

AJ Vaccines Holding ApS
Artillerivej 5, DK-2300 Copenhagen S
**Annual Report for 1 January - 31
December 2020**

CVR No 38 31 57 73

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
19 July 2021

Chairman of the General Meeting
Grant Lawrence

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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 Holding ApS for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and the Group operations and cash flows for 2020.

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, 19 July 2021

Executive Board

Dr. Tabassum Khan
Chairman

Mustafa Nasir Farooki

Mohammed Ali A. Alesayi

Saddam Abdulqawi Hussein
Alhumaikani

Abdulaziz Hamad Aljomaih

Independent Auditor's Reports

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 2020 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of AJ Vaccines Holding ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements"), for both 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 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 Consolidated 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 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 skepticism 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.

Independent Auditor's Reports

- 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 may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated 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 of 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, 19 July 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant

mne18651

Claus Carlsson

State Authorised Public Accountant

mne29461

Compagny Information

The Company

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CVR No: 38 31 57 73
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Executive Board

Dr. Tabassum Khan, Chairman
Mustafa Nasir Farooki
Mohammed Ali A. Alesayi
Saddam Abdulqawi Hussein Alhumaikani
Abdulaziz Hamad Aljomaih

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

| | 01.01.2020- 31.12.2020 TDKK | 01.01.2019- 31.12.2019 TDKK | 01.01.2018- 31.12.2018 TDKK | 09.01.2017- 31.12.2017 TDKK |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Key figures | | | | |
| Profit/loss | | | | |
| Revenue | 362,250 | 323,471 | 362,192 | 312,613 |
| Gross profit/loss | -311,564 | -224,532 | -150,698 | -114,639 |
| Operating profit/loss | -442,217 | -357,862 | -322,314 | -286,430 |
| Profit/loss before financial income and expenses | -427,843 | -328,623 | -284,793 | 396,617 |
| Net financials | 41,317 | -107,891 | -58,936 | -3,544 |
| Net profit/loss for the year | -384,203 | -362,001 | -276,739 | 443,336 |
| Balance sheet | | | | |
| Total assets | 1,735,402 | 1,845,948 | 1,397,774 | 1,146,081 |
| Equity | -716,627 | -331,369 | 166,647 | 443,386 |
| Cash flows | | | | |
| Cash flows from: | | | | |
| Operating activities | -260,741 | -454,583 | -178,573 | -230,719 |
| Investments activities | -130,862 | -218,874 | -280,212 | -63,135 |
| - including investment in property, plant and equipment | -72,903 | -126,580 | -281,527 | -40,031 |
| Financing activities | 352,059 | 680,019 | 429,612 | 376,849 |
| Change in cash and cash equivalents for the year | -39,544 | 6,562 | -29,173 | 82,995 |
| Number of employees | 722 | 719 | 684 | 594 |

Management's Review

Key activities

AJ Vaccines Group is a Biopharmaceutical Group specializing in developing and manufacturing of innovative vaccines, diagnostics and therapeutic solutions. The Group has a high-quality product portfolio consisting of stand-alone and combination vaccines as well as products for polio, tuberculosis control and treatment against superficial bladder cancer. The Group 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 subject 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 Group to become a notable player on the international vaccine markets and to exhibit exceptional growth in terms of both manufacturing output and revenue.

2020 – a year navigating the challenges of the COVID-19 pandemic

As in every part of the world, AJ Vaccines Group's 2020 activities were shaped by an urgent need to respond to the COVID-19 pandemic. This outbreak has brought a halt to the regular immunization programs conducted by UNICEF, WHO, PAHO and other organizations. UNICEF in May 2020, reported 99 countries slowed down the immunization campaigns for measles/rubella, polio, meningococcal, DTP, and many other antigens. The Group is committed to support any Covid 19 Vaccines development it can.

AJ Vaccines Group received WHO prequalification for the first stand-alone dose sparing Inactivated Polio Vaccine (IPV) on 21st April 2020. This was a major milestone for the company supporting the overall growth ambitions. The new dose sparing polio vaccine will be marketed under the branded name Picovax®. First deliveries to UN took place in June 2020. It also dramatically emphasized the importance of our mission; to create innovative vaccines, diagnostics and therapeutic solutions of the highest quality for the world.

Strategy

AJ Vaccines Group commenced activities in January 2017 through the acquisition of the vaccine manufacturing activities from Staten's Serum Institute in Denmark. Management has identified significant growth opportunities through transforming the group 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

Management's Review

American Health Organization. Few suppliers and high demand generally characterize the markets for AJ Vaccines Group' products. Especially 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 Group, who solely focuses on the vaccine market and related products.

