

AJ Vaccines Holding ApS
Artillerivej 5, DK-2300 Copenhagen S
**Annual Report for 1 January - 31
December 2023**

CVR No 38 31 57 73

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28 June 2024

Chairman of the General Meeting
Grant Lawrence, CFO

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Management's Statement

The Executive Board have today considered and adopted the Annual Report of AJ Vaccines Holding ApS for the financial year 1 January - 31 December 2023.

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

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

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

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

Copenhagen, 28 June 2024

Executive Board

Abdulaziz Abdulhamid
Abdulrhman Albassam
CEO

Shan-E-Abbas Ashary

Mustafa Nasir Farooki

Saddam Abdulqawi Hussein
Alhumaikani

Muhammed Ali A. Alesayi

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 Parent Company at 31 December 2023 and of the results of the Group's and Parent Company's operations as well as cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and Parent Company Financial Statements of AJ Vaccines Holding ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional 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.

Independent Auditor's Reports

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

Management's responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Reports

- 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion 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 2024

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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Website: www.AJVaccines.com

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

Executive Board

Abdulaziz Abdulhamid Abdulrhman Albassam, CEO
Shan-E-Abbas Ashary
Mustafa Nasir Farooki
Saddam Abdulqawi Hussein Alhumaikani
Mohammed Ali A-Alesayi

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

Key figures	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Revenue	468.886	423.175	368.067	362.250	323.471
Gross profit/loss*	(30.723)	(64.032)	(245.328)	(311.564)	(224.532)
Operating profit/loss	(216.706)	(231.827)	(460.392)	(442.217)	(357.862)
Profit/loss before financial income and expenses	(206.882)	(227.963)	(450.667)	(427.843)	(328.623)
Net financials	(86.095)	(292.098)	(273.243)	41.317	(107.891)
Net profit/loss for the year	(293.446)	(519.341)	(721.899)	(384.203)	(362.001)
Balance sheet					
Total assets	1.511.826	1.484.930	1.451.138	1.735.402	1.845.948
Equity	929.253	(1.238.217)	(1.188.621)	(716.627)	(331.369)
Cashflow					
Cashflow from operating activities	(246.459)	(228.488)	(231.662)	(260.741)	(454.583)
Investment activities	(12.787)	(39.917)	(18.699)	(130.862)	(218.874)
- Including investment in property, plant and equipment	(21.512)	(39.917)	(18.632)	(72.903)	(126.580)
Financing activities	189.900	329.658	252.967	352.059	680.019
Change in cash and cash equivalents for the year	(78.836)	61.253	2.606	(39.544)	6.562
Number of employees	577	575	558	722	719

*) For 2019 and 2020 another principle was used for allocation of the cost by nature to cost by function

Management's review

Key activities

AJ Vaccines Group ("AJV"), a biopharmaceutical group, specializes in developing and manufacturing innovative vaccines, diagnostics, and therapeutic solutions. AJV has a product portfolio includes stand-alone and combination vaccines for polio, tuberculosis control, and treatment for non-muscle invasive bladder cancer. AJV is involved in the entire manufacturing process, from sourcing supplies to filling and packaging the final products for global distribution.

Our vision is becoming more relevant

AJV vision is "Together we keep the world safe." This powerful statement embodies our commitment to creating a world free from serious diseases, generation after generation, life by life. This vision profoundly influences all aspects of what we do, ensuring that every initiative undertaken supports the overarching goal of protecting and preserving lives.

Progress in 2023 – A year focused on stability, growth and productivity

By horizontal alignment the group focused on the 3 main pillars, stability, growth and productivity. We delivered on improving the revenue with 11%. AJV delivered their short-term commitment, while being equally focused on building a plan towards sustainable growth and profitability. We will continue to stabilize manufacturing and grow our core business, and we expect to make progress on each of our potential growth initiatives to safeguard and accelerate AJV's short- and long-term value potential.

Strategy

The group's immediate focus is on achieving continuous growth and improving profitability. Management has identified significant opportunities for growth by transforming AJV into a performance and commercially focused business, with a focus on achieving sustainable and profitable manufacturing output.

One such opportunity lies in the further expansion of the BCG Vaccine for tuberculosis immunization and BCG Culture for the standard treatment of bladder cancer. These products hold compelling commercial potential, and obtaining additional market authorization coverage would significantly expand the addressable market.

In addition, the polio business – previously dominated by sale to pan-national health organizations, is expected to benefit from opportunities and bulk sales and direct market authorizations in selected strategic countries and regions.

