

AJ Vaccines Holding ApS
Artillerivej 5, DK-2300 Copenhagen S
**Annual Report for 1 January - 31
December 2021**

CVR No 38 31 57 73

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28 June 2022

Chairman of the General Meeting
Grant Lawrence, CFO

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of AJ Vaccines Holding ApS for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and the Group operations and cash flows for 2021.

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 June 2022

Executive Board

Abdulaziz Hamad Aljomaih
Chairman

Mustafa Nasir Farooki

Mohammed Ali A. Alesayi

Saddam Abdulqawi Hussein
Alhumaikani

Shan-E-Abbas Ashary

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 2021 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January - 31 December 2021 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 2021, 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the 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, 28 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

Claus Carlsson
State Authorised Public Accountant
mne29461

Company Information

The Company

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

Executive Board

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

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018	09.01.2017- 31.12.2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	368.067	362.250	323.471	362.192	312.613
Gross profit/loss	-300.585	-311.564	-224.532	-150.698	-114.639
Operating profit/loss	-460.392	-442.217	-357.862	-322.314	-286.430
Profit/loss before financial income and expenses	-450.667	-427.843	-328.623	-284.793	396.617
Net financials	-273.243	41.317	-107.891	-58.936	-3.544
Net profit/loss for the year	-721.899	-384.203	-362.001	-276.739	443.336
Balance sheet					
Total assets	1.451.138	1.735.402	1.845.948	1.397.774	1.146.081
Equity	-1.188.621	-716.627	-331.369	166.647	443.386
Cash flows					
Cash flows from:					
Operating activities	-231.221	-260.741	-454.583	-178.573	-230.719
Investment activities	-18.699	-130.862	-218.874	-280.212	-63.135
- including investment in property, plant and equipment	-18.632	-72.903	-126.580	-281.527	-40.031
Financing activities	252.967	352.059	680.019	429.612	376.849
Change in cash and cash equivalents for the year	2.607	-39.544	6.562	-29.173	82.995
Number of employees	577	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.

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

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

Strategy

AJ Vaccines 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 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).

Management's Review

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. Sales to MICs are sold through a mix of procurement agencies (e.g. PAHO for Latin America), government, distributors and private insurers. Vaccines to low income countries ("LICs") are often sold through pooled international procurement agencies such as UNICEF and PAHO.

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

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

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

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

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

Management's Review

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

1.4 Result

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

Management's Review

2. RESPONSIBLE EMPLOYER

2.1 Policy

Health and Safety at work

We are committed to ensure that our employees have a safe working environment. Thus, relevant training and protective equipment are provided to all employees. Furthermore, we monitor safety 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

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

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

Management's Review

- 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:

- 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.
- Whistleblower scheme

Management's Review

3.4. Results

The result of our ethical business practices is that no incidents related to corruption or human rights issues have been reported in 2021, and we continue to have a 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 in accordance with the Danish Financial Statement Act 99b

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 Executive Board – current composition and target figure

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

Privacy and GDPR in accordance with the Danish Financial Statements Act

AJ Vaccines is focused on privacy and protection of personal data, covering the data of employees, partners and other stakeholders. AJ Vaccines has implemented strong measures to protect personal data and complies with the EU General Data Protection Regulation (GDPR) and national personal data protection regulation. AJ Vaccines have plans to implement a formalised Data Ethics Policy in 2022. In this policy AJ Vaccines approach to data ethics will be defined pursuant to section 99d of the Danish Financial Statements Act.

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

Financial review

In 2021, revenues were DKK 368 million (2020: DKK 362m). Profit before interest and taxes, or EBIT were DKK -451 million (2020: DKK -428) which was in line with expectations for the year. As of 31st December 2021, the Company had free cash and cash equivalents of DKK 19 million (2020: DKK 6m).

Income Statement

Revenue

Revenue for the period was DKK 368 million (2020: DKK 362m).