Vaccine sales in high income countries ("HICs"), where it is generally sold to governments, accounts for 68% of global vaccine sales. At the same time, vaccines sales to low income countries ("LICs") and middle-income countries ("MICs") accounts for 32% of global vaccines sales. Sales to MICs are sold through a mix of procurement agencies (e.g. PAHO for Latin America), government, distributors and private insurers. Vaccines to 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 Group who hold a product portfolio of almost exclusively undersupplied vaccine products.

Statement of corporate social responsibility

AJ Vaccines Group has in 2020 initiated 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 Group in July 2020 by the Global Certification Commission for Polio Eradication.

Management's Review

AJ Vaccines Group 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.

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. The immediate impact in relation to protecting the environment and climate is 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 Group 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, where the implementation and monitoring of our environmental permits and our environmental management system is anchored. AJ Vaccines Group has in 2020 finalized the implementation of our environmental management system in accordance with the CWW BREF (Common Waste Water and Waste Gas Treatment/Management Systems in the Chemical Sector). In May 2020 AJ Vaccines Group has received a revised common environmental permit including all of our manufacturing facilities.

Examples of our work in this area are:

- Integrating the environmental management system into daily activities
- Ensuring a systematic approach to monitoring environmental permits
- 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

Management's Review

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 2020, and we continue to have a strong reputation and legacy as being an ethical and trustworthy business partner.

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 risks, 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 Group 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. 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

In order to ensure that we adhere to our policies and commitments to protects human and labor rights as

Management's Review

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.
- We have, as a part of our compliance efforts, implemented policies and processes in order 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.

2.4. Results

On the basis of 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 Group, 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 Group 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 high standards for ethics and integrity through a number of instruments. Some examples are:

Management's Review

- Our “Company Rules of Procedures” provides employees with guidance on our strict practice on gifts 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 Group.
- 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 2020, and we continue to have a strong 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

AJ Vaccines Group 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 Group currently employs app. 40% men and 60% women.

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

AJ Vaccines Group' 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. No female candidates were found in 2020 but the aim is to have a female member in the Executive Board within 2023.

2. Other management levels

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

Management's Review

Financial review

In 2020, revenues were DKK 362 million (2019: DKK 323m). Profit before interest and taxes, or EBIT were DKK -428 million (2019: DKK -329m) which was in line with expectations for the year. As of 31st December 2020, the Company had free cash and cash equivalents of DKK 6 million (2019: DKK 47m).

Income Statement

Revenue

Revenue for the period was DKK 362 million (2019: DKK 323m) .

Revenue from vaccines sales was DKK 350 million (2019: DKK 293m) .

Revenue from other product sales and contract work amounted to DKK 12 million (2019: DKK 30m) .

Vaccine sale and other product sale increased with DKK 43 million to DKK 353 million in 2020 (2019: DKK 311m), which is an increase of 14%.

Cost of Sales

Cost of sales totaled DKK 673 million (2019: DKK 548m).

In 2019 a commercial approach was applied to determine need for write down to net realizable value of inventory and the approach is applied for 2020 as well.

Research and development costs

The total research and development spending were DKK 11 million (2019: DKK 29m) 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 120 million (2019: DKK 104m) . The increase in cost is primarily due to change in cost allocation of administrative costs to cost of sales and costs from subsidiary AJ Biologics Sdn. Bhd.

Financial income and financial expenses

Financial income was DKK 167 million (2019: DKK 5m). Income was primarily due to FX gains on working capital and loans.

Management's Review

Financial expenses amounted to DKK 125 million (2019: DKK 113m), of which DKK 96 million (2019: DKK 64m) was interest expense on loans and DKK 7 million (2019: DKK 22m) due to FX loss and DKK 22 million (2019: DKK 21m) was interest expenses related to IFRS 16 liabilities.

Other income

Other income was DKK 14 million (2019: DKK 29m). Other income is funding from the Bill & Melinda Gates Foundation of the IPV Alum development project and COVID 19 compensation scheme.

Tax on loss for the year

Tax on the loss for the year was DKK -2 million (2019: DKK -75m) corresponding to a tax rate of -1% (2019: -20%)

Liquidity and capital resources

As of 31 December 2020, AJ Vaccines Group had free cash and cash equivalents of DKK 6 million (2019: DKK 47 m).

