. Other income is funding from the Bill & Melinda Gates Foundation of the IPV Alum development project and recognized badwill arising from the business combination.

Tax on income for the year

Tax on the income for the year was DKK 50 million corresponding to a negative tax rate of 11%

Liquidity and capital resources

As of December 31, 2017, AJ Vaccines had free cash and cash equivalents of DKK 40 million.

Cash is required to meet operating expenses and capital expenditures. AJ Vaccines has funded cash requirement from inception through December 31, 2017 principally with a combination of revenue from vaccines sales, revenue from license sale, loan from related parties and a capital increase from shareholders.

Free Cash flows

Net free free cash from operating activities was negative with DKK 231 million.

Net free cash provided by financing activities totaled DKK 377 million, which is loan provided by related parties.

Management's Review

The net free cash flow for 2017 was positive with DKK 83 million.

Foreign exchange risks

Currency risk include the is arising from sales contracts being denominated in currencies other than Danish kroner. Contracts are primarily in DKK, U.S. Dollars and EUR, meaning that other currencies do not represent significant currency risks. The net exposure in U.S. Dollars represent a risk, as the net exposure are not hedged.

Liquidity risks

Liquidity can be influenced by changes in the USD/DKK exchange rate. As long as the DKK is linked to the EUR the Company's revenue and costs in EUR will not be hedged. Please also see note 1.

Targets and expectations for the year ahead

Management expects the revenue to be significant higher in 2018 due to focus on new sales initiatives, re-established trust and relationship with previous customers. Mainly driven by growth in core products through increased sales of combination vaccines, tuberculosis and cancer products.

Due to the extensive capex and opex investments that are planned in 2018 and the years to come, to complete a full transformation of the business to a commercially orientated business with focus on increased output and profit maximization, management expects an increase in negative EBIT for 2018 compared to 2017.

Statement of corporate social responsibility

AJ Vaccines' products, our vaccines, are savings lives all over the world. We are proud to make a difference for thousands of people, not least children, globally, every day. We are contributing to several of the UN Sustainable Development Goals, especially Goal 3 "Good Health and Well-Being". Our CSR practices are an integrated part of our way of doing business, and we are continuously striving to improve.

1. Responsible production

1.1. Policy
We endeavour to protect the environment and reduce our carbon footprint by monitoring and reducing the environmental impact of our business activities. The immediate impact in relation to protecting the environment and climate is related to our production 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. Actions
The environmental work is headed by our department for Environment, Health and Safety, where the implementation and monitoring of our environmental permits and our environmental management system are anchored. A number of recurring activities takes place as part of our environmental

management procedures, and new initiatives have been taken in this field of which some examples are:

• Our environmental managers are not only focused on risk and compliance, but also facilitating an increase in employee environmental awareness, and identifying areas of our organization where we can further limit our impact on the environment,

• Acquisition of new office equipment, including lighting, is conducted with focus on the purchased items' energy consumption and hence carbon footprint,

• Responsibilities and procedures with regard to proper disposal of production waste are clearly defined, so as to ensure that regulatory requirements are always fulfilled.

1.3. Result
The results of our efforts are reflected in our success in complying with regulatory requirements regarding environment and climate, and acted with due environmental care.

2. Responsible employer

2.1. Policy
AJ Vaccines is highly invested in employee health and welfare. We believe that physical and psychological well-being is a human right for our employees, and essential for running a successful business. We are dedicated to promoting good working conditions and proactive in all aspects of employee health and in providing a safe work-environment. We support the Universal Declaration of Human Rights and ILO's Declaration of Fundamental Principles and Rights at Work. We do not tolerate offensive behavior in any form. AJ Vaccines recognizes the inherent dignity of all human beings irrespectively of gender, race, sexuality, or political orientation.

2.2. Actions
In order to ensure the company policies are adhered to, we have taken several measures e.g.:

• Employee representatives have been appointed to facilitate meaningful contact between employees and company management to ensure that any potential issue is acted upon,

• Concrete action plans have been put in place to both enable employees to react to stress symptoms in themselves and in others and to provide any employee with the right support with regard to stress symptoms or any other health-related issue,

• We follow-up on all accidents and near-miss incidents in order to continuously improve our processes.

2.3. Result
On the basis of our efforts in this area in 2017, it is our belief that we have succeeded in showing that AJ Vaccines is a responsible employer and an attractive work place.

Management's Review

3. Responsible business

3.1. Policy
Business ethics and integrity are core values at AJ Vaccines, and we are devoted to maintain high professional standards across all areas of our activities. AJ Vaccines practices a zero-tolerance policy with regard to corruption, including acts of fraud or bribery. We take pride in complying with the regulations concerning Good Manufacturing Practices and Good Distribution Practices that apply to our products.