Revenue from vaccines sales was DKK 356 million (2020: DKK 350m).

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

Vaccine sale and other product sale increased with DKK 6 million to DKK 364 million in 2021 (2020: DKK 358m), which is an increase of 2%.

Cost of Sales

Cost of sales totaled DKK 669 million (2020: DKK 674m).

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

Research and development costs

The total research and development, excluding impairment of ongoing development projects, amounted to DKK 9 million (2020: DKK 11m) all related to the

Management's Review

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 122 million (2020: DKK 120m) and is on the same level in total.

Financial income and financial expenses

Financial income was DKK 84 million (2020: DKK 167m). Income was primarily due to FX gains on working capital and loans.

Financial expenses amounted to DKK 357 million (2020: DKK 125m), of which DKK 105 million (2020: DKK 96m) was interest expense on loans and DKK 233 million (2019: DKK 7m) due to FX loss and DKK 19 million (2020: DKK 22m) was interest expenses related to IFRS 16 liabilities and other.

Other income

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

Tax on loss for the year

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

Liquidity and capital resources

As of 31 December 2021, AJ Vaccines Group had free cash and cash equivalents of DKK 19 million (2020: DKK 6 m).

Cash flows

Net cash from operating activities was DKK -231 million (2020: DKK -261m).

Net cash used in investing activities was DKK -19 million (2020: DKK -131m), of which plant and equipment investments amounted to DKK -19 million (2020: DKK -73m).

Net cash provided by financing activities totaled DKK 253 million (2020: DKK 352m). DKK -23 million (2020: DKK 16m) is Paid interest and withholding tax of loans provided by related parties, DKK 50 million (2020: DKK 374m) is a loan from existing shareholders, DKK 205 million is capital increase in 2021, DKK 52 million is COVID Loan from authorities and DKK -31 million (2020: DKK -6m) is repayment of lease liabilities.

Management's Review

The net cash flow for 2021 was DKK 3 million (2020: DKK -40m).

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 1,451 million as of 31 December 2021 (2020: DKK 1,735m).

Assets

The intangible assets are DKK 291 million (2020: DKK 348m). The remaining part of IPV alum development project is funded by the Bill & Melinda Gates Foundation.

Tangible assets are DKK 689 million (2020: DKK 802 m). The addition for the year is primarily related to investments in assets under construction.

Inventories on 31 December 2021 are DKK 329 million (2020: DKK 448 m), of which finished goods amounted to DKK 19 million (2020: DKK 49m) net of write-down.

Receivables and prepayment on 31 December 2021 are DKK 118 million (2020: DKK 116m) of which trade receivables amounted to DKK 80 million (2020: DKK 86m).

As of 31 December 2021, cash and cash equivalents are DKK 24 million (2020: DKK 21m) of which DKK 5 million (2020: DKK 15m) is restricted cash related to funds received from The Bill and Melinda Gates Foundation.

Equity

After the transfer of the loss for the year and the capital contribution for the year the equity is DKK -1.189 million (2020: DKK -716m) at 31 December 2021.

Liabilities

Total Bridge loans to group enterprises are DKK 2.158m (2020: DKK 1,919m).

Management's Review

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

Outlook

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

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

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

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

The carrying amounts of plant and equipment carried at cost or amortized costs are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal depreciation. If that is the case, the asset is written down to the recoverable amount, which is the higher of its 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 2021

	Note	Consolidated		Parent	
		2021	2020	2021	2020
		TDKK	TDKK	TDKK	TDKK
Revenue	2	368.067	362.250	0	0
Cost of sales	3	-668.652	-673.814	0	0
Gross profit/loss		-300.585	-311.564	0	0
Sales and distribution expenses	3	-22.486	-30.368	0	0
Development expenditure	3	-37.374	-10.566	0	0
Administrative expenses	3	-99.947	-89.719	-401	-419
Operating profit/loss		-460.392	-442.217	-401	-419
Other operating income		9.725	14.374	0	0
Profit/loss before financial income and expenses		-450.667	-427.843	-401	-419
Income from investments in subsidiaries	4	0	0	-486.388	-450.212
Financial income	5	83.941	166.701	76.191	154.865
Financial expenses	6	-357.183	-125.386	-311.301	-88.437
Profit/loss before tax		-723.909	-386.528	-721.899	-384.203
Tax on profit/loss for the year	7	2.010	2.325	0	0
Net profit/loss for the year		-721.899	-384.203	-721.899	-384.203