Cash flows

Net cash from operating activities was DKK -261 million (2019: DKK -455m) .

Net cash used in investing activities was DKK -131 million (2019: DKK -219m) , of which plant and equipment investments amounted to DKK -73 million (2019: DKK -127m) .

Net cash provided by financing activities totaled DKK 352 million (2019: DKK 680m). DKK -16 million (2019: DKK 0m) is Paid interest and withholding tax of loans provided by related parties, DKK 374 million (2019: DKK 686m) is a loan from existing shareholders and DKK -6 million (2019: DKK -6m) is repayment of lease liabilities.

The net cash flow for 2020 was DKK -40 million (2019: DKK 7m).

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 1,735 million as of 31 December 2020 (2019: DKK 1,846m) .

Management's Review

Assets

The intangible assets are DKK 348 million (2019: DKK 375m). The remaining part of IPV alum development project is funded by the Bill & Melinda Gates Foundation.

Tangible assets are DKK 802 million (2019: DKK 826 m) . The addition for the year is primarily related to investments in assets under construction.

Inventories at 31 December 2020 are DKK 447 million (2019: DKK 452 m), of which finished goods amounted to DKK 36 million (2019: DKK 23m) net of write-down.

Receivables and prepayment at 31 December 2020 are DKK 116 million (2019: DKK 133m) of which trade receivables amounted to DKK 86 million (2019: DKK 92m) .

As of 31 December 2020, cash and cash equivalents are DKK 21 million (2019: DKK 61m) of which DKK 15 million (2019: DKK 14m) 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 -717 million (2019: DKK -331m) at 31 December 2020.

Liabilities

Total Bridge loan to group enterprises are DKK 1,919m (2019: DKK 1,689m) .

Deferred income at 31 December 2020 was DKK 14 million (2019: DKK 13m) . Deferred revenue is all related to the IPV Alum project with The Bill & Melinda Gates foundation.

Outlook

Due to COVID-19 volatility in the market, management cannot give an expectation for the level of revenue expected in 2021. However, the potential growth will be mainly driven by increase in sales of core products, BCG Culture and Picovax® after the launch in 2020.

Due to planned capex and opex investments in 2021 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, losses are still expected for 2021 and the year to come. See also note 1 to the Financial Statements. Management estimate an improvement in EBIT in the range of 5-15 % in 2021. The large spread is due uncertainties with COVID-19.

Management's Review

Certain statements in the Financial Statement – Management commentary - are forward-looking. These forward-looking statements are based on certain assumptions and reflect our current expectations. As a result, forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from current expectations.

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
- 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 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 | Consolidated | | Parent | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | TDKK | TDKK | TDKK | TDKK |
| Revenue | 2 | 362,250 | 323,471 | 0 | 0 |
| Cost of sales | 3 | -673,814 | -548,003 | 0 | 0 |
| Gross profit/loss | | -311,564 | -224,532 | 0 | 0 |
| Sales and distribution expenses | 3 | -30,368 | -33,729 | 0 | 0 |
| Development expenditure | 3 | -10,566 | -29,239 | 0 | 0 |
| Administrative expenses | 3 | -89,719 | -70,362 | -419 | -388 |
| Operating profit/loss | | -442,217 | -357,862 | -419 | -388 |
| Other operating income | | 14,374 | 29,239 | 0 | 0 |
| Profit/loss before financial income and expenses | | -427,843 | -328,623 | -419 | -388 |
| Income from investments in subsidiaries | 4 | 0 | 0 | -450,212 | -288,603 |
| Financial income | 5 | 166,701 | 4,617 | 154,865 | 0 |
| Financial expenses | 6 | -125,386 | -112,508 | -88,437 | -73,020 |
| Profit/loss before tax | | -386,528 | -436,514 | -384,203 | -362,011 |
| Tax on profit/loss for the year | 7 | 2,325 | 74,513 | 0 | 10 |
| Net profit/loss for the year | 13 | -384,203 | -362,001 | -384,203 | -362,001 |

