

Scantox Denmark ApS

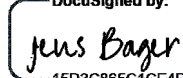
Hestehavevej 36A Ejby, DK-4623 Lille Skensved

CVR no. 42 01 57 68

Annual report 2022

Approved at the Company's annual general meeting on 12 May 2023

Chair of the meeting:

DocuSigned by:

15D3C865C7CE4DD0.....
Jens Bager

Contents

Statement by Management	2
Independent auditor's report	3
Management's review	6
Consolidated financial statements and parent company financial statements	10
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Cash flow statement	14
Notes	15

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Scantox Denmark ApS for the financial year 1 January - 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of their operations and consolidated cash flows for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results for the year and the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Lille Skensved, 12 May 2023
Executive Board:

DocuSigned by:
Jeanet Løgsted
9646BC7B132B49E.....
Jeanet Løgsted Nielsen
CEO

DocuSigned by:
Martin Amtoft-Christensen
B9AEC7D94C8943A.....
Martin Amtoft-Christensen
CFO

Board of Directors:

DocuSigned by:
Jens Bager
15D3C885C1CE4DD.....
Jens Bager
Chair

DocuSigned by:
Nicholas Hooge
1A33FA7AB7A44E1.....
Nicholas Povl Zilstorff Hooge

DocuSigned by:
Karsten Lindhardt
C65DCBEF4A924AF.....
Karsten Lindhardt

Independent auditor's report

To the shareholders of Scantox Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Scantox Denmark ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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. Moreover, Management is responsible 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 as to 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 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 the financial statements.

Independent auditor's report

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the 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's review.

Copenhagen, 12 May 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Ole Becker
State Authorised
Public Accountant
mne33732

Management's review

Company details

Name	Scantox Denmark ApS
Address, postal code, city	Hestehavevej 36A Ejby, DK-4623 Lille Skensved
CVR no.	42 01 57 68
Established	11 January 2021
Registered office	Køge, Denmark
Financial year	1 January - 31 December
Executive Board	Jeanet Løgsted Nielsen, CEO Martin Amtoft-Christensen, CFO
Board of Directors	Jens Bager, Chair Nicholas Povl Zilstorff Hooge Karsten Lindhardt
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, DK-2000 Frederiksberg

Management's review

Financial highlights for the Group

DKK'000	2022	2021
Key figures		
Revenue	135,310	48,353
Gross profit/loss	81,572	30,969
Earnings before interest, depreciation and amortisation (EBITDA)	6,412	-5,123
Profit/loss before financial income and expenses	-2,580	-12,836
Net financials	14	-1,167
Net profit/loss for the year	-2,762	-3,588
Balance sheet		
Balance sheet total	136,964	108,595
Equity	30,941	33,647
Cash flows		
Cash flows from operating activities	19,791	-17,838
Cash flows from investing activities	-22,339	-21,009
Cash flows from financing activities	2,516	46,975
Total cash flows	-33	8,128
Financial ratios		
Gross margin	57.5%	63.6%
Profit margin	-1.8%	-27.0%
Return on assets	-1.9%	-12.0%
Solvency ratio	22.6%	31.0%
Return on equity	-8.3%	-22.6%
Average number of full-time employees	111	64

The financial ratios stated under "Financial highlights" have been calculated as follows:

Gross margin	$\text{Gross profit/loss} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss} \times 100 / \text{Total assets}$
Solvency ratio	$\text{Equity} \times 100 / \text{Total assets}$
Return on equity	$\text{Profit/loss} \times 100 / \text{Total equity}$

Management's review

Business Review

Scantox A/S ("Scantox") was founded in 1977 and is a market-leading GLP ("Good Laboratory Practice") accredited Contract Research Organization in Europe, providing pre-clinical research services, including regulatory in-vivo toxicology studies, that are critical to any drug development process. Scantox has a vital role in the Europe pharma and biotech community, where the company has established solid relationships and enjoys a broad and loyal customer base, leveraging its strong track-record and more than 40 years of scientific experience.

