POLYPEPTIDE LABORATORIES HOLDING B.V.

Consolidated Financial Statements 2019

CONTENTS

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2019

	2019		2018	
	EUR'000	EUR'000	EUR'000	EUR'000
Revenue (3)	202,613		179,574	
Other operating income (3)	1,155		1,844	
Total income		203,768		181,418
Cost of revenues		(131,039)		(117,450)
Gross profit		72,729		63,968
Marketing and sales expenses (3)	(3,792)		(3,412)	
Research expenses (3)	(14,375)		(12,307)	
General and administrative expenses (3)	(21,013)		(20,489)	
Total operating expenses		(39,180)		(36,208)
Operating result		33,549		27,760
Financial income (3)	70		5,840	
Financial expenses (3)	(3,386)		(4,146)	
Total financial result		(3,316)		1,694
Result before income taxes		30,233		29,454
Income tax charge (4)		(4,496)		(5,634)
Result for the year		25,737		23,820
Attributable to:				
Equity holders of the parent		25,737		23,820
Result for the year		25,737		23,820

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	2019		2018	
	EUR'000	EUR'000	EUR'000	EUR'000
Result for the year		25,737		23,820
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations, net of tax	(252)		(350)	
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(252)		(350)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gains (losses) on defined benefit plans	(8,589)		(477)	
Income tax effect (4)	1,446		(13)	
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(7,143)		(490)
Other comprehensive result for the year, net of taxes		(7,395)		(840)
Total comprehensive result for the year, net of taxes		18,342		22,980
Attributable to:				
Equity holders of the parent		18,342		22,980
Total comprehensive result for the year, net of taxes		18,342		22,980

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

A s s e t s

	2019		2018	
	EUR'000	EUR'000	EUR'000	EUR'000
Non-current assets				
Intangible assets (5)	12,312		10,910	
Property, plant and equipment (6)	126,530		115,802	
Right-of-use assets (18)	10,105		–	
Deferred income tax assets (4)	13,067		12,613	
Other financial assets	459		3,251	
Total non-current assets		162,473		142,576
Current assets				
Inventories (8)	73,490		72,334	
Trade receivables (9)	33,628		42,369	
Corporate income tax receivable	5,803		2,973	
Other receivables and other current assets (10)	12,240		13,537	
Cash and cash equivalents (11)	17,508		10,037	
Total current assets		142,669		141,250
Total assets		305,142		283,826

Equity and liabilities

	2019		2018	
	EUR'000	EUR'000	EUR'000	EUR'000
Equity attributable to equity holders of the parent				
Issued capital	33,000		50,000	
Share premium	2,340		1,940	
Translation reserve	(2,694)		(2,442)	
Retained earnings	91,033		74,356	
Result for the year	25,737		23,820	
Total equity		149,416		147,674
Non-current liabilities				
Deferred income tax liabilities (4)	1,121		2,149	
Provisions (12)	42,418		30,071	
Interest-bearing loan and borrowings (13)	25,000		25,000	
Lease liabilities (18)	8,869		–	
Other financial liabilities (14)	22,016		14,988	
Total non-current liabilities		99,424		72,208
Current liabilities				
Short-term borrowings from banks (15)	–		18,264	
Lease liabilities (18)	1,491		–	
Other financial liabilities (14)	6,828		6,489	
Corporate income tax payable	2,963		5	
Trade payables (16)	18,460		14,731	
Other payables (16)	26,560		24,455	
Total current liabilities		56,302		63,944
Total liabilities		155,726		136,152
Total equity and liabilities		305,142		283,826

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Attributable to equity holders of the parent					
	Issued capital	Share premium	Translation reserve	Retained earnings	Result for the year	**Total**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 January 2018	50,000	1,940	(2,092)	50,541	24,305	124,694
Result for the year	–	–	–	–	23,820	23,820
Re-measurement losses on defined benefit plans	–	–	–	(490)	–	(490)
Currency exchange differences	–	–	(350)	–	–	(350)
Total comprehensive income	–	–	(350)	(490)	23,820	22,980
Appropriation profit previous year	–	–	–	24,305	(24,305)	–
Balance as at 31 December 2018	50,000	1,940	(2,442)	74,356	23,820	147,674
Balance as at 1 January 2019	50,000	1,940	(2,442)	74,356	23,820	147,674
Result for the year	–	–	–	–	25,737	25,737
Re-measurement losses on defined benefit plans	–	–	–	(7,143)	–	(7,143)
Currency exchange differences	–	–	(252)	–	–	(252)
Total comprehensive income	–	–	(252)	(7,143)	25,737	18,342
Repayment of share capital	(17,000)	400	–	–	–	(16,600)
Appropriation profit previous year	–	–	–	23,820	(23,820)	–
Balance as at 31 December 2019	33,000	2,340	(2,694)	91,033	25,737	149,416

The issued and authorized share capital as at 31 December 2019 comprised 50,000,000 shares (2018: 50,000,000 shares) of EUR 0.66 each (2018: EUR 1.00), all of which are fully paid.