Balance sheet 31 December

| | Note | Consolidated | | Parent | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | TDKK | TDKK | TDKK | TDKK |
| Technology | | 298,951 | 317,201 | 0 | 0 |
| Software | | 47,197 | 57,129 | 0 | 0 |
| Acquired other similar rights | | 0 | 0 | 0 | 0 |
| Development projects in progress | | 1,625 | 637 | 0 | 0 |
| Intangible assets | 8 | 347,773 | 374,967 | 0 | 0 |
| Right of use assets | | 261,199 | 309,455 | 0 | 0 |
| Leasehold improvements | | 151,329 | 161,022 | 0 | 0 |
| Plant and machinery | | 200,154 | 201,007 | 0 | 0 |
| Other fixtures and fittings, tools and equipment | | 2,012 | 320 | 0 | 0 |
| Property and land hold | | 9,240 | 10,011 | 0 | 0 |
| Property, plant and equipment in progress | | 178,441 | 143,692 | 0 | 0 |
| Property, plant and equipment | 9 | 802,375 | 825,507 | 0 | 0 |
| Investments in subsidiaries | 10 | 0 | 0 | 1,052,359 | 1,185,744 |
| Total fixed asset investment | | 0 | 0 | 1,052,359 | 1,185,744 |
| Fixed assets | | 1,150,148 | 1,200,474 | 1,052,359 | 1,185,744 |
| Inventories | 11 | 447,770 | 451,980 | 0 | 0 |
| Trade receivables | | 85,924 | 91,970 | 0 | 0 |
| Receivables from group enterprises | | 0 | 0 | 36,621 | 0 |
| Other receivables | | 0 | 23,403 | 0 | 0 |
| Corporation tax | | 2,325 | 5,499 | 0 | 328 |
| Prepayments | | 4,844 | 12,052 | 0 | 0 |
| Receivables | | 116,458 | 132,924 | 36,621 | 328 |
| Cash at bank and in hand | | 21,026 | 60,570 | 72 | 280 |
| Currents assets | | 585,254 | 645,474 | 36,693 | 608 |
| Assets | | 1,735,402 | 1,845,948 | 1,089,052 | 1,186,352 |

Balance sheet 31 December

| | Note | Consolidated | | Parent | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | TDKK | TDKK | TDKK | TDKK |
| Share capital | | 50 | 50 | 50 | 50 |
| Retained earnings | | -716,677 | -331,419 | -716,677 | -331,419 |
| Equity | 12 | -716,627 | -331,369 | -716,627 | -331,369 |
| Provision for deferred tax | 14 | 0 | 0 | 0 | 0 |
| Lease Liabilities | 15 | 263,532 | 299,561 | 0 | 0 |
| Other Provisions | | 54,761 | 34,588 | 0 | 0 |
| Total non-current liabilities | | 318,293 | 334,149 | 0 | 0 |
| Lease liabilities | 15 | 30,792 | 5,520 | 0 | 0 |
| Trade payables | | 50,305 | 30,679 | 0 | 0 |
| Bridge loans to group enterprises | | 1,919,060 | 1,689,032 | 1,764,273 | 1,511,827 |
| Payables to group enterprises | | 0 | 0 | 37,587 | 5,695 |
| Other payables | | 119,570 | 105,010 | 3,819 | 199 |
| Deferred income | | 14,009 | 12,927 | 0 | 0 |
| Short-term debt | | 2,133,736 | 1,843,168 | 1,805,679 | 1,517,721 |
| Debt | | 2,452,029 | 2,177,317 | 1,805,679 | 1,517,721 |
| Liabilities and equity | | 1,735,402 | 1,845,948 | 1,089,052 | 1,186,352 |
| Letter of support | 1 | | | | |
| Distribution of profit | 13 | | | | |
| Contingent assets, liabilities and other financial obligations | 18 | | | | |
| Related parties | 19 | | | | |
| Fee to auditors appointed at the general meeting | 20 | | | | |
| Accounting Policies | 21 | | | | |

Statement of Changes in Equity

| | Share capital | Retained earnings | Total |
|-----------------------------------|---------------|-------------------|-----------------|
| | TDKK | TDKK | TDKK |
| Consolidated | | | |
| Equity at 1 January 2020 | 50 | -331,419 | -331,369 |
| Net profit/loss for the year | 0 | -384,203 | -384,203 |
| Exchange rate adjustments | 0 | -1,056 | -1,056 |
| Equity at 31 December 2020 | 50 | -716,677 | -716,627 |
| Parent | | | |
| Equity at 1 January 2020 | 50 | -331,419 | -331,369 |
| Net profit/loss for the year | 0 | -384,203 | -384,203 |
| Exchange rate adjustments | 0 | -1,056 | -1,056 |
| Equity at 31 December 2020 | 50 | -716,677 | -716,627 |