Management's review

Market overview

Covid pandemic aside, 80% of the vaccine market is patent driven and dominated by five multinational pharmaceuticals, Pfizer Inc., Merck & Co., Inc., Sanofi, GlaxoSmithKline PLC, and Johnson & Johnson. The most significant production volumes however are supplied by vaccine dedicated companies, the largest of which located in countries where cost of manufacturing is more competitive like India (i.e., Serum Institute of India) and China (i.e., Sinovac, Sinopharm). AJV is not in competition with these big market players but rather complementing where the market needs exist. It's niche of generic products are well established and positioned with a portfolio of marketing authorizations and WHO prequalified status for 2 vaccines. Further room for strengthening and expansion for AJV is in planning and driven by the trending up of the overall vaccine market and additional opportunities with the BCG bladder cancer indication to leverage on a persisting global shortage.

Vaccine sales in high income countries ("HICs") is generally procured directly by government tendering, while vaccines sales to middle-income countries ("MICs") are sold through a mix of procurement agencies (e.g. PAHO for Latin America), government, distributors and private insurers. Vaccines to low-income countries ("LICs") are often sold through pooled international procurement agencies such as UNICEF and PAHO. AJV business is a mixture of all scenarios.

Long lead-time for technical transfer and burdensome regulations are a barrier to biosimilar product replacement risks. The development of improved vaccines normally stretches over several years and requires large investment with significant probability of failure yielding clear visibility of the competitor landscape over the medium term.

Over the past decades the generic vaccine market has been characterized by undersupply mainly due to big pharma companies focusing more on their new blockbusters. The current vaccine market offers a significant opportunity for AJV who hold a product portfolio of almost exclusively undersupplied vaccine products to make full use of unexploited capacity, be a supplier of bulk material and expand the non-vaccine indication while there is a significant pull from the global market.

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

Our business model is described under Key activities in this Management's review

AJV 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 AJV in July 2020 by the Global Certification Commission for Polio

Management's review

Eradication. The WHO published a revised Global Action Plan (GAPIV) in 2022. AJV has initiated the implementation of GAPIV in 2022.

AJV collaborated until end of 2022 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 group, we support the United Nation's Sustainable Development Goals that aim to ensure a sustainable future by addressing social, environmental and economic challenges across the globe. We contribute by protecting people from serious infectious diseases across generations, hence our support initiatives are focused on UN Goal 3 (Health) and 17 (Partnerships).

1. RESPONSIBLE MANUFACTURING

1.1 Policy

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

1.2 Risks

AJV acknowledges that there is an inherent risk of negatively impacting the environment and climate through our manufacturing. We have identified our main environmental impact to be release of infectious substances, energy consumption and noise emissions. How we control and reduce our impact is described below.

1.3 Actions

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

Our environmental management system in accordance with the CWW BREF ensure continuous environmental improvements and compliance with legislative requirements.

Management's review

Examples of how we control and reduce our environmental impact:

- Ensuring a systematic approach to monitor adherence to environmental permits
- Conducting internal audits to ensure legislative compliance
- Ensuring compliance regarding containment requirements
- Implementing a biorisk management system in compliance with WHO requirements (GAPIV)
- Continuously working on yield improvements and scrap reductions on API-production and finished products
- Reducing energy consumption by initiating energy-saving measures and define reduction targets on a continuous basis.

1.4 2023 Result's

Based on our continuing efforts in this area in 2023, it is our belief that we have succeeded in demonstrating that AJ Vaccines is a responsible manufacturer as we have seen a reduction in the environmental impact of our business activities by reducing energy consumption and scrap.

Further regarding legislative compliance related to our handling and containment of polio virus, the National Authority of Polio-Containment commended our compliance and Management System following a three-day inspection assessing our Biorisk Management System.

2. RESPONSIBLE EMPLOYER

2.1 Policy

Health and Safety at work

We are committed to ensuring that our employees have a safe working environment. Thus, relevant training and protective equipment are provided to all employees. Furthermore, we have an electronic system for handling and mitigating accidents, incidents and observations related to our safety risks.

Having a highly skilled and engaged workforce is key to the success of our group 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 the 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 and motivated our employees are as well as, how well-managed AJ Vaccines is as a group. The results also assist us in identifying action areas in our drive for continuous improvements towards an attractive workplace.

Management's review

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

2.2. Risks

Despite the above-mentioned efforts we acknowledge that there are risks within our activities that potentially can result in injuries and have a negative impact on the working environment of our employees. To ensure a safe working environment we encourage registration and mitigation to prevent work-related incidents, as well as prioritize to proactively conduct Workplace Assessments and Risk Assessments in close collaboration with the Safety Organization and management.

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.
- Prioritize Risk Assessments targeted chemical- and biological safety

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 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. The PDD naturally addresses the findings and key conclusions of the employee engagement surveys.
- We train our leaders to drive the transformation of our group, people and culture.

