Deloitte.

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# AX V ESB Holding III ApS

Sankt Annæ Plads 10
1250 København K
Central Business Registration
No 38784315

# Annual report 2019

The Annual General Meeting adopted the annual report on 15.09.2020

**Chairman of the General Meeting**

______________________________
Name: Jesper Frydensberg Rasmussen

# Contents

# Entity details

**Entity**

AX V ESB Holding III ApS
Sankt Annæ Plads 10
1250 København K

Central Business Registration No (CVR): 38784315
Registered in: Copenhagen
Financial year: 01.01.2019 - 31.12.2019

**Board of Directors**

Lars Cordt, Chairman
Peter Nyegaard
Asbjørn Mosgaard Hyldgaard

**Executive Board**

Jesper Frydensberg Rasmussen

**Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of AX V ESB Holding III ApS for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company and the Groups financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 15.09.2020

**Executive Board**

Jesper Frydensberg
Rasmussen

**Board of Directors**

| | | |
|---|---|---|
| Lars Cordt<br>Chairman | Peter Nyegaard | Asbjørn Mosgaard Hyldgaard |

# Independent auditor's report

**To the shareholder of AX V ESB Holding III ApS**

**Opinion**

We have audited the consolidated financial statements and the parent financial statements of AX V ESB Holding III ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

**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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Management's responsibilities for the consolidated financial statements and the parent financial statements**

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

# Independent auditor's report

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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group’s and the Parent’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 consolidated financial statements and the parent 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 Parent’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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Independent auditor's report

**Statement on the management commentary**
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

**Violation of company law and similar legislation**
The Group have during the year violated with the applicable rules regarding self-financing in the Danish Companies Act. The matter is corrected through subsequent dividend distribution within the Group.

Copenhagen, 15.09.2020

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bill Haudal Pedersen
State Authorised Public Accountant
Identification No (MNE) mne30131

Henrik Wolff Mikkelsen
State Authorised Public Accountant
Identification No (MNE) mne33747

# Management commentary

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **Financial highlights** | | |
| **Key figures** | | |
| Gross profit | 41.165 | (10) |
| EBITDA before normalization | (3.645) | (10) |
| EBITDA after normalization | 30.795 | (10) |
| Operating profit/loss | (31.558) | (10) |
| Net financials | (17.499) | - |
| Profit/loss for the year | (46.448) | (10) |
| Profit/loss excl minority interests | (30.522) | (10) |
| Total assets | 659.506 | 50 |
| Investments in property, plant and equipment | 20.250 | - |
| Equity | 296.090 | 40 |
| Equity excl minority interests | 188.776 | 40 |
| Cash flows from (used in) operating activities | 138.470 | - |
| Cash flows from (used in) investing activities | (654.809) | - |
| Cash flows from (used in) financing activities | 522.545 | 50 |
| | | |
| **Ratios** | | |
| Return on equity (%) | (32,3) | (25,0) |
| Equity ratio (%) | 28,6 | 80,0 |

EBITDA after normalization comprise of EBITDA adjusted for other operating expenses and PPA adjustments.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

| Ratios | Calculation formula | Calculation formula reflects |
|---|---|---|
| Return on equity (%) | Profit/loss excl minority interests x 100<br>Average equity excl minority interests | The entity's return on capital invested in the entity by the owners. |
| Equity ratio (%) | Equity excl minority interests x 100<br>Total assets | The financial strength of the entity. |

# Management commentary

**Primary activities**
The Group's main activities are within the fertility industry and related production.

Founded in 2004, European Sperm Bank ("ESB") is one of the leading sperm banks in the world, providing fertility clinics all over the world with donor semen of the highest quality. The main product offering consists of a wide selection of high-quality donor semen from both open and anonymous sperm donors, helping heterosexual couples, single women and lesbian couples in +100 countries. The end users are reached through two channels, i.e. the products are either sold to a fertility clinic (B2B) or directly to end customers via the company website (B2C), in which case the donor semen is delivered to a clinic of choice where the fertility treatment is carried out

ESB is headquartered in Copenhagen with c. 90 employees and currently operates out of 6 locations, including 3 sites in Copenhagen (DK), 1 site in Aarhus (DK), 1 site in London (UK) and 1 site in Hamburg (DE)

The parent company's main activities are investments in subsidiaries within the fertility industry and related production, including providing management services.