In 2022 Scantox acquired the two Swedish companies Adlego Biomedical AB and Timeline Bioresearch AB and became an international Group.

Development in the year

In 2022, the Company's revenue amounted to DKK 135.3m (2021: DKK 48.4m). The income statement shows a net profit of negative DKK 2.8m, (2021: DKK 3.6m) for the year, and the balance sheet on 31 December 2022 shows equity of DKK 30.9m (2021: DKK 33.6m).

The revenue is higher than expectations for the year and the profit is slightly lower due to several one-off costs related to restarting and revitalizing the business.

The Management finds the financial result for 2022 satisfactory with a strong pipeline and trajectory going in to 2023.

Events after the balance sheet date

Management does not consider that significant events have occurred after the end of the financial year that could materially affect the Company's financial situation in a negative direction.

Capital resources

Management assesses that the Company's capital resources are sufficient.

Outlook

Scantox is expected to maintain the current activity level and expects both revenue and profit at the same level as in 2022.

<i>DKKm</i>	<i>Expectation 2023</i>
Revenue	35% - 50%
Profit	14% - 20%

Management's review

Uncertainty relating to recognition and measurement

Revenue recognition

Scantox contracts with customers bind the Company to perform specific studies, usually at a fixed price. Revenue is recognized with the production method using estimates of the value produced in the fiscal period. The revenue estimates inherently pose some measurement uncertainty, though they are subject to extensive control and assessment.

Deferred tax asset

The Company recognizes deferred tax assets, including the tax base of tax loss carry-forward if Management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. This assessment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives.

Financial risks

Governance

Operating in a highly regulated environment and supporting major pharmaceutical sponsors, Scantox operates in a complex environment and is continuously exposed to a broad array of risks.

Risk management is an integral part of the daily activities and operations and is managed through a two-tier governance structure with the Executive Management and Board of Directors.

The Executive Management is responsible for the daily management of the company and the Board of Directors is responsible for the overall strategic development and supervision of the management.

Interest rates risks

The Company is exposed to a number of financial risks arising from its operating and financing activities, mainly interest rate risk and. It is management's assessment that the exposure to these risks is low.

Currency risks

The currency risk arises by having contracts in other currencies than DKK. Currency risk is not hedged as the main contract currency besides DKK is EUR.

Consolidated financial statements and parent company financial statements

Income statement

Note	DKK'000	Group		Parent	
		2022 (1 January - 31 December)	2021 (11 January - 31 December)	2022 (1 January - 31 December)	2021 (11 January - 31 December)
	Revenue	135,310	48,353	0	0
	Other operating income	0	5,043	0	0
	Expenses for raw materials and consumables	-28,112	-10,979	0	0
	Other external expenses	-25,626	-11,448	0	0
	Gross profit/loss	81,572	30,969	374	-1,921
3	Staff expenses	-74,510	-36,092	-8,849	-3,200
	Other operating expenses	-649	0	0	0
4	Depreciation and impairment losses	-8,992	-7,713	0	0
	Profit/loss before net financials	-2,579	-12,836	-8,475	-5,121
5	Financial income	761	0	643	13
6	Financial expenses	-747	-1,167	-176	-131
	Profit/loss before tax	-2,565	-14,003	-8,008	-5,239
7	Tax for the year	-197	10,415	1,761	0
8	Profit/loss for the year	-2,762	-3,588	-6,247	-5,239