Management's review

2.4. 2023 Results

Based on our continuing efforts in this area, in 2023 it is our belief that we have succeeded in showing that AJV is a responsible employer as we have seen a reduction in workplace related incidents and near-miss incidents. We have also increased our focus on the wellbeing of our employees.

AJV will continue to work and have focus on making actions to comply with the policies for human rights.

3. RESPONSIBLE BUSINESS

3.1 Policy

Business ethics and integrity are core values at AJV 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. AJV is working with the UN sustainability development goals and are via this work supporting human rights. We take pride in complying with the regulations concerning “Good Manufacturing Practices”, “Good Pharmacovigilance Practices” and “Good Distribution Practices” that apply to our products. We are also highly aware of our ability to contribute positively to the surrounding society with our specific skills and products.

3.2 Risks

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

3.3. Actions

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

- Our “Company Rules of Procedures” provides employees with guidance on our strict practice on gifts and the risk of conflict of interest.
- We have clear procedures and controls in place regarding signing and approving contracts and invoices on behalf of AJV.
- We comply with regulations on human trials and animal trials and we are reducing our use of animal tests.

Management's review

3.4. 2023 Results

The result of our ethical business practices is that no incidents related to corruption or human rights issues have been reported in 2023, and we continue to have a good reputation and legacy as being an ethical and trustworthy business partner.

AJV will continue to work proactive and make actions to comply with the policies for corruptions and bribery.

4. Outlook for the future

We plan to continue our efforts in these area's in the coming years:

- Formalizing our ESG-policies and strengthening the transparency by e.g. setting-up goals and KPIs for material topics.
- Further reducing our environmental impact by continuously setting objectives and targets for our environmental improvements
- Implement requirements from the revised EU Industrial Emissions Directive and the WGC BREF
- Supporting Global Polio Eradication Initiative by implementing WHO's requirements for containment of polio virus and obtaining certification of our Biorisk Management System according to GAPIV.
- Supporting United Nation's Sustainable Development Goals related to Health and Partnerships
- Further improving the health and safety of our employees by ensuring a proactive approach to accident prevention and continuously setting objectives and targets for health and safety related improvements
- Proactively conduct Workplace- and Risk Assessments and ensure legislative compliance.

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

Update on Diversity in AJ Vaccines Holding ApS

AJV 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. AJV currently employs app. 39% men and 61% women.

In 2023, AJV reached 17% women in the Senior Leadership Team by the end of 2023. In addition to our current update, we are also working actively with succession planning and talent management to continue to improve our diversity at AJV.

Management's review

Top Management – current composition and target figure

AJ Vaccines Holding ApS Top Management consist of the Executive Board and presently the board has of five members of which all are men. The Board has agreed that while the company is not making profits the current Board structure that mirrors the ownership will stay intact.

We have updated our goal to have at least one female member of the Board of Directors by 2026. The CEO of AJ Vaccines A/S and CEO of AJ Vaccines Holding ApS have in 2023 started an interview process to include 1-2 female person's on the board, due to the current ownership structure the board expects to have a new structure approved and implemented by end 2026.

Other management levels

The group has a gender distribution on the other management levels with 83% men and 17% women across our business.

AJV has one woman in the other management group– named Senior Leadership Team (SLT), by the end of 2023.

SLT is the management team lead by the CEO and who reports directly to the CEO, responsible for the daily operation. Ongoing it is still the goal to apply a mix of gender to the management group – also indicated in the table setting the goal.

In accordance with Danish Financial Statements Act §99b the table below show how the present state for AJV and goals for the gender composition going forward.

Top Management

	2023
Total # in board	5
Females	0
Males	5
Underrepresented gender in %	0%
Goal in %	20%
Year to fulfillment of expectation	2026

Management's review

Other management, SLT

	2023
Total # in SLT	6
Females	1
Males	5
Underrepresented gender in %	17%
Goal in %	25%
Year to fulfillment of expectation	2025

Privacy in accordance with the Danish Financial Statements Act 99d

AJV is committed to transparency and ethical data practices, as outlined in our Data Ethics Policy. This policy underscores our values of dignity, privacy, self-determination, and equality as well as our commitment to being a trustworthy company for customers, suppliers, authorities, employees, and patients when it comes to data. The scope of this policy encompasses all data, especially personal data, across AJ Vaccines, ensuring a consistent approach to data ethics.

In addition to our Data Ethics Policy, we have implemented comprehensive data protection policies, including technical and organizational measures, to safeguard personal data. Our commitment extends to inter alia raising awareness and providing training to employees involved in processing activities.

These policies aim to ensure that personal data is processed legally, transparently, and with utmost care, emphasizing its relevance, correctness, and limited retention.