**Development in activities and finances**
On 3 April 2019, the Group acquired European Sperm Bank ApS. As a consequence, the consolidated financial statements cover the approximate period of 9 months from 3 April 2019 to 31 December 2019.

In 2019 European Sperm Bank ApS realized gross profit of DKK 76.3m equivalent to 12.6% growth compared to 2018. The growth in gross profit was driven by positive momentum across markets achieved in both of its two distribution channels i.e. sales to clinics and sales directly to end customers.

Following the acquisition, the Group structure and setup have changed. As a result of this, reported EBITDA for the Group in 2019 (9 months) of DKK -3.6m was negatively impacted by Purchase Price Adjustments (PPA) and one-off expenses related to the transaction. In addition, significant investments have been made in strategic initiatives and strengthening of the organisation to support future growth. The financial impact of these growth investments is yet to materialize.

Given the restructuring and strategic initiatives undertaken, the management team considers the results for the financial year of 2019 to be satisfactory.

**Uncertainty relating to recognition and measurement**
No significant uncertainties are attached to recognition and measurement.

**Unusual circumstances affecting recognition and measurement**
No significant unusual circumstances affecting recognition and measurement have occurred.

**Outlook**
During 2019 the Group channeled significant resources and investments into building the platform for future growth. The outbreak of COVID-19 will have a negative impact on financial performance in 2020 due to temporary closures of fertility clinics and ESB's donor activities. Management believes that ESB will return to its historical growth and profitability once COVID-19 effects subside.

# Management commentary

**Particular risks**
***Business risks***

The company is not exposed to any specific business risks besides the commonly occurring risks in the industry.

The Board of Directors must reassure a continuous monitoring of the development in the market in order to reduce the business risks, as well as strengthen its competitive position on crucial parameters.

***Political risks***

The Group's political risks are related to changes in the general public opinion and adverse political developments. The overall regulatory trend and public opinion across key markets is in direction of liberalization and opening treatment to more demographic groups. The Board of Directors continuously monitor the situation.

***Currency risks***

The currency risks are substantially exposed to the Euro currency. Furthermore, a smaller risk relates to the GDP exposure derived from the UK-based production activities. The risk hereto is considered limited. Exchange rate adjustments of trade receivables, trade payables and cash in foreign currency is recognized as financial items. Currency risks related thereto, are not hedged.

***Credit risks***

The Group's credit risks are related to trade receivables. The Group closely examines and manages the risk exposure by assessing the creditworthiness of all significant customers and professionals. Since the Group's customer base is very dispersed, no significant credit risk is associated with a single party.

**Intellectual capital resources**
The ambition to be the world's most respected fertility bank puts high pressure on the Group when it comes to attracting, developing, and retaining high-quality members of staff with a high level of competence. The realization of the Group's goal of ensuring both quality knowledge and knowhow at each level of staff will be facilitated through recruitment procedures and a continuous development of the existing staff and their competences. Throughout the year, a considerable number of experienced and highly qualified members of staff have been added to the Group including a new CCO and COO. This initiative has strengthened the Group's knowledge and competence base.

**Non-financial matters**

The organization of Management is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act and the company's article of association. The Group has based its corporate governance efforts on a two-tier system where the Board of Directors and the Executive Management have two distinct roles. The Executive Management undertakes the operational management of the company, whereas the Board of Directors determines the overall company strategy and acts as a sparring partner to the Executive Management of the company. In addition, the management is continuously monitoring the financial

# Management commentary

development as well as the development in the field of corporate governance to ensure that the Group, internally and well as externally, is managed in a way that is in accordance with applicable laws in order to protect the interests of all stakeholders.