Consolidated financial statements and parent company financial statements

Balance sheet

Note	DKK'000	Group		Parent	
		2022	2021	2022	2021
	ASSETS				
	Non-current assets				
9	Intangible assets				
	Goodwill	7,355	0	0	0
	Customer relationship	8,168	0	0	0
	Order backlog	807	0	0	0
	Software	597	285	0	0
		<u>16,927</u>	<u>285</u>	<u>0</u>	<u>0</u>
10	Property, plant and equipment				
	Land and buildings	43,916	40,514	0	0
	Other fixtures and fittings, tools and equipment	11,805	10,256	0	0
		<u>55,721</u>	<u>50,770</u>	<u>0</u>	<u>0</u>
	Other non-current assets				
11	Equity investments in group entities	0	0	41,523	15,123
16	Deferred tax assets	9,897	10,415	1,761	0
12	Other receivables	1,693	0	0	0
		<u>11,590</u>	<u>10,415</u>	<u>43,284</u>	<u>15,123</u>
	Total non-current assets	<u>84,238</u>	<u>61,470</u>	<u>43,284</u>	<u>15,123</u>
	Current assets				
	Inventories				
	Raw materials	2,356	1,404	0	0
	Receivables				
	Trade receivables	20,986	23,739	0	0
	Receivables from group entities	0	0	0	2,104
13	Contract assets	7,638	2,084	0	0
	Other receivables	783	0	750	0
14	Prepayment	1,868	770	0	0
		<u>31,275</u>	<u>26,593</u>	<u>750</u>	<u>2,104</u>
	Cash	<u>19,095</u>	<u>19,128</u>	<u>155</u>	<u>16,626</u>
	Total current assets	<u>52,726</u>	<u>47,125</u>	<u>905</u>	<u>18,730</u>
	TOTAL ASSETS	<u>136,964</u>	<u>108,595</u>	<u>44,189</u>	<u>33,853</u>

Consolidated financial statements and parent company financial statements

Balance sheet

Note	DKK'000	Group		Parent	
		2022	2021	2022	2021
		EQUITY AND LIABILITIES			
		Equity			
15	Share capital	506	500	40	40
	Retained earnings	30,435	33,147	25,928	32,175
	Total equity	30,941	33,647	25,968	32,215
		Non-current liabilities			
16	Deferred tax	1,917	0	0	0
17	Other provisions	5,596	0	5,595	0
18	Mortgage loans	24,320	26,290	0	0
18	Lease obligations	2,286	1,528	0	0
18	Other payables	5,946	7,894	0	0
	Total non-current liabilities	40,065	35,712	5,595	0
		Current liabilities			
18	Mortgage loans	1,970	1,961	0	0
18	Lease obligations	822	701	0	0
	Trade payables	11,581	5,264	284	0
	Bank debt	4,129	0	4,129	0
13	Contract work in progress, liabilities	24,428	17,570	0	0
	Payables to group entities	0	0	3,080	0
	Corporate tax	50	0	0	0
18	Other payables	15,760	13,522	5,132	1,638
	Deferred income	7,218	0	0	0
	Total current liabilities	65,958	39,018	12,625	1,638
	Total liabilities	106,023	74,730	18,220	1,638
	TOTAL EQUITY AND LIABILITIES	136,964	108,377	44,188	33,853

- 1 Accounting policies
20 Contractual obligations, contingencies, pledges, etc.
21 Related parties
22 Acquisition of group entities
23 Events after the balance sheet date

Consolidated financial statements and parent company financial statements

Statement of changes in equity

		Group			
Note	DKK'000	Share capital	Share premium account	Retained earnings	Total equity
	Equity at 11 January 2021	40	0	0	40
	Capital increase	460	36,953	0	37,413
	Transfer from share premium account	0	-36,953	36,953	0
8	Net profit/loss for the year	0	0	-3,588	-3,588
	Equity at 1 January 2022	500	0	33,365	33,865
	Capital increase	6	0	1,496	1,502
	Purchase of own shares	0	-502	0	-502
	Transfer from share premium account	0	502	-502	0
	Currency translation of foreign entity	0	0	-1,162	-1,162
8	Net profit/loss for the year	0	0	-2,762	-2,762
	Equity at 31 December 2022	506	0	30,435	30,941