All employees have received GDPR and data training and going forward all new employees will get trained as part of their introduction program. In -2024 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 Statements

In 2023 revenues were DKK469m (2022: DKK 423m). Loss for the year DKK-293m (2022: DKK-519m) which was just below expectations for the year due to timing of sales from end 2023 to beginning of 2024.

As of 31st December 2023 the Group had free cash and cash equivalents of DKK6m (2022: DKK 84m).

Management's review

Income Statement

Revenue

Revenue for the period was DKK 469m (2022: DKK 423m). Revenue from vaccines sales was DKK 461m (2022: DKK 425m). Revenue other product sales and contract work amounted to DKK 7m (2022: DKK 8m).

Cost of Sales

Cost of sales total DKK 499m (2022: DKK 487m). For the year 2023, the cost increased due to higher production volume.

Development Expenses

The total research and development cost total 2023 DKK 17m (2022: DKK 9m) which relates to the other product development.

Sales and distribution expenses and Administrative expenses

The sale and administrative cost are in total DKK 168m (2022: DKK 158m). The cost for 2023 increased due to higher activities.

Financial income and financial expenses

Financial income was DKK 68m (2022: DKK 0,3m). Income was primarily due to FX gains on working capital and loans.

Financial expenses amounted to DKK 154m (2022: DKK 292m) of which DKK 124m (2022: DKK 123m) was interest expense on loans and DKK 6m (2022: DKK 152m) due to FX loss and DKK 24m (2022: DKK 17m) was interest expenses related to lease liabilities.

Other operating income

Other income was DKK 10m (2022: DKK 4m). Other income is compensation from insurance and funding from the Bill & Melinda Gates Foundation of the IPV Alum development project.

Tax on loss for the year

Tax for the year was DKK -0.5m (2022: DKK 0.7m) corresponding to a tax rate under -1% (2022: under 1%)

Liquidity and capital resources

As of 31 December 2023, AJ Vaccines had free cash and cash equivalents of DKK 6m (2022: DKK 84m).

Management's review

Cash flows

Net cash flow from operating activities was DKK -256m (2022: DKK -228m). Net cash used in investing activities was DKK -13m (2022: DKK -40m). Net cash provided by financing activities total DKK 190m (2022: DKK 330m). DKK -25m (2022: DKK -27m) is paid interest and withholding tax of loans provided by related parties. DKK 269m is capital increase in 2023 (2022: DKK 470m).

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 decreased 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 1,512m as of 31 December 2023 (2022: DKK 1,485m).

Assets

The intangible assets are DKK 234m (2022: DKK 260 m).

Tangible assets are DKK 676m (2022: DKK 665m).

Additions for the year are primarily related to investments related in Lab Information Systems, manufacturing equipment and extension of IFRS 16 right-of-use assets.

Inventories 31 December 2023 DKK 452m (2022: DKK 385m) of which finished goods amounted to DKK 53m (2022: DKK 37m) net of write-down.

Receivables and prepayment 31 December 2023 DKK 144m (2022: DKK 90m) of which trade receivables amounted to DKK 116m (2022: DKK 58m).

As of 31 December, 2023 cash and cash equivalents are DKK 6m (2022: DKK 85m) of which DKK 0m (2022: DKK 0,9m) 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 929m (2022: DKK -1,238m).

Management's review

The reason for the net increase in equity is because of conversion of remaining loan balances to the immediate parent company as of 31 December 2023 to equity contribution to a total capital increase of DKK 2,462m.

2024 Outlook

AJV expects to continue its trajectory of high organic growth and earnings improvement in 2024. The growth will be mainly driven by an increase in sales of core products like Picovax®, BCG Vaccine and BCG Culture by expanding to new countries. BCG Culture is driven by the treatment of non-muscle invasive bladder cancer.

Due to planned capex and opex investments in 2024 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 2024 and the year to come. Management estimates an improvement in EBIT in the range of DKK 50-80 million in 2024 versus EBIT 2023, due to normal business risks.