On 18 December 2019, the General Meeting resolved to amend the articles of association of the Company, by which amendment the nominal value of each outstanding share of the Company was reduced from EUR 1.00 to EUR 0.66. This resulted in a decrease of the issued capital with EUR 17,000,000, of which EUR 16,600,000 was repaid in cash and EUR 400,000 was added to the share premium reserve.

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The translation reserve is restricted for dividend distribution in accordance with Dutch Law.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019		2018	
	EUR'000	EUR'000	EUR'000	EUR'000
Cash flows from operating activities				
Result for the year	25,737		23,820	
Adjustments to reconcile cash generated by operating activities:				
Depreciation and amortization (3)	15,808		14,422	
Disposal of property, plant and equipment (6)	–		199	
Financial income (3)	(70)		(5,840)	
Financial expenses (3)	3,386		4,146	
Income tax charge (4)	4,496		5,634	
Changes in accounting policies (2)	–		205	
Changes in working capital:				
Decrease/ (increase) in inventories (8)	(1,231)		2,034	
Increase in trade receivables (9)	8,666		(10,678)	
Increase in other receivables and other current assets (10)	1,089		(4,344)	
Decrease in trade payables (16)	(3,022)		(4,981)	
Increase / (decrease) in other payables (16)	2,242		1,309	
Changes in other liabilities:				
Movements in provisions (12)	3,669		1,654	
Cash generated from operations	60,770		27,580	
Interest income received	70		78	
Interest expenses paid	(1,201)		(1,304)	
Income taxes paid	(4,039)		(3,411)	
Net cash flow from operating activities		55,600		22,943
Cash flows from investing activities				
Net proceeds from disposal of subsidiary (7)	4,444		–	
Acquisition of intangible assets (5)	(2,181)		(3,772)	
Acquisition of property, plant and equipment (6)	(17,524)		(14,526)	
Proceeds from other financial assets	3,000		(296)	
Net cash flows used in investing activities		(12,261)		(18,594)
Carried forward		43,339		4,349

	2019		2018	
	EUR’000	EUR’000	EUR’000	EUR’000
Brought forward		43,339		4,349
Cash flow from financing activities				
Proceeds from loans and borrowings (14)	6,936		–	
(Repayment of)/ proceeds from short-term borrowings (15)	(18,264)		3,528	
Repayment of lease liabilities (18)	(1,520)		–	
Repayment of other financial liabilities (14)	(6,489)		(6,863)	
Repayment of share capital (20)	(16,600)		–	
Net cash flows used in financing activities		(35,937)		(3,335)
Net movement in cash and cash equivalents		7,402		1,014
Cash and cash equivalents at the beginning of the year (12)		10,037		9,127
Net foreign currency exchange differences		69		(104)
Cash and cash equivalents at the end of the year (12)		17,508		10,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

1 General

PolyPeptide Laboratories Holding B.V. ('the Company') is the holding and finance company of a group of companies ('the Group') engaged in the development, manufacturing and marketing of peptide based compounds for use in the pharmaceutical and related research industries. The Group companies offer a full service concept from early stage custom development to contract manufacturing in both solid phase and solution phase technology. In addition, the group companies also market a wide range of generic peptides.

The Group consists of six integrated operating companies located in Sweden, USA, France, India, and Belgium plus three dormant companies in Denmark, Czech Republic and Germany.

The Company is a 100% subsidiary of Draupnir Corporation S.à r.l., a company registered in Luxembourg (previously named Draupnir Corporation N.V). The Company's ultimate parent entity is Foundation Mamont, a foundation registered on Guernsey.

As at 31 December 2019, the Board of Directors of the Company consisted of Mr. J.D. Hobbs, Mrs. J.A. Salik, Mr. L.G.P. Nilsson and Mr. E.H.M. Schropp.

2 Summary of significant accounting policies

Basis of preparation

The statutory consolidated financial statements of the Company and all its subsidiaries ('the Group') have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as adopted by the EU ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code in order to comply with Dutch law. A separate auditor's report was issued with these statutory consolidated financial statements, both dated 31 March 2020.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), including segmented reporting as required under IFRS 8 *Operating Segments* (Note 24), in order to comply with SIX Exchange Regulation. These consolidated financial statements do not replace the aforementioned statutory consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis, except for the contingent consideration payable following from the acquisition of Lonza Braine S.A. (renamed into PolyPeptide S.A.) on 3 January 2017, which is measured at fair value through profit or loss (refer to note 14). All amounts are stated in thousands of Euros, unless otherwise indicated.