		Parent			
Note	DKK'000	Share capital	Share premium account	Retained earnings	Total equity
	Equity at 11 January 2021	40	0	0	40
	Capital increase	0	37,414	0	37,414
	Transfer from share premium account	0	-37,414	37,414	0
8	Net profit/loss for the year	0	0	-5,239	-5,239
	Equity at 1 January 2022	40	0	32,175	32,215
8	Net profit/loss for the year	0	0	-6,247	-6,247
	Equity at 31 December 2022	40	0	25,928	25,968

Consolidated financial statements and parent company financial statements**Cash flow statement**

		Group	
		2022	2021
Note	DKK'000	1 January - 31 December)	11 January - 31 December)
	Profit/loss before net financials	-2,580	-12,836
	Depreciation, amortisation and impairment losses	8,992	7,713
	Other adjustments of non-cash operating items	-646	-4,811
19	Changes in working capital	13,882	-7,031
	Cash flows from operating activities before financial items	19,648	-16,965
	Financial income, received	761	0
	Financial expenses, paid	-753	-1,167
	Income taxes paid	134	294
	Cash flows from operating activities	19,790	-17,838
9	Acquisition of intangible assets	-570	-173
10	Acquisition of property, plant and equipment	-10,700	-5,713
	Business acquisitions	-9,376	-15,123
	Change in deposits	-1,693	0
	Cash flows from investing activities	-22,339	-21,009
	Repayment of non-current liabilities	-2,613	-18,689
	Proceeds from incurring mortgage debt, etc.	0	28,251
	Changes in payables related to operating credits	4,129	0
	Capital increase	1,502	37,413
	Purchase of own shares	-502	0
	Cash flows from financing activities	2,516	46,975
	Cash flows for the year	-33	8,128
	Cash and cash equivalents, beginning of year	19,128	11,000
	Cash and cash equivalents, year end	19,095	19,128

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies

The annual report of Scantox Denmark ApS for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class C entities (medium).

This is the first financial year.

Presentation currency

The financial statements are presented in Danish Kroner (DKK'000).

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company Scantox Denmark ApS and group entities controlled by Scantox Denmark ApS.

Control means the power to exercise decisive influence over a group entity's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Significant influence

Entities over whose financial and operating decisions the Group can exercise significant influence are classified as associates. Significant influence is deemed to exist when the Parent Company holds or controls, directly or indirectly, more than 20% of the voting rights of an entity but does not control it.

The existence of potential voting rights that may currently be exercised or converted into voting rights is considered when assessing whether significant influence exists.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual group entities' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates and equity interests are eliminated in proportion to the Group's ownership interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The group entities' financial statement items are included 100% in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of group entities that are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are presented separately.

Acquisitions and disposals of non-controlling interests that are still controlled are recognised directly in equity as a transaction between shareholders.

Equity investments in participating interests are recognised in the consolidated financial statements using the equity method.

Business combinations

Newly acquired entities are recognised in the consolidated financial statements from the acquisition date. Entities sold or otherwise disposed of are recognised in the consolidated financial statements up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinuing operations are presented separately, see below.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

The acquisition date is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identified assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill in intangible assets. Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the purchase consideration is contingent on future events or compliance with agreed terms, such part of the purchase consideration is recognised at fair value at the acquisition date. Subsequent adjustments of contingent purchase considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments are recognised as errors.

Gains or losses from the divestment of group entities that implies that control is no longer maintained are calculated as the difference between, on the one hand, the net selling price and, on the other hand, the proportionate share of the carrying amount of net assets. If the Parent Company still holds equity investments in the divested group entity, the remaining proportionate share of the carrying amount forms the basis for the measurement of equity investments in associates, participating interests or securities and equity investments.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

On translation of foreign group entities that are integral entities, monetary items are recognised at the exchange rates at the balance sheet date. Non-monetary items are recognised at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

On the conclusion of sales contracts that consist of several separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods, services or construction contracts are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be estimated reliably and when each individual sales transaction represents a stand-alone value for the buyer. Sales transactions are deemed to have a stand-alone value for the buyer when the transaction is individually identifiable and usually sold separately.