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

	Note	Consolidated		Parent	
		2023 TDKK	2022 TDKK	2023 TDKK	2022 TDKK
Revenue	2	468.886	423.175	0	0
Cost of sales	3	<u>(499.609)</u>	<u>(487.207)</u>	<u>0</u>	<u>0</u>
Gross loss		<u>(30.723)</u>	<u>(64.032)</u>	<u>0</u>	<u>0</u>
Sales and distributions expenses	3	(18.021)	(23.318)	0	0
Development expenses	3	(17.484)	(9.403)	0	0
Administrative expenses	3	<u>(150.478)</u>	<u>(135.074)</u>	<u>(697)</u>	<u>(823)</u>
Operating profit/loss		<u>(216.706)</u>	<u>(231.827)</u>	<u>(697)</u>	<u>(823)</u>
Other operating income		<u>9.824</u>	<u>3.864</u>	<u>0</u>	<u>0</u>
Profit before financial income and expenses		<u>(206.882)</u>	<u>(227.963)</u>	<u>(697)</u>	<u>(823)</u>
Income/expenses from Investments in subsidiaries	4	0	0	(242.974)	(268.089)
Finance income	5	67.873	261	67.173	26
Finance expenses	6	<u>(153.968)</u>	<u>(292.360)</u>	<u>(117.076)</u>	<u>(250.457)</u>
(Loss)/Profit before tax		<u>(292.977)</u>	<u>(520.062)</u>	<u>(293.574)</u>	<u>(519.341)</u>
Taxation	7	<u>(469)</u>	<u>721</u>	<u>128</u>	<u>0</u>
Net (loss)/Profit for the financial year	14	<u>(293.446)</u>	<u>(519.341)</u>	<u>(293.446)</u>	<u>(519.341)</u>

Balance Sheet 31 December

Assets	Note	Consolidated		Parent	
		2023 TDKK	2022 TDKK	2023 TDKK	2022 TDKK
Technology		223.231	239.866	0	0
Software		5.265	19.894	0	0
Development projects in progress		5.249	0	0	0
Intangible assets	8	233.745	259.760	0	0
Right-of-use assets		236.068	193.688	0	0
Leasehold Improvements		123.570	133.111	0	0
Plant and machinery		235.920	219.865	0	0
Other fixtures and fittings, tools and equipment		8.435	11.103	0	0
Property and land hold		0	9.747	0	0
Property, plant and equipment in progress		72.471	97.525	0	0
Property, plant and equipment	9	676.464	665.039	0	0
Investments in subsidiaries	10	0	0	1.020.361	994.663
Fixed assets investments		0	0	1.020.361	994.663
Total non-current assets		910.209	924.800	1.020.361	994.663
Inventories	11	451.850	384.956	0	0
Trade receivables		115.652	58.138	0	0
Receivables from group enterprises		0	288	0	0
Other receivables		21.075	23.248	0	0
Corporation tax		0	774	0	774
Prepayments		6.990	7.840	0	0
Receivables		143.717	90.288	0	774
Cash at Bank and in hand		6.050	84.886	109	68
Current assets		601.617	560.130	109	842
Assets		1.511.826	1.484.930	1.020.470	995.506

Balance Sheet 31 December

Liabilities and equity	Note	Consolidated		Parent	
		2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Share capital		306	108	306	108
Share premium account		3.179.851	718.368	3.179.851	718.368
Accumulated losses		(2.250.904)	(1.956.693)	(2.250.904)	(1.956.693)
Equity	12	929.253	(1.238.217)	929.253	(1.238.217)
Lease Liabilities	13	265.509	215.194	0	0
Other provisions		61.153	60.502	0	0
Total non-current liabilities		326.662	275.696	0	0
Lease Liabilities	13	13.864	13.464	0	0
Trade payables		27.381	24.951	0	0
Loans and Bridge loans to group enterprises		0	2.180.377	0	2.180.377
Payables to group enterprises		143.144	140.964	76.034	51.061
COVID loan from Government		0	19.888	0	0
Other payables		71.522	67.143	15.183	2.285
Deferred income		0	664	0	0
Current liabilities		255.911	2.447.451	91.217	2.233.723
Total liabilities		582.573	2.723.147	91.217	2.233.723
Liabilities and equity		1.511.826	1.484.930	1.020.470	995.506
Letter of support				1	
Distribution of loss				14	
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

Consolidated 2023	<u>Share capital</u> TDKK	<u>Share premium account</u> TDKK	<u>Accumulated losses</u> TDKK	<u>Total</u> TDKK
Equity at 1 January 2023	108	718.368	(1.956.693)	(1.238.217)
Capital increase	198	2.461.483	0	2.461.681
Exchange rate adjustments	0	0	(765)	(765)
Net profit/loss for the year	0	0	(293.446)	(293.446)
Equity at 31 December 2023	306	3.179.851	(2.250.904)	929.253

Consolidated 2022	<u>Share capital</u> TDKK	<u>Share premium account</u> TDKK	<u>Accumulated losses</u> TDKK	<u>Total</u> TDKK
Equity at 1 January 2022	70	248.876	(1.437.567)	(1.188.621)
Capital increase	38	469.492	0	469.530
Exchange rate adjustments	0	0	215	215
Net profit/loss for the year	0	0	(519.341)	(519.341)
Equity at 31 December 2022	108	718.368	(1.956.693)	(1.238.217)