3.2. Actions
We have implemented our high standards for ethics and integrity through a number of instruments. Some examples are:

• Our Company Rules of Procedures encompasses rules as well as practical guidance for our employees in relation to e.g. our strict practice on giving and accepting gifts, as well as entertainment and the risk of conflict of interest,

• We have clear procedures and controls in place regarding signing and approving contracts and invoices on behalf of AJ Vaccines,

• We comply with all regulations concerning trials on humans as well as animals, and we seek to reduce our use of animal tests.

3.3. Result
The result of our ethical business practices in 2017 is that we are recognized as being a trustworthy business partner for governments and organizations all over the world.

4. Outlook for the future
We plan to continue our journey improving and showing our responsible business practices. More specifically we look towards:

• 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

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 Holding ApS

The Executive Board – current composition and target figure AJ Vaccines holding ApS' Executive Board consists at present of three founding members, of whom all are male. It is AJ Vaccines Holdings objective to have at least one female member of the Executive Board by 2021.

Management’s Review

AJ Vaccines A/S

1. The Board of Directors – current composition and target figure AJ Vaccines’ Board of Directors consists at present of three founding members, of whom all are male. It is AJ Vaccines objective to have at least one female member of the Board of Directors by 2021.

Uncertainty relating to recognition and measurement

In the preparation of the financial statements, Management makes a number of accounting estimates which form the basis for the presentation, recognition and measurement of the company’s assets and liabilities.

The recognition and measurement of assets and liabilities often depends on future events that are somewhat uncertain. In that connection, it is necessary to assume a course of events that reflects Management’s assessment of the most probable course of events.
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.

•Revenue recognition (note 2)
•Inventories, including impairment and production overheads (note 10)
•Deferred tax asset (note 13)

Subsequent events

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

Income Statement 9 January - 31 December 2017

	Note	Consolidated 2017 TDKK	Parent 2017 TDKK
Revenue	2	**312,613**	**0**
Cost of sales	3	(427,252)	0
Gross profit/loss		**(114,639)**	**0**
Distribution expenses	3	(35,847)	0
Development expenditure	3	(51,844)	0
Administrative expenses	3	(84,100)	(914)
Operating profit/loss		**(286,430)**	**(914)**
Other operating income		683,047	866
Profit/loss before financial income and expenses		**396,617**	**(48)**
Income from investments in subsidiaries		0	446,623
Financial income	4	9,478	1,675
Financial expenses	5	(13,022)	(6,086)
Profit/loss before tax		**393,073**	**442,164**
Tax on profit/loss for the year	6	50,263	1,172
Net profit/loss for the year		**443,336**	**443,336**

Balance Sheet 31 December 2017

Assets

	Note	Consolidated 2017 TDKK	Parent 2017 TDKK
Technology		119,700	0
Software		139,062	0
Acquired other similar rights		62,537	0
Development projects in progress		221,844	0
Intangible assets	7	**543,143**	**0**
Plant and machinery		105,052	0
Other fixtures and fittings, tools and equipment		746	0
Property, plant and equipment in progress		41,352	0
Property, plant and equipment	8	**147,150**	**0**
Investments in subsidiaries	9	0	708,932
Deferred tax asset		0	1,172
Fixed asset investments		**0**	**710,104**
Fixed assets		**690,293**	**710,104**
Inventories	10	**229,406**	**0**
Trade receivables		72,647	0
Other receivables		44,885	6,478
Prepayments		25,855	47
Receivables		**143,387**	**6,525**
Cash at bank and in hand		**82,995**	**0**
Currents assets		**455,788**	**6,525**
Assets		**1,146,081**	**716,629**

Balance Sheet 31 December 2017

Liabilities and equity

	Note	Consolidated 2017 TDKK	Parent 2017 TDKK
Share capital		50	50
Reserve for net revaluation under the equity method		0	447,489
Retained earnings		443,336	(4,153)
Equity	11	**443,386**	**443,386**
Provision for deferred tax	13	125,197	0
Provisions		**125,197**	**0**
Trade payables		41,011	321
Bridge loans to group enterprises		105,897	0
Payables to group enterprises		0	592
Loan from group enterprises		272,330	272,330
Other payables		88,509	0
Deferred income		69,751	0
Short-term debt		**577,498**	**273,243**
Debt		**577,498**	**273,243**
Liabilities and equity		**1,146,081**	**716,629**

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Statement of Changes in Equity

Consolidated

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 9 January	0	0	0	0
Cash payment concerning formation of entity	50	0	0	50
Net profit/loss for the year	0	0	443,336	443,336
Equity at 31 December	**50**	**0**	**443,336**	**443,386**