Revenue is measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Revenue from the sale of services

Revenue from the sale of services, which include service contracts and extended warranty commitments relating to products and services sold, is recognized on a straight-line basis as the services are rendered.

Revenue from fixed price contracts

Revenue from fixed price contracts concerning contracts for clinical trials and are subject to a high degree of individual adaptation. Revenue is recognised by reference to the stage of completion by applying a milestone program, which means that revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When income and expenses of a fixed price contract cannot be estimated reliably, revenue is recognised solely at the costs incurred in so far as they are likely to be recovered.

The stage of completion is determined by reference to a milestone program and contract related costs are accrued accordingly with the proportion of costs incurred relative to the completed stage of the sales contract.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise costs incurred in generating revenue for the year. Such costs include mainly direct and indirect costs of performing the clinical trials.

Also, provisions for losses on fixed price projects is recognised once identified.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, operating leases, etc.

Other operating expenses

Other operating expenses comprise items secondary to the Company's activities, including transactions costs related to acquisition activities.

Staff expenses

Staff expenses comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff expenses.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. The items comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish group entities. Group entities are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

Scantox Denmark ApS acts as the administration company in respect of the joint taxation arrangement and accordingly settles all corporation taxes to the tax authorities on behalf of the company.

On payment of joint taxation contributions, the Danish corporation tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current income tax, joint taxation contribution and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

Balance sheet

Intangible assets

Intangible assets consist of software licenses. On initial recognition, intangible assets are measured at cost.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Amortisation is made over the estimated economic life without the determination of a residual value, however not exceeding 3-10 years.

Amortisation is based on the residual value of the asset after the end of the useful life and is reduced by impairment losses, if any. The amortisation and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Amortisation is recognised in the income statement as depreciation and amortisation.

Software licences are measured at the lower of cost less accumulated amortisation and recoverable amount.

Goodwill

Goodwill is amortised over the expected economic life of the asset. Goodwill is amortised on a straight-line basis over the amortisation period, which is 10 years.

The amortisation period is fixed on the basis of the expected repayment horizon and is longest for strategically acquired entities with strong market positions and long-term earnings profiles.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

Customer relationship, order backlog and Software

Customer relationship, order backlog, brand and design rights are measured at cost less accumulated amortisation and impairment losses. Customer relationship, order backlog, brand and design rights are amortised on a straight-line basis over expected repayment horizon.

Amortisation periods are as follows:

Customer relationship	10 years
Order backlog	2-3 years
Software	3-10 years

Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively. Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Tangible assets

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. The basis of depreciation is cost less any expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets and any residual value. The expected useful lives are as follows:

Buildings	20-30 years
Fixtures and fittings, tools and equipment	3-5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of future lease payments. In calculating the present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Consolidated financial statements and parent company financial statements

Notes

1 Accounting policies (continued)

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

Impairment of non-current assets

The carrying amount of intangible assets, property and plant and equipment is tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation made.

Impairment tests are conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the recoverable amount and carrying amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs and other costs directly related to the purchase.

The net realisable value of inventories is determined as the selling price less any discounts, costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Contract assets and contract liabilities

Construction contracts are measured at the selling price of the work performed less payments received on account and anticipated losses. Construction contracts entail a significant degree of design customisation of produced goods. Moreover, before any work is commenced, a binding agreement must have been entered into, which will imply a penalty or damages on subsequent termination of the agreement.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and the total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on a construction contract cannot be determined reliably, the selling price is measured solely at the costs incurred in so far as they are likely to be recovered.

Where the selling price of work performed exceeds payments received on account and anticipated losses, the excess amount is recognised in contract assets. If payments received on account and anticipated losses exceed the selling price of a construction contract, the deficit is recognised in contract liabilities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments received from customers are recognised in contract liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Where payment has been received for later sales of goods but delivery has not yet taken place, deferred revenue is also recognised in contract liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a remaining term of three months or less that are subject to only minor risks of changes in value.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Securities and investments

Securities and investments consisting in listed shares and bonds are measured at fair value (market price) at the balance sheet date.