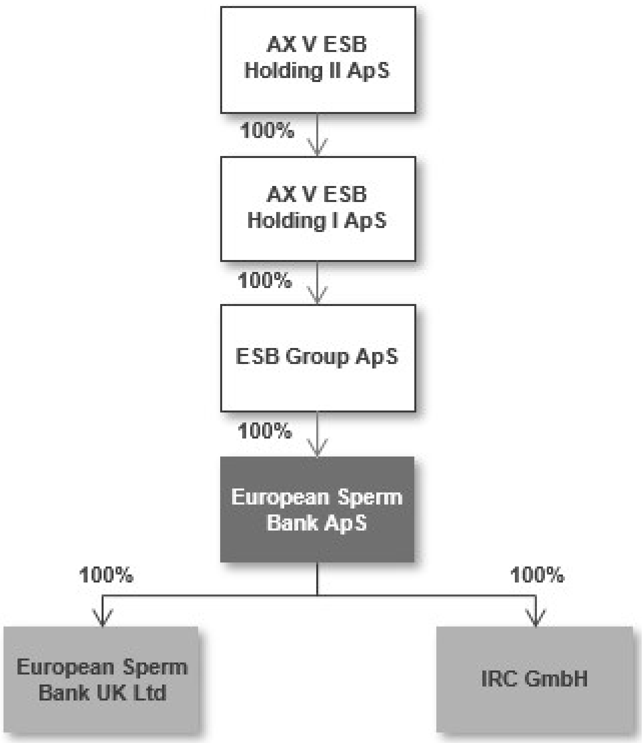
Risk management is considered an essential and natural part of the realization of the Group’s objectives and strategy. The daily activities, the implementation of the established strategy and the continuous use of business opportunities involve inherent risks, and the company’s handling of these risks is therefore seen as a natural and integrated part of the daily work and a way to ensure stable and reliable growth.

The Board of Directors are appointed by Axcel. The Board of Directors consists of three members.

**Research and development activities**

The Group’s research activities are related and limited to its natural high level of knowledge about sperm, and sperm quality among its large donor base and how this fundamental input factor in the fertility industry is developing over time.

**Group relations**




**Statutory report on corporate social responsibility**

Being a sperm bank is an unusual and rewarding task by the fact, that the activities of the Group plays a part in giving life to new human beings. The purpose of the company is to help bring healthy children into an openminded society and in doing so be obliged to respect the long-term perspective of its activities. Understanding and appreciating this long-term impact means that the Group needs to think about the future for

# Management commentary

all parties involved. This is the promise to all stakeholders, who are considered to be the donor children and their families, the donors, the employees, the fertility clinics, society, the planet, suppliers and the authorities.

In 2019 the Group developed a corporate strategy for 2020-2023 and out of the 9 chosen cornerstones, one is to develop a CSR strategy and action plan that includes perspectives on all stakeholders. As part of developing the CSR cornerstone, it was also decided in 2019, that the group will join UN Global Compact in 2020 and release a Code of Conduct and a Business Ethics Policy. These are topics that have never been formulated in writing in the Group but have been an embedded part of the corporate culture. Nevertheless, as the company grows, it sees the need to formalise the views on these important matters.

As part of the preparation for entering UN Global Compact in 2020, the Group has worked with Klinkby Enge to map how it matches the UN Sustainable Development Goals in 2019. The Group contributes positively to a long list of SDGs and in particular target 3.7 Ensure universal access to sexual and reproductive healthcare services and targets 3.2, 3.3 and 3.4, who all relates to the health of the population.

**Events after the balance sheet date**
No significant events affecting the financial statement for 2019 have occurred after the financial year.

The outbreak of the Covid-19-pandemic will have temporary negative impact on the Group, but in general the fertility industry is considered to be stable and resilient to macro-economic downturns.