Parent 2023	<u>Share capital</u> TDKK	<u>Share premium account</u> TDKK	<u>Accumulated losses</u> TDKK	<u>Total</u> TDKK
Equity at 1 January 2023	108	718.368	(1.956.693)	(1.238.217)
Capital increase	198	2.461.483	0	2.461.681
Exchange rate adjustments	0	0	(765)	(765)
Net profit/loss for the year	0	0	(293.446)	(293.446)
Equity at 31 December 2023	306	3.179.851	(2.250.904)	929.253

Parent 2022	<u>Share capital</u> TDKK	<u>Share premium account</u> TDKK	<u>Accumulated losses</u> TDKK	<u>Total</u> TDKK
Equity at 1 January 2022	70	248.876	(1.437.567)	(1.188.621)
Capital increase	38	469.492	0	469.530
Exchange rate adjustments	0	0	215	215
Net profit/loss for the year	0	0	(519.341)	(519.341)
Equity at 31 December 2022	108	718.368	(1.956.693)	(1.238.217)

Cash Flow Statement 1 January – 31 December

	Note	Consolidated		Parent	
		2023 DKK	2022 DKK	2023 DKK	2022 DKK
Net (loss)/profit for the financial year		(293.446)	(519.341)	(293.446)	(519.341)
Adjustments	15	175.832	386.715	292.748	517.740
Change in networking capital	16	(128.845)	(66.483)	23.324	23.105
Cash flows from operating activities before financial income and expenses		(246.459)	(199.109)	22.626	21.504
Financial expenses		(9.795)	(31.336)	(52)	31.138
Received tax		305	1.957	901	0
Cash flows from operating activities		(255.949)	(228.488)	23.475	52.642
Purchase of intangible assets		(5.643)	0	0	0
Purchase of property, plant and equipment		(21.512)	(39.917)	0	0
Investments in subsidiaries		0	0	(269.438)	(446.660)
Sale of property, plant and equipment		14.368	0	0	0
Cash flow from investing activities		(12.787)	(39.917)	(269.438)	(446.660)
Repayment of COVID loan from Government		(19.888)	(31.607)	0	0
Capital increase		269.438	469.530	269.438	469.530
Raising of loans from group companies		0	(50.437)	0	(50.437)
Installments on lease liabilities		(34.665)	(31.249)	0	0
Paid interest and withholding tax		(24.985)	(26.579)	(23.434)	(25.049)
Cash flow from financing activities		189.900	329.658	246.004	394.044
Change in cash and cash equivalents		(78.836)	61.253	41	26
Cash and cash equivalents at 1 January		84.886	23.633	68	42
Cash and cash equivalents at 31 December		6.050	84.886	109	68
Cash and cash equivalents are specified as follows					
Cash at bank and in hand		6.050	83.962	109	68
Restricted cash		0	924	0	0
Cash and cash equivalents at 31 December		6.050	84.886	109	68

Note to the Financial Statements

Note 1 - Letter of Support

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 2025. 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	
	2023	2022	2023	2022
Geographical revenue	TDKK	TDKK	TDKK	TDKK
Denmark	147.150	194.539	0	0
The European Union	143.913	113.911	0	0
Other	177.823	114.725	0	0
	468.886	423.175	0	0
Business Segments				
Vaccine sale	461.478	414.688	0	0
Other Product sale	3.164	3.124	0	0
Contract work	4.244	5.363	0	0
	468.886	423.175	0	0

Note to the Financial Statements

Note 3 – Staff

	Consolidated		Parent	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Wages and salaries	(341.024)	(309.991)	0	0
Pensions	(39.798)	(36.648)	0	0
Other social security expenses	(5.424)	(5.063)	0	0
Other staff expenses	(18.743)	(16.368)	0	0
	(404.989)	(368.070)	0	0

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

Cost of sales	(307.929)	(282.338)	0	0
Sales and distribution expenses	(11.317)	(9.329)	0	0
Development expenditure	(11.889)	(6.235)	0	0
Administrative expenses	(73.854)	(70.168)	0	0
	(404.989)	(368.070)	0	0
Average number of employees	577	575	0	0

No remuneration is paid to the Executive Board

Note 4 – Loss from subsidiaries

Share of losses of subsidiaries	0	0	(242.974)	(268.089)
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Note 5 – Financial income

Exchange gains	67.834	261	67.135	0
Other financial gains	39	0	38	26
	67.873	261	67.173	26

Note 6 – Financial expenses

Interest expense to group enterprises	(124.237)	(122.733)	(116.980)	(115.581)
Interest expenses from lease liabilities	(23.489)	(17.285)	0	0
Other financial expenses	(367)	(275)	(94)	(166)
Exchange loss	(5.875)	(152.067)	(2)	(134.710)
	(153.968)	(292.360)	(117.076)	(250.457)

