

# Charles River Laboratories Copenhagen A/S

Hestehavevej 36A, 4623 Lille Skensved

CVR no. 83 09 04 13

## Annual report 2019

Approved at the Company's annual general meeting on 28 August 2020

Chairman:



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## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Cash flow statement	13
Notes to the financial statements	14

### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Charles River Laboratories Copenhagen A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

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

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

Copenhagen, 28 August 2020  
Executive Board:



Jeanet Løgsted Nielsen

Board of Directors:

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Brian Bathgate  
Chairman

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Birgit Girshick



Jeanet Løgsted Nielsen



Hanne Paltoft



Dorthe Metzker

## Statement by the Board of Directors and the Executive Board

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Copenhagen, 28 August 2020  
Executive Board:

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Jeanet Løgsted Nielsen

Board of Directors:

  
.....  
Brian Bathgate  
Chairman

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Birgit Girshick

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Jeanet Løgsted Nielsen

.....  
Hanne Paltoft

.....  
Dorthe Metzker

## Independent auditor's report

To the shareholders of Charles River Laboratories Copenhagen A/S

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Charles River Laboratories Copenhagen A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies.

### Basis for opinion

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

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the over-ride of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditor's report

- ▶ 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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

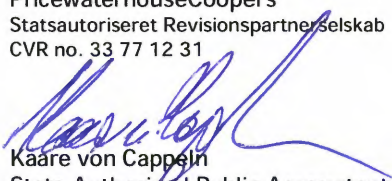
Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, 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 in Management's Review.

Copenhagen, 28 August 2020  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31



Kaare von Cappeln  
State Authorised Public Accountant  
mne11629

## Management's review

### Company details

Name	Charles River Laboratories Copenhagen A/S
Address, Postal code, City	Hestehavevej 36A, 4623 Lille Skensved
CVR no.	83 09 04 13
Financial year	1 January - 31 December
Board of Directors	Brian Bathgate, Chairman Birgit Girshick Jeanet Løgsted Nielsen Hanne Paltoft Dorthe Metzker
Executive Board	Jeanet Løgsted Nielsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup

## Management's review

### Financial highlights

DKK'000	2019	2018	2017	2016	2015
<b>Key figures</b>					
Revenue	108,809	117,598	91,110	93,612	92,927
Gross profit	69,188	77,073	59,964	62,408	62,454
Profit before interest and tax (EBITA)	-3,940	10,360	1,575	-511	2,846
Net financials	-965	-1,317	-1,262	-576	-2,431
Profit/loss before tax	-4,906	9,043	313	-1,087	415
Profit/loss for the year	-3,848	10,973	313	-1,087	415
<b>Balance sheet</b>					
Total assets	93,257	97,257	90,006	90,175	96,782
Investment in property, plant and equipment	-2,934	-4,429	-1,626	-1,824	-4,387
Equity	23,795	27,643	16,670	16,357	17,444
<b>Financial ratios</b>					
Operating margin	-3.6%	8.8%	1.7%	-0.5 %	3.1 %
Gross margin	63.6%	65.5%	65.8%	66.7%	67.2%
Return on assets	-4.1%	11.1%	1.7%	-0.5%	2.9%
Current ratio	86.7%	92.5%	79.2%	47.7%	65.4%
Equity ratio	25.5%	28.4%	18.5%	18.1%	18.0%
Return on equity	-15.0%	49.5%	1.9%	-6.4%	2.4%
<b>Other</b>					
Average number of employees	128	124	120	131	129

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.



## Management's review

### Business review

The Company performs laboratory studies on a contractual basis for the pharmaceutical, medical device, food and agriculture, and chemical industries. The studies are concentrated within the pharmacological and toxicological areas, and their purpose is to contribute to the protection of the public health and safety.

In 2019, the Company became part of the world's largest non-clinical Contract Research Organization (CRO), Charles River Laboratories (NYSE: CRL), and there have been significant efforts to align and integrate the company the global organization. Being part of the Charles River Laboratories group has provided the Company with greater access and exposure to clients within the non-clinical field.

### Recognition and measurement uncertainties

#### Revenue recognition

The Company's contracts with customers bind the Company to perform specific trials, 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-forwards, if Management assess 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.

At 31 December 2019, the Company had recognized deferred tax assets of DKK 3,023,000 (2018: DKK 1,930,000). The Company expects to offset the tax assets against future taxable income based on the expectations at year end.

### Financial review

#### Financial review

In 2019, the Company's revenue amounted to DKK 108,809,000 (2018: DKK 117,598,000). The income statement shows a loss of DKK -3,825,000 (2018: profit of DKK 10,973,000) for the year, and the balance sheet at 31 December 2019 shows equity of DKK 23,818,000.