Going concern

PolyPeptide expects to weather the Covid-19 pandemic reasonably well through 2020. The pandemic is not expected to impact the going concern of the Group as further disclosed in Note 23.

Principles of consolidation

The consolidated financial statements include the Company and its subsidiaries as at 31 December of each year. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. The results of subsidiaries are included from the date of acquisition and for subsidiaries sold, up to the date of disposal.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Reference is made to Note 7 for information regarding the consolidated subsidiaries. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

Changes in accounting policies

The Group adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognized in the opening equity balances. Details of the impact, that these two standards have had are given below. Other new and amended standards and interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 16 *Leases*
IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether and Arrangement contains a Lease,* SIC-15 *Operating Lease-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

The total impact of changes in accounting policies in connection with IFRS 16 was as follows:

	Right-of use-assets	Lease liabilities	Total Equity
	EUR'000	EUR'000	EUR'000
Balance as at 31 December 2018	–	–	(147,674)
Impact IFRS 16	10,464	(10,464)	–
Balance as at 1 January 2019	10,464	(10,464)	(147,674)

Right-of-use assets and lease liabilities in the amount of EUR 10,464,000 were recognized and presented separately in the statement of financial position. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 2.75%. No reclassifications were made from Property, Plant and Equipment for previous lease assets recognized under finance leases.

IFRIC 23 *Uncertainty over Income Tax Treatments*
IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The adoption of IFRIC 23 had no impact on the corporate tax liabilities or retained earnings as at 1 January 2019.

Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
The Group assesses whether there are any indicators for impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recovered. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows (reference is made to Note 5 and 6).

Pension and other employment benefits
The cost of defined benefit pension plans is determined using actuarial calculations. The actuarial calculations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions (reference is made to Note 13).

Deferred income tax assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies (reference is made to Note 4).

Contingent consideration
The financial statements include a contingent consideration as a result of an acquisition of a subsidiary. This contingent consideration is based upon future sales projections and prepared by Group management based upon industry knowledge (reference is made to Note 14).

Translation of foreign currencies

The Group's consolidated financial statements are presented in Euros, which is also the parent company's functional currency. Each entity within the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are taken to the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recorded in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as of the dates when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Subsidiaries
The functional currencies of the foreign operations are predominately the Euro, US Dollar and the Swedish Krone. As at the reporting date, the assets and liabilities of the subsidiaries with other functional currency than the Euro are translated into the presentation currency of the Group (the Euro) at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recorded in other comprehensive income. On disposal of a foreign entity, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other VAT or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in most of its revenue arrangements. IFRS 15 states that revenues should be recognized when a performance obligation is satisfied.

Performance obligations and timing of revenue recognition
The Group earns the majority of its revenues from the sale of goods rather than services. Therefore, most of the Group's revenues are recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point of control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question. The Group has no sales contracts that include performance obligations relating to warranties or returns.

The Group also incurs a portion of its revenues in connection with pharmaceutical services like development and analytical services. In some cases, these contracts run longer than a year with revenue recognized typically on an over time basis. These service contracts are set up in a way to be distinct and the consideration related to the services is based upon standard hourly prices. On partially completed projects the Group recognizes revenues based upon stage of completion which is estimated by comparing the number of hours actually spend on the project with the total number of hours expected to complete the project (i.e. an input-based method). This is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of anticipated hours to complete the projects and therefore also represent the amount to which the Group would be entitled based on its performance to date.

Determining the transaction price
With respect to the sale of goods a transaction price is agreed in the order, or order confirmation, between the Group and its customer. Prices are also included in the master service agreements which are updated yearly. However, the price in the order confirmation is leading. There are no other variable components (such as financing, payables to the customer, non-cash, etc.) included in the transaction price. All other special considerations, like for instance volume discounts, are calculated on a calendar year basis and therefore do not impact the Group's revenue recognition. The transaction price for services is based upon a price list with standard prices (fair value) for different kind of services.

Allocating amounts to performance obligations
As each performance obligation in a customer contract is generally priced against its fair value, only limited judgment is involved in the allocation of the total contract price to the individual performance obligations. This allocation will usually be determined by dividing the total contract price by the number of units ordered or hours spend.

Recognizing revenues
IFRS 15 states that revenues should be recognized when a performance obligation is satisfied. With respect to the Group's sale of goods, performance obligations are satisfied at a point in time and revenues in connection with the sale of goods are therefore recognized at a point in time. With respect to the Group's service income, performance obligations are satisfied over time and these kinds of revenues are therefore be recognized over time using the input method based upon hours spend per project.

Other income and expenses

Interest
For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and expense is included in financial income and expense in the income statement.

Other income, costs and expenses
Other income, costs and expenses are allocated to the year to which they relate. Losses are accounted for in the year in which they arise.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all associated conditions will be complied with. When the grant relates to an expense item, it is recognized as other operating income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to other operating income in equal annual amounts over the expected useful life of the related asset.