Parent

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 9 January	0	0	0	0
Cash payment concerning formation of entity	50	0	0	50
Net profit/loss for the year	0	447,489	(4,153)	443,336
Equity at 31 December	**50**	**447,489**	**(4,153)**	**443,386**

Cash Flow Statement 9 January - 31 December 2017

	Note	Consolidated 2016/17 TDKK	Parent 2017 TDKK
Net profit/loss for the year		443,336	443,336
Adjustments	14	(580,287)	(444,202)
Change in working capital	15	(93,768)	(5,612)
Cash flows from operating activities before financial income and expenses		**(230,719)**	**(6,478)**
Cash flows from operating activities		**(230,719)**	**(6,478)**
Purchase of intangible assets		(9,582)	0
Purchase of property, plant and equipment		(40,031)	0
Business acquisition		(13,522)	(261,443)
Cash flows from investing activities		**(63,135)**	**(261,443)**
Raising of loans from group enterprises		376,799	267,871
Cash capital increase		50	50
Cash flows from financing activities		**376,849**	**267,921**
Change in cash and cash equivalents		**82,995**	**0**
Cash and cash equivalents at 9 January		0	0
Cash and cash equivalents at 31 December		**82,995**	**0**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		39,704	0
Restricted cash		43,291	0
Cash and cash equivalents at 31 December		**82,995**	**0**

Notes to the Financial Statements

1 Letter of support

The company has received a letter of intent from the owner of the company, in which it is guaranteed that the Company will be supported with sufficient liquidity if necessary to support the current investment program, and to financed expected losses until January 1 2019. Hence the annual report is prepared on a going concern basis.

2 Revenue

	Consolidated	Parent
	2017	2017
	TDKK	TDKK
Geographical segments		
Denmark	103,380	0
The European Union	61,647	0
Other	147,586	0
	312,613	**0**
Business segments		
Vaccines sale	190,145	0
Other product sale	13,708	0
Contract work	7,300	0
Sale of license	101,460	0
	312,613	**0**

Notes to the Financial Statements

		Consolidated	Parent
		2017	2017
		TDKK	TDKK
3	**Staff**		
	Wages and Salaries	258,974	0
	Pensions	40,073	0
	Other social security expenses	3,757	0
	Other staff expenses	18,871	0
		321,675	**0**
	Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
	Cost of sales	263,979	0
	Distribution expenses	4,973	0
	Development expenditure	15,462	0
	Administrative expenses	37,261	0
		321,675	**0**
	Executive Board	5,851	0
	Supervisory Board	0	0
	Average number of employees	**594**	**0**
4	**Financial income**		
	Interest received	47	47
	Exchange gains	9,431	1,628
		9,478	**1,675**
5	**Financial expenses**		
	Interest paid to group enterprises	9,454	6,086
	Other financial expenses	99	0
	Exchange loss	3,469	0
		13,022	**6,086**

	Consolidated 2017 TDKK	Parent 2017 TDKK
6 Tax on profit/loss for the year		
Deferred tax for the year	(50,263)	(1,172)
	(50,263)	**(1,172)**

7 Intangible assets

Consolidated

	Technology TDKK	Software TDKK	Acquired other similar rights TDKK	Development projects in progress TDKK	Total TDKK
Cost at 9 January	0	0	0	0	0
Additions for the year	126,000	177,125	83,383	225,799	612,307
Transfers for the year	0	3,955	0	(3,955)	0
Cost at 31 December	126,000	181,080	83,383	221,844	612,307
Impairment losses and amortisation at 9 January	0	0	0	0	0
Amortisation for the year	6,300	42,018	20,846	0	69,164
Impairment losses and amortisation at 31 December	6,300	42,018	20,846	0	69,164
Carrying amount at 31 December	**119,700**	**139,062**	**62,537**	**221,844**	**543,143**

	2017 TDKK
Amortisation and impairment of intangible assets are recognised in the following items*:*	
Cost of sales	62,249
Administrative expenses	6,915
	69,164

Notes to the Financial Statements

8 Property, plant and equipment

Consolidated

	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 9 January	0	0	0	0
Additions for the year	133,839	959	42,939	177,737
Transfers for the year	1,587	0	(1,587)	0
Cost at 31 December	135,426	959	41,352	177,737
Impairment losses and depreciation at 9 January	0	0	0	0
Depreciation for the year	30,374	213	0	30,587
Impairment losses and depreciation at 31 December	30,374	213	0	30,587
Carrying amount at 31 December	**105,052**	**746**	**41,352**	**147,150**

	2017
	TDKK
Depreciation and impairment of property, plant and equipment are recognised in the following items:	
Cost of sales	30,587
	30,587

Notes to the Financial Statements

9 Investments in subsidiaries

	Parent 2017 TDKK
Cost at 9 January	0
Additions for the year	14,072
Transfers for the year	247,371
Cost at 31 December	261,443
Value adjustments at 9 January	0
Net profit/loss for the year	446,623
Other adjustments	866
Value adjustments at 31 December	447,489
Carrying amount at 31 December	**708,932**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Aj Vaccines A/S	Copenhagen	26.000.000	100 %	708,932	446,623

10 Inventories

	Consolidated 2017 TDKK	Parent 2017 TDKK
Raw materials and consumables	27,525	0
Semi finished goods	184,931	0
Finished goods and goods for resale	16,950	0
	229,406	**0**

11 Equity

The share capital consists of 50 shares of a nominal value of TDKK 1. No shares carry any special rights.