#### Profit/loss for the year compared to previous expectations

In the annual report for 2018, Management expressed positive expectations to the financial performance of 2019 based on the assumptions of continuation of the generally high activity levels at that time. Actual revenue and profit did not come in as high as expected. Revenue was affected by less activity than expected starting second quarter 2019. At the same time, the result in 2019 was also affected by special items related to the merge and restructuring, which in total amounts to DKK 6,678,000.

## Management's review

### Events after the balance sheet date

In June 2020, the company's parent announced that Charles River Laboratories Copenhagen A/S would exit the contract research business, and continue as a service provider only, to other Charles River group companies. Consequently, the company has commenced planning for the completion of existing studies, and subsequent closure of the research operations. This event does not affect the figures in the 2019 accounts. At this point in time, it is not possible to determine what the costs of closing the research operations will be, and no provision has been made in these financial statements. The company benefits from an undertaking of financial support from its ultimate parent and controlling entity, Charles River Laboratories International, Inc. which extends for at least twelve months from the date of signing these financial statements.

### Outlook

Following the decision to cease contract research operations, the company intends to fulfil all existing client contracts and wind down the operations in a planned approach which is expected to take approximately twelve months to complete. After this time, the ongoing services provided to other Charles River group companies will be subject to an intercompany services agreement. With the continued support from the Charles River group, the management are satisfied that the company has access to sufficient financial resources to meet its obligations as they fall due. At the time of signature, the cash position is positive and is expected to remain so.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2019	2018
	Revenue	108,809	117,598
	Cost of sales	-24,092	-29,001
	Other external expenses	-15,529	-11,524
	Gross profit	69,188	77,073
4	Staff costs	-66,487	-60,044
5	Amortisation/depreciation of intangible assets and property, plant and equipment	-6,642	-6,669
	Profit/loss before net financials	-3,941	10,360
6	Financial expenses	-965	-1,317
	Profit/loss before tax	-4,906	9,043
7	Tax for the year	1,058	1,930
	Profit/loss for the year	-3,848	10,973

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Non-current assets		
8	Intangible assets		
	Acquired intangible assets	1,045	1,361
		<u>1,045</u>	<u>1,361</u>
9	Property, plant and equipment		
	Land and buildings	47,102	50,653
	Other fixtures and fittings, tools and equipment	7,748	7,440
		<u>54,850</u>	<u>58,093</u>
	Financial assets		
13	Deferred tax assets	3,023	1,930
		<u>3,023</u>	<u>1,930</u>
	Total non-current assets	<u>58,918</u>	<u>61,384</u>
	Current assets		
	Inventories		
	Raw materials and consumables	849	800
		<u>849</u>	<u>800</u>
	Receivables		
	Trade receivables	17,309	19,741
10	Work in progress for third parties	4,448	3,028
	Receivables from group entities	7,759	3,063
	Other receivables	642	252
	Prepayments	2,809	3,161
		<u>32,967</u>	<u>29,245</u>
	Cash	523	5,828
	Total current assets	<u>34,339</u>	<u>35,873</u>
	TOTAL ASSETS	<u><u>93,257</u></u>	<u><u>97,257</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	12,600	12,600
	Retained earnings	11,195	15,043
	Total equity	<u>23,795</u>	<u>27,643</u>
12	Non-current liabilities		
	Mortgage debt	18,612	20,015
	Lease liabilities	369	600
	Payables to group entities	8,858	10,215
	Other payables	2,034	0
	Total non-current liabilities	<u>29,873</u>	<u>30,830</u>
	Current liabilities		
	Mortgage debt	1,335	1,261
	Lease liabilities	222	262
10	Work in progress for third parties	9,908	11,635
	Trade payables	4,361	7,297
	Payables to group entities	11,869	4,998
	Other payables	11,894	13,331
	Total current liabilities	<u>39,589</u>	<u>38,784</u>
	Total liabilities	<u>69,462</u>	<u>69,614</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>93,257</u></u>	<u><u>97,257</u></u>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 3 Special items
- 14 Contractual obligations and contingencies, etc.
- 15 Collateral
- 16 Related parties
- 17 Appropriation of profit/loss

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	Equity at 1 January 2019	12,600	15,043	27,643
17	Transfer, see "Appropriation of profit/loss"	<u>0</u>	<u>-3,848</u>	<u>-3,848</u>
	Equity at 31 December 2019	<u><u>12,600</u></u>	<u><u>11,195</u></u>	<u><u>23,795</u></u>