# Consolidated income statement for 2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| **Gross profit** | | **41.165** | **(10)** |
| Staff costs | 1 | (24.445) | 0 |
| Depreciation, amortisation and impairment losses | 2 | (27.913) | 0 |
| Other operating expenses | 3 | (20.365) | 0 |
| **Operating profit/loss** | | **(31.558)** | **(10)** |
| Other financial income | 4 | 1.656 | 0 |
| Other financial expenses | 5 | (19.155) | 0 |
| **Profit/loss before tax** | | **(49.057)** | **(10)** |
| Tax on profit/loss for the year | 6 | 2.609 | 0 |
| **Profit/loss for the year** | 7 | **(46.448)** | **(10)** |

# Consolidated balance sheet at 31.12.2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| Completed development projects | | 6.416 | 0 |
| Acquired intangible assets | | 67.431 | 0 |
| Acquired rights | | 37.386 | 0 |
| Goodwill | | 449.008 | 0 |
| **Intangible assets** | 8 | **560.241** | **0** |
| Other fixtures and fittings, tools and equipment | | 5.909 | 0 |
| Leasehold improvements | | 6.317 | 0 |
| **Property, plant and equipment** | 9 | **12.226** | **0** |
| Other receivables | | 1.289 | 0 |
| **Fixed asset investments** | 10 | **1.289** | **0** |
| **Fixed assets** | | **573.756** | **0** |
| Manufactured goods and goods for resale | | 64.484 | 0 |
| **Inventories** | | **64.484** | **0** |
| Trade receivables | | 9.620 | 0 |
| Other receivables | | 1.246 | 0 |
| Prepayments | 11 | 821 | 0 |
| **Receivables** | | **11.687** | **0** |
| **Cash** | | **9.579** | **50** |
| **Current assets** | | **85.750** | **50** |
| **Assets** | | **659.506** | **50** |

# Consolidated balance sheet at 31.12.2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| Contributed capital | | 282 | 50 |
| Reserve for development expenditure | | 4.360 | 0 |
| Retained earnings | | 184.134 | (10) |
| **Equity attributable to the Parent's owners** | | **188.776** | **40** |
| **Share of equity attributable to minority interests** | | **107.314** | **0** |
| **Equity** | | **296.090** | **40** |
| Deferred tax | 12 | 29.264 | 0 |
| **Provisions** | | **29.264** | **0** |
| Bank loans | | 228.480 | 0 |
| Other payables | 13 | 78.207 | 0 |
| **Non-current liabilities other than provisions** | 14 | **306.687** | **0** |
| Current portion of long-term liabilities other than provisions | 14 | 8.640 | 0 |
| Bank loans | | 3.323 | 0 |
| Trade payables | | 7.209 | 10 |
| Income tax payable | | 1.358 | 0 |
| Other payables | | 6.935 | 0 |
| **Current liabilities other than provisions** | | **27.465** | **10** |
| **Liabilities other than provisions** | | **334.152** | **10** |
| **Equity and liabilities** | | **659.506** | **50** |
| Unrecognised rental and lease commitments | 16 | | |
| Subsidiaries | 17 | | |

# Consolidated statement of changes in equity for 2019

| | Contributed capital DKK'000 | Share premium DKK'000 | Reserve for development expenditure DKK'000 | Retained earnings DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 50 | 0 | 0 | (10) |
| Effect of mergers and business combinations | 0 | 0 | 0 | 12.097 |
| Increase of capital | 232 | 231.418 | 0 | 0 |
| Transferred from share premium | 0 | (231.418) | 0 | 231.418 |
| Exchange rate adjustments | 0 | 0 | 0 | (57) |
| Other entries on equity | 0 | 0 | 0 | (24.432) |
| Transfer to reserves | 0 | 0 | 4.360 | (4.360) |
| Profit/loss for the year | 0 | 0 | 0 | (30.522) |
| **Equity end of year** | **282** | **0** | **4.360** | **184.134** |

| | Share of equity attributable to minority interests DKK'000 | Total DKK'000 |
|---|---|---|
| Equity beginning of year | 0 | 40 |
| Effect of mergers and business combinations | 123.273 | 135.370 |
| Increase of capital | 0 | 231.650 |
| Transferred from share premium | 0 | 0 |
| Exchange rate adjustments | (33) | (90) |
| Other entries on equity | 0 | (24.432) |
| Transfer to reserves | 0 | 0 |
| Profit/loss for the year | (15.926) | (46.448) |
| **Equity end of year** | **107.314** | **296.090** |