Balance sheet 1 January - 31 December 2021

	Note	Consolidated		Parent	
		2021	2020	2021	2020
		TDKK	TDKK	TDKK	TDKK
Technology		256.503	298.951	0	0
Software		33.412	47.197	0	0
Development projects in progress		1.075	1.625	0	0
Intangible assets	8	290.990	347.773	0	0
Right of use assets		210.795	261.199	0	0
Leasehold improvements		142.164	151.329	0	0
Plant and machinery		249.410	200.154	0	0
Other fixtures and fittings, tools and equipment		15.060	2.012	0	0
Property and land hold		9.674	9.240	0	0
Property, plant and equipment in progress		62.052	178.441	0	0
Property, plant and equipment	9	689.155	802.375	0	0
Investments in subsidiaries	10	0	0	815.875	1.052.359
Total fixed asset investment		0	0	815.875	1.052.359
Fixed assets		980.145	1.150.148	815.875	1.052.359
Inventories	11	329.447	447.770	0	0
Trade receivables		80.931	85.924	0	0
Receivables from group enterprises		0	0	28.792	36.621
Other receivables		25.944	23.365	0	0
Corporation tax		2.010	2.325	0	0
Prepayments		9.028	4.844	0	0
Receivables		117.913	116.458	28.792	36.621
Cash at bank and in hand		23.633	21.026	40	72
Currents assets		470.993	585.254	28.832	36.693
Assets		1.451.138	1.735.402	844.708	1.089.052

Balance sheet 1 January - 31 December 2021

	Note	Consolidated		Parent	
		2021	2020	2021	2020
		TDKK	TDKK	TDKK	TDKK
Share capital		70	50	70	50
Share premium account		248.876	0	248.876	0
Retained earnings		-1.437.567	-716.727	-1.437.567	-716.727
Equity	12	-1.188.621	-716.677	-1.188.621	-716.677
Lease Liabilities	14	212.472	263.532	0	0
Other Provisions		60.520	54.761	0	0
COVID loan		10.463	0	0	0
Total non-current liabilities		283.455	318.293	0	0
Lease liabilities	14	30.152	30.792	0	0
Trade payables		58.162	50.305	0	0
Loans and Bridge loans to group enterprises		1.978.021	1.764.273	1.978.021	1.764.273
Payables to group enterprises		179.808	154.288	50.437	37.087
Other payables		105.615	119.570	4.871	3.820
Deferred income		4.546	14.009	0	0
Short-term debt		2.356.304	2.133.237	2.033.329	1.805.180
Debt		2.639.759	2.451.530	2.033.329	1.805.180
Liabilities and equity		1.451.138	1.735.402	844.708	1.089.052
Letter of support	1				
Distribution of profit	13				
Contingent assets, liabilities and other financial obligations	17				
Related parties	18				
Fee to auditors appointed at the general meeting	19				
Accounting Policies	20				

Statement of Changes in Equity

	Share capital	Share Premium account	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Consolidated				
Equity at 1 January 2021	50	0	-716.677	-716.627
Capital increase	20	248.876		248.896
Exchange rate adjustments		0	1.009	1.009
Net profit/loss for the year	0	0	-721.899	-721.899
Equity at 31 December 2021	70	248.876	-1.437.567	-1.188.621
Parent				
Equity at 1 January 2021	50	0	-716.677	-716.627
Capital increase	20	248.876	0	248.896
Exchange rate adjustments	0	0	1.009	1.009
Net profit/loss for the year	0	0	-721.899	-721.899
Equity at 31 December 2021	70	248.876	-1.437.567	-1.188.621