## Financial statements 1 January - 31 December

### Cash flow statement

Note	DKK'000	2019	2018
	Profit/loss for the year	-3,848	10,973
18	Adjustments	6,491	5,335
	Cash generated from operations (operating activities)	2,643	16,308
19	Changes in working capital	-2,300	-55
	Cash generated from operations (operating activities)	343	16,253
	Interest paid, etc.	-965	-596
	Cash flows from operating activities	-622	15,657
	Additions of intangible assets	-149	-357
	Additions of property, plant and equipment	-2,934	-4,429
	Cash flows to investing activities	-3,083	-4,786
	Repayments, debt to credit institutions	-1,600	-1,508
	Repayments, borrowings from group enterprises	0	-3,702
	Cash flows from financing activities	-1,600	-5,210
	Net cash flow	-5,305	5,661
	Cash and cash equivalents at 1 January	5,828	167
	Cash and cash equivalents at 31 December	523	5,828

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Charles River Laboratories Copenhagen A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

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

#### Income statement

##### Revenue

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

Income from the sale of services is recognised when the total income and expenses related to the individual productions as well as the stage of completion at the balance sheet date can be made up reliably and it is probable that future economic benefits, including payment, will flow to the Company.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

##### Cost of sales

Cost of sales includes the costs of animals, feed and equipments used in generating the year's revenue.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including holiday pay and pensions, as well as other social security contributions, etc., made to the Company's employees. The item is net of refunds made by public authorities.

##### Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Software	3-10 years
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The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	20-30 years
Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-15 years



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### Balance sheet

##### Intangible assets

Other intangible assets includes software licences.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

As regards property, plant and equipment in progress, costs include the costs of materials and labour, etc., directly relating to the assets.

##### Leases

The company has chosen IAS 17 regarding accounting for leases. Leases for fixed assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet as assets. On initial recognition, assets are measured at cost, corresponding to the lower of fair value and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are depreciated the same way as other similar fixed assets.

The capitalised residual lease liability 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.

##### Impairment of non-current assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount), if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

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. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

#### Receivables

Receivables are measured at amortised cost.

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

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on services performed to date as a percentage of the total services to be performed.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

#### Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash

Cash comprise cash and short term marketable securities which are subject to an insignificant risk of changes in value.

##### Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

##### Corporation 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 the taxable income of prior year taxes and for 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 value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition 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 is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent recognition, the 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 liability in respect of finance leases.

Other liabilities are measured at net realisable value.

##### Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value, if any, based on the interest rate implicit in the lease.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Deferred income

If the Company receives information after the reporting period, but prior to the date of the Board of Director's approval of the financial statements, about conditions that existed at the end of the reporting period, the Company assesses if the information affects the amounts recognised in the financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any subsequent events after the reporting period and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

##### Cash flow statement

The cash flow statement shows the Company's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the Company's cash and cash equivalents at the beginning and the end of the year. Cash flow adjustment in relation to current year debt conversion has been presented as a non-cash adjustment.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

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

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject to an insignificant risks of changes in value.

##### Financial ratios

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

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Events after the balance sheet date

Even though the backlog of work is on target, COVID-19 poses a potential risk that signed projects cannot be started in time due to border restrictions, test materials not arriving as expected or because clients are delayed in their pre-clinical programs.

In June 2020, the company's parent announced that Charles River Laboratories Copenhagen A/S would exit the contract research business, and continue as a service provider only, to other Charles River group companies. Consequently, the company has commenced planning for the completion of existing studies, and subsequent closure of the research operations. This event does not affect the figures in the 2019 accounts. At this point in time, it is not possible to determine what the costs of closing the research operations will be, and no provision has been made in these financial statements. The company benefits from an undertaking of financial support from its ultimate parent and controlling entity, Charles River Laboratories International, Inc. which extends for at least twelve months from the date of signing these financial statements.

#### 3 Special items

The result in 2019 was affected by special items related to the merge and restructuring, which in total amounts to DKK 6,678,000.

DKK'000	2019	2018
4 Staff costs		
Wages/salaries	58,231	51,526
Pensions	7,944	7,387
Other social security costs	166	981
Other staff costs	146	150
	<u>66,487</u>	<u>60,044</u>
Average number of full-time employees	<u>128</u>	<u>124</u>

With reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

DKK'000	2019	2018
5 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	465	673
Depreciation of property, plant and equipment	6,177	5,996
	<u>6,642</u>	<u>6,669</u>
6 Financial expenses		
Interest expenses, group entities	175	441
Other interest expenses	339	637
Exchange losses	321	84
Other financial expenses	130	155
	<u>965</u>	<u>1,317</u>
7 Tax for the year		
Deferred tax adjustments in the year	-1,058	-1,930
	<u>-1,058</u>	<u>-1,930</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Tax for the year (continued)

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2019	7,015
Additions in the year	149
Cost at 31 December 2019	<u>7,164</u>
Impairment losses and amortisation at 1 January 2019	5,654
Amortisation in the year	465
Impairment losses and amortisation at 31 December 2019	<u>6,119</u>
Carrying amount at 31 December 2019	<u><u>1,045</u></u>