Equity

Proposed dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

The Company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual lease commitment in respect of finance leases.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other liabilities are measured at net realisable value.

Prepayments

Deferred income comprises payments received concerning income in subsequent years.

Fair value

Fair value is determined based on the principal market. If no principal market exists, the fair value is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are classified based on the fair value hierarchy, see below:

Level 1: Value based on the fair value of similar assets/liabilities in an active market.

Level 2: Value based on generally accepted valuation methods on the basis of observable market information.

Level 3: Value based on generally accepted valuation methods and reasonable estimates based on non-observable market information.

Cash flow statement

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital, interest received and paid as well as corporation tax paid. Interest received is classified as cash flows from operating activities. Furthermore, dividends received are classified as operating activity.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments. Dividends received regarding securities are also considered investing activities.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a remaining term of three months or less that are subject to only minor risks of changes in value.

Consolidated financial statements and parent company financial statements

Notes

2 Special items

During 2022, several costs have occurred related to restarting and revitalising the business that are non-recurring in nature. The costs identified as special items primarily relate to advisory costs and management bonus and amount to DKK 10,800 thousand which are recognised with DKK 3,108 thousand as other external expenses and DKK 7,692 thousand as staff expenses.

	Group		Parent	
	2022 (1 January - 31 December)	2021 (11 January - 31 December)	2022 (1 January - 31 December)	2021 (11 January - 31 December)
DKK'000				
3 Staff expenses				
Wages and salaries	67,762	29,989	8,225	2,879
Pensions	5,453	5,502	607	317
Other social security costs	1,295	601	17	4
	<u>74,510</u>	<u>36,092</u>	<u>8,849</u>	<u>3,200</u>
Fees to Executive Board and Chair of the Board of Directors amount to DKK 8,246 thousand in 2022 (2021: DKK 3,825 thousand).				
Average number of full-time employees	<u>111</u>	<u>64</u>	<u>3</u>	<u>2</u>
4 Amortisation, depreciation, and impairment losses				
Amortisation of intangible assets	1,233	470	0	0
Depreciation of property, plant and equipment	7,759	7,115	0	0
Gain and loss on disposal	-	128	0	0
	<u>8,992</u>	<u>7,713</u>	<u>0</u>	<u>0</u>
5 Financial income				
Other financial income	5	0	643	13
Exchange gain, net	756	0	0	0
	<u>7611</u>	<u>0</u>	<u>643</u>	<u>13</u>
6 Financial expenses				
Other financial expenses	747	870	176	131
Exchange loss, net	0	297	0	0
	<u>747</u>	<u>1,167</u>	<u>176</u>	<u>131</u>
7 Tax for the year				
Current tax for the year	0	0	0	0
Deferred tax adjustment for the year	-364	-10,415	-1,761	0
Adjustment prior year tax	167	0	0	0
	<u>-197</u>	<u>-10,415</u>	<u>-1,761</u>	<u>0</u>
8 Distribution of profit				
Retained earnings	<u>-2,762</u>	<u>-3,588</u>	<u>-6,247</u>	<u>-5,239</u>
	<u>-2,762</u>	<u>-3,588</u>	<u>-6,247</u>	<u>-5,239</u>

Consolidated financial statements and parent company financial statements

Notes

9 Intangible assets

DKK'000	Group				Total
	Goodwill	Customer relationship	Order backlog	Software	
Cost at 1 January 2022	0	0	0	698	698
Additions for the year	0	0	0	570	570
Additions from business combinations	7,614	8,456	1,219	0	17,289
Cost at 31 December 2022	7,614	8,456	1,219	1,268	18,557
Impairment losses and amortisation at 1 January	0	0	0	397	397
Amortisation for the year	259	288	412	274	1,233
Amortisation and impairment losses at 31 December 2022	259	288	412	671	1,630
Carrying amount at 31 December 2022	7,355	8,168	807	597	16,927