Cash Flow Statement 1 January - 31 December 2021

	Note	Consolidated		Parent	
		2021	2020	2021	2020
		TDKK	TDKK	TDKK	TDKK
Net profit/loss for the year		-721.899	-384.203	-721.899	-384.203
Adjustments	15	423.482	53.193	721.498	383.784
Change in working capital	16	65.213	73.833	-28.776	-41.771
Cash flows from operating activities before financial income and expenses		-233.204	-257.177	-29.177	-42.190
Financial expenses		1.542	-3.564	0	0
Cash flows from operating activities		-231.662	-260.741	-29.177	-42.190
Purchase of intangible assets		-67	-1.881	0	0
Purchase of property, plant and equipment		-18.632	-72.903	0	0
Fixed asset investments made etc		0	0	-204.562	-317.884
Investments in subsidiaries		0	-56.078	0	0
Sale of intangible assets		0	0	0	0
Sale of property, plant and equipment		0	0	0	0
Cash flows from investing activities		-18.699	-130.862	-204.562	-317.884
COVID Loan from Authorities		51.494	0	0	0
Capital increase		204.562	0	204.562	
Raising of loans from group enterprises		50.437	373.676	50.437	373.676
Lease Liabilities		-30.847	-5.520	0	0
Paid interests and withholding tax		-22.679	-16.097	-21.290	-13.810
Cash flows from financing activities		252.967	352.059	233.709	359.866
Change in cash and cash equivalents		2.606	-39.544	-30	-208
Cash and cash equivalents at 1 January		21.026	60.570	72	280
Cash at acquisition of subsidiaries at 1 January		0	0	0	0
Cash and cash equivalents at 31 December		23.632	21.026	42	72
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		18.732	5.683	42	72
Restricted cash		4.901	15.343	0	0
Cash and cash equivalents at 31 December		23.633	21.026	42	72

Note to the Financial Statements

Note 1 - Letter of support

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

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

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

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

Note 2 - Revenue

	Consolidated		Parent	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
Geographic split of revenue				
Denmark	97.843	98.820	-	-
The European Union	186.847	101.644	-	-
Other	83.377	161.786	-	-
Total	368.067	362.250	-	-
Business segments				
Vaccines sale	356.128	350.353	-	-
Other product sale	3.535	3.450	-	-
Contract work	8.404	8.447	-	-
Total	368.067	362.250	-	-
Note 3 - Staff				
Wages and salaries	304.579	368.791	-	-
Pensions	38.052	46.476	-	-
Other social security expenses	4.913	5.440	-	-
Other staff expenses	14.432	15.140	-	-
Total	361.976	435.847	-	-
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:				
Cost of sales	298.487	374.155	-	-
Distribution expenses	12.074	16.341	-	-
Development expenditure	3.462	5.871	-	-
Administrative expenses	47.954	39.480	-	-
Total	361.977	435.847	-	-
Average number of employees	577	722	-	-

Note to the Financial Statements

Note 4 - Income from investments in subsidiaries

	Consolidated		Parent	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
Share of losses of subsidiaries			-486.388	-450.212

Note 5 - Financial income

Financial income

Exchange gains	83.641	166.701	76.191	154.865
Total	83.641	166.701	76.191	154.865

Note 6 - Financial expenses

Interest expense to group enterprises	105.268	95.562	99.033	88.433
Interest expense - Right-of-use-assets	17.970	22.066	-	-
Other financial expenses	1.414	276	72	2
Exchange adjustments, expenses	232.531	7.482	212.195	2
	357.183	125.386	311.300	88.437