Cash Flow Statement 1 January - 31 Decemer 2020

| | Note | Consolidated | | Parent | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | TDKK | TDKK | TDKK | TDKK |
| Net profit/loss for the year | | -384,203 | -362,001 | -384,203 | -362,001 |
| Adjustments | 16 | 53,193 | 149,922 | 383,784 | 361,641 |
| Change in working capital | 17 | 73,833 | -241,220 | -41,771 | -571 |
| Cash flows from operating activities before financial income and expenses | | -257,177 | -453,299 | -42,190 | -931 |
| Paid financial expenses | | -3,564 | -1,284 | 0 | -3 |
| Cash flows from operating activities | | -260,741 | -454,583 | -42,190 | -934 |
| Purchase of intangible assets | | -1,881 | -266 | 0 | 0 |
| Purchase of property, plant and equipment | | -72,903 | -126,580 | 0 | 0 |
| Fixed asset investments made etc | | 0 | 0 | -317,884 | -707,195 |
| Investments in subsidiaries | | -56,078 | -92,031 | 0 | 0 |
| Sale of intangible assets | | 0 | 3 | 0 | 0 |
| Cash flows from investing activities | | -130,862 | -218,874 | -317,884 | -707,195 |
| Raising of loans from group enterprises | | 373,676 | 685,539 | 373,676 | 708,256 |
| Lease Liabilities | | -5,520 | -5,520 | 0 | 0 |
| Paid interests and withholding tax | | -16,097 | 0 | -13,810 | 0 |
| Cash flows from financing activities | | 352,059 | 680,019 | 359,866 | 708,256 |
| Change in cash and cash equivalents | | -39,544 | 6,562 | -208 | 127 |
| Cash and cash equivalents at 1 January | | 60,570 | 53,822 | 280 | 153 |
| Cash at acquisition of subsidiaries at 1 January | | 0 | 186 | 0 | 0 |
| Cash and cash equivalents at 31 December | | 21,026 | 60,570 | 72 | 280 |
| Cash and cash equivalents are specified as follows: | | | | | |
| Cash at bank and in hand | | 5,683 | 46,894 | 72 | 280 |
| Restricted cash | | 15,343 | 13,676 | 0 | 0 |
| Cash and cash equivalents at 31 December | | 21,026 | 60,570 | 72 | 280 |

Notes to the Financial Statements

Note 1 - Letter of support

Following the outbreak of Covid-19, the AJ Vaccines Group experienced a decrease demand of vaccines and revenue. AJ Vaccines Group owners have not been immediately impacted by the outbreak of Covid-19. The AJ Vaccines Group 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 if necessary, to support the current investment program, and to finance expected losses until 1 January 2022. AJ Vaccines Group is committed settle all their financial obligations when they fall due. The Executive Board are determined to address any delays in settlement arising due to temporary issue that can occur. The owners have since acquisition of the AJ Vaccines Group demonstrated their full support to fund the AJ Vaccines Group. Hence the annual report is prepared on going concern basis.

| Note 2 - Revenue | Consolidated | | Parent | |
|------------------------------------|----------------|----------------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK |
| Geographic split of revenue | | | | |
| Denmark | 98,820 | 56,091 | 0 | 0 |
| The European Union | 101,644 | 109,721 | 0 | 0 |
| Other | 161,786 | 157,659 | 0 | 0 |
| Total | 362,250 | 323,471 | 0 | 0 |
| | | | | |
| Business segments | | | | |
| Vaccines sale | 350,353 | 293,441 | 0 | 0 |
| Other product sale | 3,450 | 17,576 | 0 | 0 |
| Contract work | 8,447 | 12,454 | 0 | 0 |
| Total | 362,250 | 323,471 | 0 | 0 |

Notes to the Financial Statements

| Note 3 - Staff | Consolidated | | Parent | |
|--------------------------------|----------------|----------------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK |
| Wages and salaries | 368,791 | 360,919 | 0 | 0 |
| Pensions | 46,476 | 48,322 | 0 | 0 |
| Other social security expenses | 5,440 | 5,946 | 0 | 0 |
| Other staff expenses | 15,140 | 17,617 | 0 | 0 |
| Total | 435,847 | 432,804 | 0 | 0 |

Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:

| | | | | |
|------------------------------------|----------------|----------------|----------|----------|
| Cost of sales | 374,154 | 366,399 | 0 | 0 |
| Distribution expenses | 16,341 | 12,603 | 0 | 0 |
| Development expenditure | 5,871 | 10,959 | 0 | 0 |
| Administrative expenses | 39,480 | 42,843 | 0 | 0 |
| Total | 435,846 | 432,804 | 0 | 0 |
| | | | | |
| Average number of employees | 722 | 719 | 0 | 0 |