10 Property, plant and equipment

DKK'000	Group		
	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2022	126,974	19,817	146,791
Additions through business combinations	0	323	323
Additions	7,410	4,979	12,389
Disposals	-269	-625	-894
Cost at 31 December 2022	134,115	24,494	150,559
Amortisation and impairment losses at 1 January 2022	86,460	9,561	96,021
Depreciation and amortisation	4,006	3,753	7,759
Reversal of amortisations of disposal for the year	-267	-625	-892
Amortisation and impairment losses at 31 December 2022	90,199	12,689	102,888
Carrying amount at 31 December 2022	43,916	11,805	47,671

11 Equity investments in group entities

DKK'000	Group		Parent	
	2022	2021	2022	2021
Cost at 1 January	0	0	15,123	0
Additions for the year	0	0	26,400	15,123
Carrying amount at 31 December	0	0	41,523	15,123

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
Scantox Denmark ApS	100%	25 968	-6 247
Scantox A/S (subsidiary of Scantox Denmark ApS)	100%	24 927	8 155
Timeline Biosearch AB (subsidiary of Scantox Denmark ApS)	100%	1,897	5,108
Adlego Biomedical AB (subsidiary of Scantox Denmark ApS)	100%	-673	1,247

All group entities are independent entities.

Consolidated financial statements and parent company financial statements**Notes**

	Group		Parent	
	2022	2021	2022	2021
DKK'000				
12 Other receivables				
Deposits	1,693	0	0	0
	<u>1,693</u>	<u>0</u>	<u>0</u>	<u>0</u>
13 Contract assets and contract liabilities				
Selling price of work in progress	157,631	116,468	0	0
Payment received on account	-174,421	-131,954	0	0
	<u>-16,790</u>	<u>-15,486</u>	<u>0</u>	<u>0</u>
Contract work in progress recognised in assets	7,638	2,084	0	0
Prepayments received recognised in debt	-24,428	-17,570	0	0
	<u>-16,790</u>	<u>-15,486</u>	<u>0</u>	<u>0</u>

14 Prepayments

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

15 Share capital

Share capital at 11 January 2021	40
Capital increase, 18 January 2021	460
Share capital at 1 January 2022	500
Capital increase, 22 April 2022	4
Capital increase, 24 January 2022	2
Share capital at 31 December 2022	<u>506</u>

The share capital comprises:

460,478 class A shares of DKK 1 each

45,984 class B shares of DKK 1 each

Every class A share carries 1 voting right, and every class B share carries 1 voting right.

The Company held no treasury shares at the balance sheet date.

Consolidated financial statements and parent company financial statements

Notes

DKK'000	Group		Parent	
	2022	2021	2022	2021
16 Deferred tax				
Deferred tax at 1 January	10,415	0	0	0
Additions through business combinations	-2,071	0	0	0
Deferred tax adjustment for the year	-364	10,415	1,761	0
Deferred tax assets at 31 December	7,980	10,415	1,761	0
Intangible assets	-2,049	-63	0	0
Property, plant and equipment	1,324	-2,684	0	0
Fixed asset investments	-2,387	2,149	0	0
Leases	684	490	0	0
Tax loss carry-forward	10,408	10,523	1,761	0
Deferred tax assets at 31 December	7,980	10,415	1,761	0
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax assets	9,897	10,415	1,761	0
Deferred tax liabilities	-1,917	0	0	0
	7,980	10,415	1,761	0

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as the Company estimates that the tax assets can be utilised within a foreseeable future by offsetting against future positive taxable income.