Note 7 - Tax on loss for the year

Current tax for the year	-2.010	-2.325	0	0
	-2.010	-2.325	0	0

Notes to the Financial Statements

Notes 8 - Intangible assets

	Technology	Software	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2021	342.075	190.499	1.626	534.200
Additions for the year	0	0	67	67
Reclassification from tangible assets	0	0	1.008	1.008
Transfers for the year	0	1.626	-1.626	0
Cost at 31 December 2021	342.075	192.125	1.075	535.275
Impairment losses and amortisation at 1 January 2021	-43.123	-143.303	0	-186.426
Impairments for the year	-24.201	0	0	-24.201
Amortisation for the year	-18.248	-15.410	0	-33.658
Impairment losses and amortisation at 31 December 2021	-85.572	-158.713	0	-244.285
Carrying amount at 31 December 2021	256.503	33.412	1.075	290.990
			2021	2020
Amortisation and impairment of intangible assets are recognised in the following items:			TDKK	TDKK
Cost of sales			55.896	29.177
Administrative expenses			1.964	4.162
			57.860	33.339

Notes to the Financial Statements

Notes 9 - Tangible assets

	Right of use assets	Leasehold improve- ments	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 2021	345.272	165.700	323.816	2.948	9.240	178.441	1.025.417
Additions for the year	15.988	0	1.518	5.200	0	11.456	34.162
Disposals for the year	-40	0	0	0	0	-3.709	-3.749
Transfers for the year	0	0	84.999	9.891	0	-94.890	0
Remeasurement	-48.693	0	0	0	0	0	-48.693
Reclassification of Property, plant and equipment in progress to developmen projects in progress	0	0	0	0	0	-1.008	-1.008
Exchange adjustments	0	25	10	0	434	0	469
Cost at 31 December 2021	312.527	165.725	410.344	18.039	9.674	90.289	1.006.598
Impairment losses and depreciation at 1 January 2021	-84.074	-14.371	-123.662	-936	0	0	-223.043
Impairments for the year	0	0	-1.286	0	0	-28.236	-29.522
Depreciation for the year	-17.658	-9.184	-35.982	-2.043	0	0	-64.867
Disposals and reclassifications for the year	0	-5	-5	0	0	0	-10
Impairment losses and depreciation at 31 December 2021	-101.732	-23.561	-160.935	-2.979	0	-28.236	-317.444
Carrying amount at 31 December 2021	210.796	142.164	249.409	15.060	9.674	62.053	689.155

	2021	2020
	TDKK	TDKK

Depreciation and impairment of property, plant and equipment are recognised in the following items:

Cost of sales	46.951	55.442
Development	28.236	0
Administrative expenses	19.203	7.910
	94.390	58.614

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

Method

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

Note to the Financial Statements

	Parent	
	2021	2020
Note 10 - Investments in subsidiaries		
	TDKK	TDKK
Cost at 1 January	1.725.245	1.407.362
Additions for the year	248.895	317.883
Cost at 31 December	1.974.140	1.725.245
Value adjustments at 1 January	-672.886	-221.618
Net profit/loss for the year	-486.388	-450.212
Currency adjustments	1.009	-1.056
Value adjustments at 31 December	-1.158.265	-672.886
Carrying amount at 31 December	815.875	1.052.359

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Net profit/loss for the year	
			Equity	TDKK
AJ Vaccines A/S	Copenhagen	100%	815.875	-486.388

Indirect ownership through AJ Vaccines A/S:

Name	Place of registered office	Votes and ownership	Net profit/loss for the year	
			Equity	TMYR
AJ Biologics Sdn. Bhd	Kuala Lumpur	100%	14.339	-9.201
AJ Vaccines Malaysia Sdn. Bhd	Kuala Lumpur	100%	-5	-9

Note 11 - Inventories

	Consolidated		Parent	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	32.399	41.428	0	0
Semi finished goods	278.428	357.663	0	0
Finished goods and goods for resale	18.620	48.679	0	0
	329.447	447.770	0	0

Note to the Financial Statements

Note 12 - Equity

The share capital consists of 70.000 shares of a nominal value of DKK 1. No shares carry any special rights.