Notes to the Financial Statements

12 Distribution of profit

	Parent 2017 TDKK
Reserve for net revaluation under the equity method	447,489
Retained earnings	(4,153)
	443,336

13 Provision for deferred tax

	Consolidated 2017 TDKK	Parent 2017 TDKK
Intangible assets	117,324	0
Property, plant and equipment	18,186	0
Inventories	(5,367)	0
Tax loss carry-forward	(4,946)	0
	125,197	**0**

14 Cash flow statement - adjustments

	Consolidated 2017 TDKK	Parent 2017 TDKK
Financial income	(7,879)	(1,628)
Financial expenses	9,307	6,087
Depreciation, amortisation and impairment losses, including losses and gains on sales	99,751	0
Income from investments in subsidiaries	0	(446,623)
Tax on profit/loss for the year	(50,263)	(1,172)
Other adjustments	(631,203)	(866)
	(580,287)	**(444,202)**

15 Cash flow statement - change in working capital

	Consolidated 2017 TDKK	Parent 2017 TDKK
Change in inventories	(93,163)	0
Change in receivables	(33,168)	(6,525)
Change in trade payables, etc	32,563	913
	(93,768)	**(5,612)**

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations

	Consolidated	Parent
	2017	2017
	TDKK	TDKK
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	5,226	0
Between 1 and 5 years	84,136	0
After 5 years	229,113	0
	318,475	**0**

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

17 Related parties

	Basis
Controlling interest	
AJ Intech Sdn. Bhd.	Parent
AJ Pharma Ltd. II	Parent
White Crystal Limited	Parent
Pergola Holding Inc.	Parent
Other related parties	
Mustafa Nasir Farooki	Excecutive Board
Tabassum Khan	Excecutive Board
Shan-E-Abbas Ashary	Excecutive Board
Golden Edge LTD, Cayman Islands	Affiliate
StratGurus Consulting, Dubai	Affiliate

17 Related parties (continued)

Transactions

Transactions with affiliates:
- Services 29 mDKK
- Loan 109 mDKK
- Accrued profit/interest 3 mDKK.

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

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

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

Name	Place of registered office
Pergola Holding Inc	British Virgin Islands
AJ Intech Sdn. Bhd.	Malaysia

The Group Annual Report of AJ Intech Sdn. Bhd. may be obtained at the following address:

Kuala Lumpur
Wilayah Persekutuan
Malaysia

18 Fee to auditors appointed at the general meeting

	Consolidated
	2017
	TDKK
PricewaterhouseCoopers	
Audit fee	750
Other assurance engagements	1,013
Tax advisory services	380
	2,143

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of AJ Vaccines Holding ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Consolidated and Parent Company Financial Statements for 2017 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

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

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

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Revenue

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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 thrid 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 ufront license and collaboration fees, milestone payments, the receipt of which is denpendent upon the achievement of certain clinical, regulartory 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 separtely identifiable omponeents on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in stand alone transactions provided that each component has value to the partner on a stand alone. The then allocated consideration is recognized as revenue in accordance with the principles described above.

Sales of goods and licences 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 development costs.

Distribution expenses

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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 Group, including badwill and income related to the Gates Foundation.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

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, 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

The carrying amounts of plant and equipment carried at cost or amotrized 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.

Notes to the Financial Statements

19 Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5	years
Other fixtures and fittings, tools and equipment	5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

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.

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 recognised at DKK 0. Any legal or constructive obligation

Notes to the Financial Statements

19 Accounting Policies (continued)

of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories except for raw materials are measured at the standard cost method less write-downs for obsolescence and net realisable 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 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 makretability, obsolescence and changes in the expected sales price.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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

Notes to the Financial Statements

19 Accounting Policies (continued)

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, 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.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

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

Cash Flow Statement

The cash flow statement shows the Group´s and the Parent Company´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s and the Parent Company´s cash and cash equivalents at the beginning and end of the year.

No cash flow statement has been prepared for the Parent Company as the Parent Company cash flows are included in the Consolidated Cash Flow Statement.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Notes to the Financial Statements

19 Accounting Policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

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