Note 7 – Tax on loss for the year

Current tax for the year	0	721	0	0
Adjustment of tax concerning previous year	(469)	0	128	0
	(469)	721	128	0

Note to the Financial Statements

Note 8 – Intangible assets

	<u>Technology</u> TDKK	<u>Software</u> TDKK	<u>Develop- ment projects in progress</u> TDKK	<u>Total</u> TDKK
<u>Costs</u>				
At 1 January 2023	342.075	193.200	0	535.275
Additions for the year	<u>0</u>	<u>394</u>	<u>5.249</u>	<u>5.643</u>
Cost at 31 December 2023	<u>342.075</u>	<u>193.594</u>	<u>5.249</u>	<u>540.918</u>
<u>Accumulated amortization and impairment losses</u>				
At 1 January 2023	(102.209)	(173.306)	0	(275.515)
Amortization for the year	<u>(16.635)</u>	<u>(15.023)</u>	<u>0</u>	<u>(31.658)</u>
Impairment losses and amortization at 31. December 2023	<u>(118.844)</u>	<u>(188.329)</u>	<u>0</u>	<u>(307.173)</u>
Carrying amount at 31 December 2023	<u>223.231</u>	<u>5.265</u>	<u>5.249</u>	<u>233.745</u>
Amortization and impairment of property, plant and equipment are recognised in the following items:			<u>2023</u> TDKK	<u>2022</u> TDKK
Cost of sales			(12.544)	(12.520)
Administrative expenses			<u>(19.114)</u>	<u>(18.708)</u>
			<u>(31.658)</u>	<u>(31.228)</u>

Impairment

AJ Vaccines has not generated profits since acquisition of activities in 2017. For 2023 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 2023.

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 eight 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 11,5% after tax and growth in terminal period 2%. The test showed no indication of impairment.

Note to the Financial Statements

Note 9 – Property, plant and equipments

	Right-of- use assets	Leasehold improve- ment	Plant and machinery	Other equipment and plant	Property and land hold	Assets under construction	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
<u>Costs</u>							
At 1 January 2023	312.763	166.016	414.432	18.039	9.747	125.761	1.046.758
Remeasurement for the year	61.892	0	0	0	0	0	61.892
Additions for the year	0	127	1.856	1.416	0	18.113	21.512
Transfers for the year	0	0	43.167	0	0	(43.167)	0
Disposals for the year	0	0	0	0	(9.310)	0	(9.310)
Currency adjustment	(17)	(65)	(24)	0	(437)	0	(543)
At 31 December 2023	<u>374.638</u>	<u>166.078</u>	<u>459.431</u>	<u>19.455</u>	<u>0</u>	<u>100.707</u>	<u>1.120.309</u>
Accumulated depreciation and impairment loss							
At 1 January 2023	(119.075)	(32.905)	(194.567)	(6.936)	0	(28.236)	(381.719)
Depreciation	(19.503)	(9.648)	(28.964)	(4.084)	0	0	(62.199)
Currency adjustment	8	45	20	0	0	0	73
At 31 December 2023	<u>(138.570)</u>	<u>(42.508)</u>	<u>(223.511)</u>	<u>(11.020)</u>	<u>0</u>	<u>(28.236)</u>	<u>(443.845)</u>
Net book value At 31 December 2023	<u>236.068</u>	<u>123.570</u>	<u>235.920</u>	<u>8.435</u>	<u>0</u>	<u>72.471</u>	<u>676.464</u>

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

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
Cost of sales	(55.109)	(60.531)
Development costs	(1.001)	(1.029)
Administrative expenses	(6.089)	(2.550)
	<u>(62.199)</u>	<u>(64.110)</u>

Note to the Financial Statements

Note 10 – Investments in subsidiaries

	Parent	
	2023	2022
	TDKK	TDKK
Cost at 1 January	2.420.800	1.974.140
Additions for the year	269.437	446.660
Cost at 31 December	<u>2.690.237</u>	<u>2.420.800</u>
Value adjustments at 1 January	(1.426.137)	(1.158.265)
Net profit/loss for the year	(242.974)	(268.089)
Currency adjustments	(765)	217
Value adjustments at 31 December	<u>(1.669.876)</u>	<u>(1.426.137)</u>
Carrying amount at 31 December	<u>1.020.361</u>	<u>994.663</u>

Note 11 – Inventories

	Consolidated		Parent	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	53.570	46.227	0	0
Semi finished goods	345.159	301.957	0	0
Finished goods and goods for resale	53.121	36.772	0	0
Inventory at 31 December	<u>451.850</u>	<u>384.956</u>	<u>0</u>	<u>0</u>

Note 12 – Equity

The share capital consists of 305.537 shares of nominal value of DKK 1. No shares carry any special rights.