Note 13 - Distribution of profit

	Parent	
	2021	2020
	TDKK	TDKK
Retained earnings	-721.899	-384.203
Total	-721.899	-384.203

Note 14 - Lease liabilities

	Consolidated		Parent	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
Non-current	212.472	263.532	0	0
Current	30.152	30.792	0	0
Total lease liabilities	242.624	294.324	0	0

Note to the Financial Statements

Note 15 - Cash flow statement adjustments

	Consolidated		Parent	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
Financial income	-83.941	-166.701	-76.191	-154.865
Financial expenses	339.213	103.320	311.301	88.437
IFRS 16 interests	17.970	22.066	0	0
Depreciation, amortisation and impairment losses, including losses and gains on sales	152.250	96.833	0	0
Income from investments in subsidiaries	0	0	486.388	450.212
Tax on profit/loss for the year	-2.010	-2.325	0	0
Other adjustments	0	0	0	0
	423.482	53.193	721.498	383.784

Note 16 - Change in working capital

	Consolidated		Parent	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
Change in inventories	118.323	4.210	0	0
Change in receivables	-2.303	32.772	-29.757	-41.992
Change in trade payables, etc	-50.807	36.851	981	221
	65.213	73.833	-28.776	-41.771

Note to the Financial Statements

Note 17 - Contingent assets, liabilities and other financial obligations

	Consolidated		Parent	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
payments:				
Within 1 year	26	341	0	0
Between 1 and 5 years	0	26	0	0
After 5 years	0	0	0	0
	26	367	0	0

Other contingent liabilities

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

Note 18 - Related parties

	<u>Basis</u>
Controlling interest	
AJ Intech Sdn. Bhd.	Parent
AJ Pharma Ltd. II	Parent
White Crystals Limited	Parent
Pergola Holding Inc	Parent
Other related parties	
Abdulaziz Hamad Aljomaih	CEO
Mustafa Nasir Farooki	Director
Shan-E-Abbas Ashary	Director
Mohammed Ali A. Alesayi	Director
Saddam Abdulqawi Hussein Alhumaikani	Director
Golden Edge LTD, Cayman Islands	Affiliate
Maha Investment Company Limited	Affiliate
Topaz Hub Holding Company	Affiliate

Note to the Financial Statements

Note 18 - 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

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 19 - Fee to auditors appointed at the general meeting

	<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>
	<u>TDKK</u>	<u>TDKK</u>
PricewaterhouseCoopers		
Audit fee	959	989
Other assurance engagements	143	137
Tax advisory services	85	210
	<u>1.187</u>	<u>1.336</u>

Notes to the Financial Statements

20 Accounting Policies

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

The Consolidated and Parent Company Financial Statements for 2021 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.

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.

Notes to the Financial Statements

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 Company'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 allocated consideration is recognized as revenue in accordance with the principles described above.

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

Cost of sales

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

Notes to the Financial Statements

well as operation, administration and management of factories.

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

Distribution expenses

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

Development expenditure

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

Administrative expenses

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

Other operating income and expenses

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

Income from investments in subsidiaries

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

Financial income and expenses

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

Tax on profit/loss for the year

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

Notes to the Financial Statements

to equity transactions is recognized directly in equity.

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

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

Balance Sheet

Intangible assets

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

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

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

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

Property, plant and equipment

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

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

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

Notes to the Financial Statements

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

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

Depreciation period and residual value are reassessed annually.

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

Right of use assets

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

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

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

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

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

The lease liability is measured using the effective interest method.

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

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

Notes to the Financial Statements

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

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

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

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

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

Inventories

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

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

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

Notes to the Financial Statements

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

Receivables

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

Group balances and other receivables are recognized to amortised cost.

Prepayments

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

Deferred tax assets and liabilities

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

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently,

Notes to the Financial Statements

the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Deferred income

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible 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.

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.