Notes to the Financial Statements

Note 4 - Income from investments in subsidiaries

| | Parent | |
|----------------------------------|----------|----------|
| | 2020 | 2019 |
| | DKK | DKK |
| Share of profits of subsidiaries | -450,212 | -288,603 |

Note 5 - Financial income

| | Consolidated | | Parent | |
|-------------------------|----------------|--------------|----------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Financial income | | | | |
| Exchange gains | 166,701 | 3,298 | 154,865 | 0 |
| Other financial income | 0 | 1,319 | 0 | 0 |
| Total | 166,701 | 4,617 | 154,865 | 0 |

Note 6 - Financial expenses

| | | | | |
|--|----------------|----------------|---------------|---------------|
| Interest expense to group enterprises | 95,562 | 63,667 | 88,433 | 59,460 |
| Interest expense - Right-of-use-assets | 22,066 | 21,409 | 0 | 0 |
| Other financial expenses | 276 | 5,678 | 2 | 0 |
| Exchange adjustments, expenses | 7,482 | 21,754 | 2 | 13,560 |
| | 125,386 | 112,508 | 88,437 | 73,020 |

Note 7 - Tax on loss for the year

| | | | | |
|--|--------------|---------------|----------|-----------|
| Current tax for the year | 2,325 | 5,687 | 0 | 329 |
| Deferred tax for the year | 0 | 69,148 | 0 | -322 |
| Adjustment of tax concerning previous years | 0 | 0 | 0 | 0 |
| Adjustment of deferred tax concerning previous years | 0 | -322 | 0 | 3 |
| | 2,325 | 74,513 | 0 | 10 |

Notes to the Financial Statements

Notes 8 - Intangible assets

| | Consolidated | | | |
|---|----------------|-----------------|----------------------------------|-----------------|
| | Technology | Software | Development projects in progress | Total |
| | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 January 2020 | 342,075 | 185,342 | 637 | 528,054 |
| Additions for the year | 0 | 655 | 1,226 | 1,881 |
| Reclassification from tangible assets | 0 | 0 | 4,265 | 4,265 |
| Transfers for the year | 0 | 4,503 | -4,503 | 0 |
| Cost at 31 December 2020 | 342,075 | 190,500 | 1,625 | 534,200 |
| Impairment losses and amortisation at 1 January 2020 | -24,874 | -128,213 | 0 | -153,087 |
| Transfers for the year | 0 | 0 | 0 | 0 |
| Amortisation for the year | -18,250 | -15,090 | 0 | -33,340 |
| Impairment losses and amortisation at 31 December 2020 | -43,124 | -143,303 | 0 | -186,427 |
| Carrying amount at 31 December 2020 | 298,951 | 47,197 | 1,625 | 347,773 |
| | | | 2020 | 2019 |
| | | | TDKK | TDKK |
| Amortisation and impairment of intangible assets are recognised in the following items: | | | | |
| Cost of sales | | | 29,177 | 49,596 |
| Administrative expenses | | | 4,163 | 6,301 |
| | | | 33,340 | 55,897 |

Notes to the Financial Statements

Notes 9 - Tangible assets

| | Consolidated | | | | | | |
|---|---------------------|------------------------|---------------------|--|------------------------|---|------------------|
| | Right of use assets | Leasehold improvements | Plant and machinery | Other fixtures and fittings, tools and equipment | Property and land hold | Property, plant and equipment in progress | Total |
| | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 January 2020 | 372,575 | 165,674 | 294,359 | 959 | 10,011 | 143,692 | 987,270 |
| Additions for the year | 0 | 67 | 5,153 | 1,791 | 0 | 65,892 | 72,903 |
| Disposals for the year | 0 | 0 | -2,357 | 0 | 0 | 0 | -2,357 |
| Transfers for the year | 0 | 0 | 26,680 | 198 | 0 | -26,878 | 0 |
| Reclassification of Property, plant and equipment in progress to development projects in progress | 0 | 0 | 0 | 0 | 0 | -4,265 | -4,265 |
| Remeasurement | -27,303 | 0 | 0 | 0 | 0 | 0 | -27,303 |
| Exchange adjustments | 0 | -41 | -19 | 0 | -771 | 0 | -831 |
| Cost at 31 December 2020 | 345,272 | 165,700 | 323,816 | 2,948 | 9,240 | 178,441 | 1,025,417 |
| Impairment losses and depreciation at 1 January 2020 | -63,119 | -4,652 | -93,353 | -639 | 0 | 0 | -161,763 |
| Transfers for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | -20,954 | -9,722 | -32,384 | -297 | 0 | 0 | -63,357 |
| Disposals and reclassifications for the year | 0 | 0 | 2,073 | 0 | 0 | 0 | 2,073 |
| Exchange adjustments | 0 | 3 | 2 | 0 | 0 | 0 | 5 |
| Impairment losses and depreciation at 31 December 2020 | -84,073 | -14,371 | -123,662 | -936 | 0 | 0 | -223,042 |
| Carrying amount at 31 December 2020 | 261,199 | 151,329 | 200,154 | 2,012 | 9,240 | 178,441 | 802,375 |
| | | | | | | 2020 | 2019 |
| | | | | | | TDKK | TDKK |
| Depreciation and impairment of property, plant and equipment are recognised in the following | | | | | | | |
| Cost of sales | | | | | | 55,447 | 58,572 |
| Administrative expenses | | | | | | 7,910 | 42 |
| | | | | | | 63,357 | 58,614 |