# Consolidated cash flow statement for 2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| Operating profit/loss | | (31.558) | (10) |
| Amortisation, depreciation and impairment losses | | 30.404 | 0 |
| Working capital changes | 15 | 9.110 | 10 |
| Non cash items including effect from business combinations | | 148.013 | 0 |
| **Cash flow from ordinary operating activities** | | **155.969** | **0** |
| Financial income received | | 1.656 | 0 |
| Financial expenses paid | | (19.155) | 0 |
| **Cash flows from operating activities** | | **138.470** | **0** |
| Acquisition etc of intangible assets | | (4.400) | 0 |
| Acquisition etc of property, plant and equipment | | (2.934) | 0 |
| Acquisition of enterprises | | (647.475) | 0 |
| **Cash flows from investing activities** | | **(654.809)** | **0** |
| Loans raised | | 315.327 | 0 |
| Cash increase of capital | | 231.650 | 50 |
| Warrants excercised | | (24.432) | 0 |
| **Cash flows from financing activities** | | **522.545** | **50** |
| **Increase/decrease in cash and cash equivalents** | | **6.206** | **50** |
| Cash and cash equivalents beginning of year | | 50 | 0 |
| **Cash and cash equivalents end of year** | | **6.256** | **50** |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 9.579 | 50 |
| Short-term debt to banks | | (3.323) | 0 |
| **Cash and cash equivalents end of year** | | **6.256** | **50** |

# Notes to consolidated financial statements

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **1. Staff costs** | | |
| Wages and salaries | 32.625 | 0 |
| Pension costs | 1.226 | 0 |
| Other social security costs | 317 | 0 |
| Other staff costs | 1.779 | 0 |
| Staff costs classified as assets | (11.502) | 0 |
| | **24.445** | **0** |
| Average number of employees | **54** | |

| | Remuneration of management 2019 DKK'000 |
|---|---|
| Total amount for management categories | 2.840 |
| | **2.840** |

Pursuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board and Management is disclosed in total.

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **2. Depreciation, amortisation and impairment losses** | | |
| Amortisation of intangible assets | 25.295 | 0 |
| Depreciation of property, plant and equipment | 2.618 | 0 |
| | **27.913** | **0** |

**3. Other operating expenses**

Other operating expenses comprise mainly of costs related to the acquisition of subsidiary.

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **4. Other financial income** | | |
| Financial income arising from group enterprises | 82 | 0 |
| Other financial income | 1.574 | 0 |
| | **1.656** | **0** |

# Notes to consolidated financial statements

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **5. Other financial expenses** | | |
| Other interest expenses | 11.314 | 0 |
| Other financial expenses | 7.841 | 0 |
| | **19.155** | **0** |

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **6. Tax on profit/loss for the year** | | |
| Current tax | 2.265 | 0 |
| Change in deferred tax | (4.874) | 0 |
| | **(2.609)** | **0** |

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **7. Proposed distribution of profit/loss** | | |
| Retained earnings | (30.522) | (10) |
| Minority interests' share of profit/loss | (15.926) | 0 |
| | **(46.448)** | **(10)** |

| | Completed development projects DKK'000 | Acquired intangible assets DKK'000 | Acquired rights DKK'000 | Goodwill DKK'000 |
|---|---|---|---|---|
| **8. Intangible assets** | | | | |
| Addition through business combinations etc | 9.193 | 70.150 | 41.254 | 466.755 |
| Additions | 4.373 | 0 | 0 | 0 |
| **Cost end of year** | **13.566** | **70.150** | **41.254** | **466.755** |
| Addition through business combinations etc | (3.493) | 0 | 0 | (205) |
| Amortisation for the year | (3.657) | (2.719) | (3.868) | (17.542) |
| **Amortisation and impairment losses end of year** | **(7.150)** | **(2.719)** | **(3.868)** | **(17.747)** |
| **Carrying amount end of year** | **6.416** | **67.431** | **37.386** | **449.008** |

Completed development projects comprises the development of a new website and ERP-system.

Acquired intangible assets, rights and goodwill has been identified through the purchase price allocation in connection with the acquisition of ESB at 3 april 2019.