#### 9 Property, plant and equipment

DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	128,642	47,175	175,817
Additions in the year	560	2,374	2,934
Disposals in the year	0	-1,352	-1,352
Cost at 31 December 2019	<u>129,202</u>	<u>48,197</u>	<u>177,399</u>
Impairment losses and depreciation at 1 January 2019	77,989	39,735	117,724
Depreciation in the year	4,111	2,066	6,177
Amortisation/depreciation and impairment of disposals in the year	0	-1,352	-1,352
Impairment losses and depreciation at 31 December 2019	<u>82,100</u>	<u>40,449</u>	<u>122,549</u>
Carrying amount at 31 December 2019	<u><u>47,102</u></u>	<u><u>7,748</u></u>	<u><u>54,850</u></u>

DKK'000	2019	2018
10 Work in progress for third parties		
Selling price of work performed	144,463	156,935
Invoicing on account	-149,923	-165,542
	<u>-5,460</u>	<u>-8,607</u>
recognised as follows:		
Work in progress for third parties(assets)	4,448	3,028
Work in progress for third parties(liabilities)	-9,908	-11,635
	<u>-5,460</u>	<u>-8,607</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 11 Share capital

Analysis of the share capital:

126,000 shares of DKK 100.00 nominal value each	12,600	12,600
	<u>12,600</u>	<u>12,600</u>

The Company's share capital has remained DKK 12,600 thousand over the past 5 years.

#### 12 Non-current liabilities

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	19,947	1,335	18,612	12,977
Lease liabilities	591	222	369	0
Payables to group entities	8,858	0	8,858	8,858
Other payables	2,034	0	2,034	2,034
	<u>31,430</u>	<u>1,557</u>	<u>29,873</u>	<u>23,869</u>

DKK'000	<u>2019</u>	<u>2018</u>
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#### 13 Deferred tax

Deferred tax at 1 January	-1,930	0
Adjustment of the deferred tax charge for the year	-1,116	-1,930
Other deferred tax	23	0
Deferred tax at 31 December	<u>-3,023</u>	<u>-1,930</u>

At 31 December 2019, the Group recognised an asset totalling DKK 3,046 thousand. Based on the budgets, Management considers it convincing that there will be future taxable income against which non-utilised tax losses and tax deductions can be offset.

#### 14 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	<u>2019</u>	<u>2018</u>
Rent and lease liabilities	<u>220</u>	<u>118</u>

#### 15 Collateral

As security for the Company's mortgage debt, a total amount of DKK 34.200 thousand (2018: DKK 34.200 thousand) has been put up as security in buildings.

The Company has granted a negative pledge comprising movables, unsecured claims, inventories, operating equipment, intangible rights and charges on claims in the amount of DKK 15 million (2018: DKK 15 million) as security for the balances with Danske Bank.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 16 Related parties

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
CRL Group France SAS	Rue de Pacy 27930 Miseray France	At the Company's adress

##### Related party transactions

Charles River Laboratories Copenhagen A/S was engaged in the below related party transactions:

DKK'000	2019	2018
Financial expense to the Parent Company	935	441
Purchase of services from Associate	6,630	5,417
Purchase of services from the Parent Company	8,593	3,494
Repayment of loan to the Parent Company	3,472	6,035
Sale of services from Associate	19,562	7,997
Sale of services from the Parent Company	4,391	2,806

All transactions have been carried out on an arm's length basis.

Receivables from group entities, DKK 7,759 thousand. Payables to group entities, DKK 20,727 thousand, consists of loan, DKK 8,684 thousand, and payables, DKK 12,043 thousand.

There are no intra-group transactions that have not been carried through on normal market terms.

The ultimate parent company is Charles River Laboratories International, Inc. a company incorporated in the United States of America. Charles River Laboratories International, Inc. is the largest group of which the Company is a member and the smallest group for which group annual report and financial statements are prepared. Copies of the group annual report and financial statements can be obtained from Charles River Laboratories Inc. 251 Ballardvale Street, Wilmington, Massachusetts, USA. The ultimate controlling party is considered to be Charles River Laboratories International Inc. which is listed on the New York Stock Exchange.

DKK'000	2019	2018
17 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-3,848	10,973
	-3,848	10,973
18 Adjustments		
Amortisation/depreciation and impairment losses	6,642	6,669
Financial expenses	965	596
Deferred tax	-1,116	-1,930
	6,491	5,335

## Financial statements 1 January - 31 December

### Notes to the financial statements

19	Changes in working capital		
	Change in inventories	-1,469	1,172
	Change in receivables	-4,611	-2,715
	Change in trade and other payables	-14,281	101
	Other changes in working capital	18,061	1,387
		<u>-2,300</u>	<u>-55</u>