DKK'000	Group		Parent	
	2022	2021	2022	2021
17 Provision				
At 1 January	0	0	0	0
Arising during the year	5,596	0	5,595	0
At 31 December 2022	5,596	0	5,595	0

As part of the acquisition of Timeline Biosearch AB and Adlego Biomedical AB in 2022, earn-out agreements were agreed with a maximum settlement of DKK 6.7 million and DKK 1.7 million accordingly for the two transactions. The net present value of the earn-outs has been calculated to DKK 4.3 million and 1.3 million based on a number of assumptions. Any changes to the assumptions will change the present value.

DKK'000	Group		Parent	
	2022	2021	2022	2021
18 Long-term debt				
Mortgage loans				
After 5 years	16,387	18,382	0	0
Between 1 and 5 years	7,933	7,908	0	0
Within 1 year	1,970	1,961	0	0
	26,290	28,251	0	0
Other payables				
Between 1 and 5 years	5,946	7,894	0	0
Within 1 year	15,760	13,740	0	0
	21,706	21,634	0	0
Lease obligations				
After 5 years	-	408	0	0
Between 1 and 5 years	2,286	1,120	0	0
Within 1 year	822	701	0	0
	3,108	2,229	0	0

Consolidated financial statements and parent company financial statements**Notes**

DKK'000	Group	
	2022	2021
19 Changes in working capital		
Changes in inventories	751	-1,404
Changes in receivables	4,977	-17,361
Changes in trade payables, etc.	8,154	11,734
	<u>13,882</u>	<u>-7,031</u>

DKK'000	Group		Parent	
	2022	2021	2022	2021
20 Contractual obligations, contingencies, pledges, etc.				
As security for mortgage debt has been put up as security in buildings	34,200	34,200	0	0
Negative pledge comprising movables, unsecured claims	15,000	15,000	0	0
Share capital at 31 December	<u>49,200</u>	<u>49,200</u>	<u>0</u>	<u>0</u>

21 Related parties

Scantox Denmark ApS' related parties comprise the following

Parent	Domicile
Impilo No 9 AB	Hölländargatan 20 111 60 Stockholm Sweden

The entity holds the majority of the share capital in the Company.

Related party transactions

The consolidated financial statements include the below related party transactions:

DKK'000	2022	2021
Capital increase (including share premium)	1,502	37,413
Purchase back of own shares	-502	-
Parent		
Management fee	5,504	1,560
Receivables from group entities	-	2,104
Payables to group entities	3,080	-

Remuneration of the Company's Board of Directors is disclosed in note 3.

Apart from the above listed transactions, no other transactions were carried out with the current shareholder during the year.

Consolidated financial statements and parent company financial statements

Notes

DKK'000	Group		
	Timeline Biosearch AB	Adlego Biomedical AB	Total
22 Acquisition of group entities			
Intangible assets	8,050	1,626	9,676
Property, plant and equipment	182	141	323
Inventories	842	861	1,703
Trade receivables	3,757	2,032	5,789
Other receivables	178	0	178
Cash	4,584	5,962	10,546
Deferred tax	-1,713	-358	-2,071
Debt to credit institutions	-566	0	-566
Trade payables	-401	-2,200	-2,601
Other payables	-1,022	-3,818	-4,840
	13,891	4,246	18,137
Goodwill	3,582	4,032	7,614
Cost	17,473	8,278	25,751
Earn-out	-4,450	-1,380	-5,830
Cash	-4,584	-5,962	-10,546
Cash cost	8,439	936	9,375

On 31 August 2022, Scantox Group acquired 100% of the shares in Timeline Biosearch AB. Balance on initial recognition of Timeline Biosearch AB totals DKK 17,472 thousand, including goodwill of DKK 3,582 thousand.

On the 31 August 2022, 100% of the shares in Adlego Biomedical AB was acquired. Balance on initial recognition of Adlego Biomedical AB totals DKK 8,280 thousand, including goodwill of DKK 4,032 thousand.

23 Events after the balance sheet date

Management does not consider that significant events have occurred after the end of the financial year that could materially affect the Company's financial situation in a negative direction.