# Notes to consolidated financial statements

| | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improve-ments DKK'000 |
|---|---|---|
| **9. Property, plant and equipment** | | |
| Addition through business combinations etc | 8.598 | 8.718 |
| Additions | 1.167 | 1.767 |
| **Cost end of year** | **9.765** | **10.485** |
| Addition through business combinations etc | (2.910) | (2.496) |
| Depreciation for the year | (946) | (1.672) |
| **Depreciation and impairment losses end of year** | **(3.856)** | **(4.168)** |
| **Carrying amount end of year** | **5.909** | **6.317** |

| | Other receivables DKK'000 |
|---|---|
| **10. Fixed asset investments** | |
| Addition through business combinations etc | 1.262 |
| Additions | 27 |
| **Cost end of year** | **1.289** |
| **Carrying amount end of year** | **1.289** |

**11. Prepayments**

Prepayments are amounts paid for the company in advance of goods and services.

| | 2019 DKK'000 |
|---|---|
| **12. Deferred tax** | |
| **Changes during the year** | |
| Additions from business combinations | 34.135 |
| Changes during the year | (4.871) |
| **End of year** | **29.264** |

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **13. Other long-term payables** | | |
| Holiday pay obligation | 971 | 0 |
| Other costs payable | 77.236 | 0 |
| | **78.207** | **0** |

# Notes to consolidated financial statements

Other costs payable comprises a loan from minority shareholders.

| | Due within 12 months 2019 DKK'000 | Due after more than 12 months 2019 DKK'000 | Outstanding after 5 years DKK'000 |
|---|---|---|---|
| **14. Liabilities other than provisions** | | | |
| Bank loans | 8.640 | 228.480 | 176.640 |
| Other payables | 0 | 78.207 | 971 |
| | **8.640** | **306.687** | **177.611** |

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **15. Change in working capital** | | |
| Increase/decrease in inventories | 5.613 | 0 |
| Increase/decrease in receivables | (2.731) | 0 |
| Increase/decrease in trade payables etc | 6.228 | 10 |
| | **9.110** | **10** |

| | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|
| **16. Unrecognised rental and lease commitments** | | |
| Liabilities under rental or lease agreements until maturity in total | **12.772** | **N/A** |

| | Registered in | Corpo-rate form | Equity inte-rest % |
|---|---|---|---|
| **17. Subsidiaries** | | | |
| European Sperm Bank ApS | Copenhagen | ApS | 100,0 |
| European Sperm Bank Ltd. | UK | Ltd. | 100,0 |
| Institut für Reproduktionsmedizin und Cryokonservierung GmbH | Germany | GmbH | 100,0 |
| AX V ESB Holding I ApS | Copenhagen | ApS | 100,0 |
| AX V ESB Holding II ApS | Copenhagen | ApS | 63,9 |

# Parent income statement for 2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| **Gross profit** | | **0** | **(10)** |
| Other financial expenses | 2 | (2.504) | 0 |
| **Profit/loss for the year** | 3 | **(2.504)** | **(10)** |

# Parent balance sheet at 31.12.2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| Investments in group enterprises | | 229.219 | 0 |
| **Fixed asset investments** | 4 | **229.219** | **0** |
| **Fixed assets** | | **229.219** | **0** |
| **Cash** | | **98** | **50** |
| **Current assets** | | **98** | **50** |
| **Assets** | | **229.317** | **50** |

# Parent balance sheet at 31.12.2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|---|---|---|---|
| Contributed capital | | 282 | 50 |
| Retained earnings | | 228.904 | (10) |
| **Equity** | | **229.186** | **40** |
| Trade payables | | 0 | 10 |
| Other payables | | 131 | 0 |
| **Current liabilities other than provisions** | | **131** | **10** |
| **Liabilities other than provisions** | | **131** | **10** |
| **Equity and liabilities** | | **229.317** | **50** |
| Staff costs | 1 | | |
| Contingent liabilities | 5 | | |
| Assets charged and collateral | 6 | | |
| Related parties with controlling interest | 7 | | |