Note 13 – Lease liabilities

	Consolidated		
	2023		
	TDKK		
	Lease payments	Interest	Accounting value
Under 1 year	33.663	(19.799)	13.864
Between 1 and 5 years	163.968	(81.697)	82.271
Above 5 years	242.893	(59.655)	183.238
Lease liabilities	<u>440.524</u>	<u>(161.151)</u>	<u>279.373</u>

	Consolidated		Parent	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Lease liability recognised in the balance			0	0
Non-current	(265.509)	(215.194)	0	0
Current	(13.864)	(13.464)	0	0
Total lease liabilities	<u>(279.373)</u>	<u>(228.658)</u>	<u>0</u>	<u>0</u>

Note to the Financial Statements

Note 14 – Distribution of loss

	Parent	
	2023	2022
	TDKK	TDKK
Accumulated losses	(293.446)	(519.341)
	(293.446)	(519.341)

Note 15 – Cash flow statement adjustments

	Consolidated		Parent	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Financial income	(67.873)	(261)	(67.174)	(27)
Financial expenses excl. IFRS 16 interests	130.948	275.021	117.076	250.457
IFRS 16 interests	23.489	17.338	0	0
Depreciation, amortization and impairment losses, including gain/losses on disposals	88.799	95.338	0	0
Income/losses from investments in subsidiaries	0	0	242.974	268.089
Tax on profit/loss for the year	469	(721)	(128)	(774)
Other adjustments	0	0	0	(5)
	175.832	386.715	292.748	517.740

Note 16 – Change in working capital

	Consolidated		Parent	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Change in inventories	(66.894)	(55.510)	0	0
Change in receivables	(54.203)	23.578	0	25.692
Change in payables	(7.748)	(34.551)	23.324	(2.587)
	(128.845)	(66.483)	23.324	23.105

Note to the Financial Statements

Note 17 – Contingent assets, liabilities and other financial obligations

	Consolidated		Parent	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Within 1 year	(1.263)	(607)	0	0
Between 1 and 5 years	(730)	(97)	0	0
After 5 years	0	0	0	0
	(1.993)	(704)	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

Controlling interest

	<u>Basis</u>
AJ Intech Sdn. Bhd.	Parent
AJ Pharma Ltd. II	Parent
White Crystal Limited	Parent
Pergola Holding Inc.	Parent

Other related parties

Abdulaziz Abdulhamid Abdulrhman Albassam	CEO
Shan-E-Abbas Ashary	Director
Mustafa Nasir Farooki	Director
Saddam Abdulqawi Hussein Alhumaikani	Director
Mohammed Ali A Alesayi	Director
Maha Investment Company Limited	Non-controlling owner
Topaz Hub Holding Company	Non-controlling owner
Golden Edge Ltd, Cayman Islands	Affiliate

Transactions

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

There have been no transactions with the Executive Board, significant shareholders, group enterprises or other related parties, except for intercompany transaction related to financing.

Note to the Financial Statements

Consolidated Financial Statements

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

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

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

Suite 2-03 Level 4, 2nd floor Menara Atlan 161B, Jalan Ampang 50450 Kuala Lumpur, Wilayah Persekutuan

Note 19 – Audit fee

	Consolidated	
	2023	2022
	TDKK	TDKK
Audit fee	1,344	1,069
Other assurance engagements	160	119
Tax advisory services	230	89
	1,734	1,277

Note to the Financial Statements

20 Accounting Policies

The Annual Report of AJ Vaccines Holding ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C including use of IFRS 9, 15 and 16 with respect to recognition and measurement.

The Financial Statements for 2023 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 realized and unrealized 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 first time of consolidation.

Note 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 are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

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 recognised when control of the products has transferred, and there is no unfulfilled obligation that could affect customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied

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

Note to the Financial Statements

component has value to the partner on a standalone. The allocated consideration is recognized as revenue in accordance with the principles described above.

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

Cost of sales

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

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

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

Note to the Financial Statements

activities of the company, including goodwill and income related to the Bill & Melinda Gates Foundation.

Income from investments in subsidiaries

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

Financial income and expenses

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

Tax on profit/loss for the year

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

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

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	3-8 years
Technology	20 years
Acquired other similar rights	4 years

Note to the Financial Statements

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	3-18 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 Holding ApS 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.

Note to the Financial Statements

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.

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

Note to the Financial Statements

“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 accumulated losses.

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 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

Note to the Financial Statements

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, 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.

Note to the Financial Statements

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.