Impairment

AJ Vaccines has not generated profits since acquisition of activities in 2017. For 2020 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 2020.

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 twelve years, as the expectation to some products is that they peak in year five until year seven and then will be flattened out until the terminal year. 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 12% and growth in terminal period 3%. The impairment test showed no sign of impairment.

Notes to the Financial Statements

| Note 10 - Investments in subsidiaries | Parent | |
|--|------------------|------------------|
| | 2020 | 2019 |
| | TDKK | TDKK |
| Cost at 1 January | 1,407,362 | 700,164 |
| Additions for the year | 317,883 | 707,198 |
| Cost at 31 December | 1,725,245 | 1,407,362 |
| Value adjustments at 1 January | -221,618 | 202,999 |
| Net profit/loss for the year | -450,212 | -288,603 |
| Adjustment for group internal profit of purchase of AJ Biologics | 0 | -136,014 |
| Currency adjustments | -1,056 | 0 |
| Value adjustments at 31 December | -672,886 | -221,618 |
| Carrying amount at 31 December | 1,052,359 | 1,185,744 |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Votes | Ownership |
|-------------------------------|----------------------------|-------|-----------|
| AJ Vaccines A/S | Copenhagen, Denmark | 100% | 100% |
| AJ Biologics Sdn. Bhd. | Kuala Lumpur, Malaysia | 100% | 100% |
| AJ Vaccines Malaysia Sdn. Bhd | Kuala Lumpur, Malaysia | 100% | 100% |

Note 11 - Inventories

| | Consolidated | | Parent | |
|-------------------------------------|----------------|----------------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK |
| Raw materials and consumables | 41,428 | 47,032 | 0 | 0 |
| Semi finished goods | 357,663 | 381,639 | 0 | 0 |
| Finished goods and goods for resale | 48,679 | 23,309 | 0 | 0 |
| | 447,770 | 451,980 | 0 | 0 |

Notes to the Financial Statements

Note 12 - Equity

The share capital consists of 50.000 shares of a nominal value of DKK 1. No shares carry any special rights.

Note 13 - Distribution of profit

| | Parent | |
|---|-----------------|-----------------|
| | 2020 | 2019 |
| | TDKK | TDKK |
| Reserve for net revaluation under the equity method | 0 | -202,999 |
| Retained earnings | -384,203 | -159,002 |
| Total | -384,203 | -362,001 |

Note 14 - Deferred tax balance

| | Consolidated | | Parent | |
|---|--------------|----------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK |
| Deferred tax at 1 January | 0 | -68,826 | 0 | 320 |
| Amounts recognised in the income statement for the year | 0 | 69,148 | 0 | -322 |
| Adjustment of deferred tax concerning previous years | 0 | -322 | 0 | 2 |
| | 0 | 0 | 0 | 0 |

The group has a net deferred asset that is not recognised

Note 15 - Lease liabilities

| | Consolidated | | Parent | |
|--------------------------------|----------------|----------------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK |
| Non-current | 263,532 | 299,561 | 0 | 0 |
| Current | 30,792 | 5,520 | 0 | 0 |
| Total lease liabilities | 294,324 | 305,081 | 0 | 0 |