# Parent statement of changes in equity for 2019

| | Contributed capital DKK'000 | Share premium DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 50 | 0 | (10) | 40 |
| Increase of capital | 232 | 231.418 | 0 | 231.650 |
| Transferred from share premium | 0 | (231.418) | 231.418 | 0 |
| Profit/loss for the year | 0 | 0 | (2.504) | (2.504) |
| **Equity end of year** | **282** | **0** | **228.904** | **229.186** |

# Notes to parent financial statements

| | 2019 | 2018 |
|---|---|---|
| **1. Staff costs** | | |
| Average number of employees | **0** | |

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **2. Other financial expenses** | | |
| Other interest expenses | 2.488 | 0 |
| Other financial expenses | 16 | 0 |
| | **2.504** | **0** |

| | 2019<br>DKK'000 | 2018<br>DKK'000 |
|---|---|---|
| **3. Proposed distribution of profit/loss** | | |
| Retained earnings | (2.504) | (10) |
| | **(2.504)** | **(10)** |

| | Invest-<br>ments in<br>group<br>enterprises<br>DKK'000 |
|---|---|
| **4. Fixed asset investments** | |
| Additions | 229.219 |
| **Cost end of year** | **229.219** |
| | |
| **Carrying amount end of year** | **229.219** |

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

**5. Contingent liabilities**

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

**6. Assets charged and collateral**

The company has provided collateral in the subsidiaries shares as collateral for balances with credit institutions.

# Notes to parent financial statements

**7. Related parties with controlling interest**

Axcel V K/S, Nørregade 21, 1165 Copenhagen K owns 91,15 % of the shares in the company and thus has the controlling interest.

# Accounting policies

**Reporting class**
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year, however 2019 is the first year with activity in the company.

**Non-comparability**
The company was established on 7 July 2017, thus the financial year 2018 constitute the period 7.7.2017 - 31.12.2018. The current financial year is therefore not comparable to previous financial year.

**Recognition and measurement**
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

**Consolidated financial statements**
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

**Basis of consolidation**
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries’ net assets at the acquisition

# Accounting policies

date, with net assets having been calculated at fair value.

**Business combinations**
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent. Under the uniting-of-interests method, the acquiree’s assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

**Income statement**
**Gross profit or loss**
Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

**Revenue**
Revenue from the sale of goods is recognised in the income statement when delivery is made at the place determined by the customer before the end of the financial year. Revenue is measured at fair value excl. VAT and less granted goods and customer discounts.

**Other operating income**
Other operating income comprises income of a secondary nature as viewed in relation to the Entity’s primary activities.

**Cost of sales**
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

# Accounting policies

**Other external expenses**
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Staff costs**
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

**Depreciation, amortisation and impairment losses**
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

**Other operating expenses**
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

**Income from investments in group enterprises**
Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

**Other financial income**
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

**Balance sheet**
**Goodwill**
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term

# Accounting policies

earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation period used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

**Intellectual property rights etc**
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

Intagible acquired rights and other intagible assets acquired are measured at cost less accumulated amortisation and written down to the lower of recoverable amount and carrying amount.

The following estimated useful lives apply:

| | |
|---|---|
| Acquired development projects | 3-5 years |
| Acquired intangible assets | 8 years |
| Acquired rights | 20 years |

**Property, plant and equipment**
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

# Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

**Investments in group enterprises**
Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

**Receivables**
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

**Inventories**
Inventories are measured at the cost according to the weighted average price method. In the event of cost exceeding net realisable value, write-down is made to this lower value. Cost of goods for resale consists of costs for raw materials, direct salaries with the addition of production overhead costs. Production overhead costs consists of indirect materials and salaries and maintenance of and depreciation on the machines used in the production process, buildings and equipment and costs to administration and leadership of the production.

# Accounting policies

**Prepayments**
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**
Cash comprises cash in hand and bank deposits.

**Deferred tax**
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

**Operating leases**
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Income tax receivable or payable**
Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

**Cash flow statement**
The cash flow statement shows cash flows from  operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital

# Accounting policies

and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.