Notes to the Financial Statements

Note 16 - Cash flow statement adjustments

| | Consolidated | | Parent | |
|---|---------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK |
| Financial income | -166,701 | -4,617 | -154,865 | 0 |
| Financial expenses | 103,320 | 91,240 | 88,437 | 73,020 |
| IFRS 16 interests | 22,066 | 15,889 | 0 | 0 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 96,833 | 116,235 | 0 | 0 |
| Income from investments in subsidiaries | | 0 | 450,212 | 288,603 |
| Tax on profit/loss for the year | -2,325 | -68,825 | 0 | 18 |
| Other adjustments | | 0 | 0 | 0 |
| | 53,193 | 149,922 | 383,784 | 361,641 |

Note 17 - Change in working capital

| | Consolidated | | Parent | |
|-------------------------------|---------------|-----------------|----------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK |
| Change in inventories | 4,210 | -119,554 | 0 | 0 |
| Change in receivables | 32,772 | 9,922 | -41,992 | 0 |
| Change in trade payables, etc | 36,851 | -131,588 | 221 | -571 |
| | 73,833 | -241,220 | -41,771 | -571 |

Notes to the Financial Statements

Note 18 - Contingent assets, liabilities and other financial obligations

| | Consolidated | | Parent | |
|--|--------------|------------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | TDKK | TDKK | TDKK | TDKK |
| Lease obligations under operating leases. Total future lease payments: | | | | |
| Within 1 year | 341 | 315 | 0 | 0 |
| Between 1 and 5 years | 26 | 341 | 0 | 0 |
| After 5 years | 0 | 0 | 0 | 0 |
| | 367 | 656 | 0 | 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.

Note 19 - Related parties

| | <u>Basis</u> |
|--------------------------------------|-----------------------|
| Controlling interest | |
| AJ Vaccines Holding ApS | Parent |
| AJ Intech Sdn. Bhd. | Parent |
| AJ Pharma Ltd. II | Parent |
| White Crystals Limited | Parent |
| Pergola Holding Inc | Parent |
| Other related parties | |
| Dr. Tabassum Khan | CEO |
| Mustafa Nasir Farooki | Director |
| Abdulaziz Hamad Aljomaih | Director |
| Mohammed Ali A. Alesayi | Director |
| Saddam Abdulqawi Hussein Alhumaikani | Director |
| Maha Investment Company Limited | non-controlling owner |
| Topaz Hub Holding Company | non-controlling owner |
| Golden Edge LTD, Cayman Islands | Affiliate |
| Stratgurus Consulting, Dubai | Affiliate |

Notes to the Financial Statements

Note 19 - Related parties continued

Transactions

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

There have been no transactions with the Board of Directors, 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:

| <u>Name</u> | <u>Place of registered offices</u> |
|---------------------|------------------------------------|
| 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

Note 20 - Fee to auditors appointed at the general meeting

| | <u>Consolidated</u> | |
|-------------------------------|---------------------|--------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>TDKK</u> | <u>TDKK</u> |
| PricewaterhouseCoopers | | |
| Audit fee | 989 | 512 |
| Other assurance engagements | 137 | 329 |
| Tax advisory services | 210 | 360 |
| | 1,336 | 1,201 |

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of AJ Vaccines Holding ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C including optimal use of IFRS 9, 15 and 16 with respect to recognition and measurement.

The Consolidated and Parent Company Financial Statements for 2020 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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, AJ Vaccines Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control is classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

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 Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

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 then 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

Notes to the Financial Statements

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 labor 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.

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 goodwill and income related to the Gates Foundation.

Financial income and expenses

Financial income and expenses are recognized 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.

Notes to the Financial Statements

The Company is jointly taxed with the Danish subsidiary. 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 (including 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.

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 |

Notes to the Financial Statements

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

The group 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.

Right-of-use assets and lease liabilities have been recognised for those leases previously classified as operating leases, except for short-term leases and leases of low value assets. The right-of-use assets have been recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019.

On transition to IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as operating leases in accordance with IAS 17. The lease liabilities were measured at the present value of the future discounted lease payments using the Group's incremental borrowing rate at 1 January 2019. The weighted average incremental borrowing rate applied on transition to IFRS 16 was 7% housing rent and 15% for car rent. Remeasurement of right of use assets is made if revised lease payments applied in the

Remeasurement of the right of use assets as revised lease payments on rented premises has been renegotiated as a remeasuring of the right of use asset and lease liability has been performed with initial rate applied 7%.

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

Notes to the Financial Statements

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.

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 positive 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, differences between the net book value in the company acquired form a group company and the acquisitions price paid is recognized directly on equity under retained earnings.

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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 labor 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 marketability, 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 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.

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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.

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.

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.

Notes to the Financial Statements

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.