Tax credits that are realized by a reduction of current or future corporate tax payments, rather than being directly settled in cash, are presented in the statement of income under the income tax charge line.

Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Corporate income tax is calculated on taxable profit according to the applicable tax rates in the various countries.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Current income tax items are recognized in correlation to the underlying transaction either in profit or loss or through other comprehensive income.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised and the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction in other comprehensive income or directly in to equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Income, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Fair value measurements

The Group measures certain financial instruments at fair value. The fair values of financial instruments measured at amortized costs are disclosed in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal market or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized, firstly on goodwill and then on the other assets.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at costs less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Summary of the policies applied to the Group's intangible assets is stated hereunder.

	Licenses	**Software**	**Other**
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight line basis over four to ten years	Amortized on a straight line basis over five to ten years	Amortized on a straight line basis over five years
Internally generated or acquired	Acquired	Acquired	Acquired

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the costs of replacing part of the plant and equipment and borrowing cost for long term construction projects, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as dwelling costs in the income statement.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as stated hereunder.

• buildings (and leasehold improvements)	10 to 50 years
• machinery and equipment	3 to 10 years
• other	3 to 5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the

Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost (debt instruments)
This category is most relevant to the Group. The Group's financial assets at amortized cost mainly include trade receivables.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
  And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial assets at amortized cost (debt instruments)
For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit loss at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows; Raw materials are stated at the purchase cost on a first in, first out basis. Finished goods and work-in-progress include costs of direct materials and labour and a proportion of manufacturing overhead based on normal operating capacity but excluding borrowing cost as the production does not require a substantial period of time.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Other receivables and other current assets

All other receivables and other current assets are stated at the amounts at which they were acquired or incurred.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position and in the statement of cash flows comprise cash on hand and in banks and short-term deposits with an original maturity of three months or less.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss
This category comprises of the contingent consideration payable following from the acquisition of Lonza Braine S.A. on 3 January 2017 (Note 14). This contingent consideration is carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income in the finance income or expense line. Other than this contingent consideration, the Group has no other financial liabilities being classified at fair value through profit or loss.

Other financial liabilities
All loans and borrowings, (trade) payables and other financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.

De-recognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continued involvement in the asset. If there is an associated liability the Group recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continued involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the net of the carrying amount and the maximum amount of the consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expenses in the income statement.

Restructuring provisions
Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and the number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Pensions

The Group has insured contributory pension plans covering substantially all employees. Pension obligations are funded through annual premiums. The Group has defined benefit obligations to employees. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation under cost of revenues and general and administrative expenses in consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The defined benefit liability is the aggregate of the present value of defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies.

Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

Leases under IAS 17 (applicable for financial year 2018)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the term of the lease, if there is no reasonable certainty that the Group will obtain ownership by the end of the term of the lease. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the term of the lease.

Leases under IFRS 16 (applicable for financial year 2019)

All leases are accounted for by recognizing a right-of-use asset and a lease liability, except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the leased assets.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities are similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

Other liabilities

All other liabilities are stated at the amounts at which they were acquired or incurred.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash and short-term deposits consist of current (including short-term deposits with an original maturity of three months or less) accounts with banks and cash in hand. Interest and income tax cash flows are included in the cash flow from operating activities.

Future changes in accounting policies

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020 but are not expected to have significant impact on the Group's financial position:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

3 Revenue and expenses

Revenue from contracts with customers

	API	Related services	**Total**
For the year ended 31 December 2019	EUR’000	EUR’000	EUR’000
Timing of transfer of goods and services			
Point in time	185,020	–	185,020
Over time	–	17,593	17,593
Total revenue	185,020	17,593	202,613

	API	Related services	**Total**
For the year ended 31 December 2018	EUR’000	EUR’000	EUR’000
Timing of transfer of goods and services			
Point in time	162,491	–	162,491
Over time	–	17,083	17,083
Total revenue	162,491	17,083	179,574

Revenues from Active Pharmaceutical Ingredients (API) fully relate to the sale of goods and revenues from related services relate to the rendering of services. All revenues from contracts with customers classify as business-to-business.

	2019	2018
	EUR’000	EUR’000
Revenue by geographical area		
Northern America	98,070	70,858
Europe	87,460	97,536
Asia Pacific	17,083	11,180
Total Revenue	202,613	179,574

Revenue is attributed to the individual country based on the invoice address of the respective customer.

	Contract Assets	Contract Liabilities
	EUR'000	EUR'000
As at 1 January 2018	827	5,081
Transfer in the period from contract assets to trade receivables	(827)	–
Amounts included in contract liabilities that was recognized as revenue during the period	–	(4,001)
Excess of revenue recognized over cash (or rights to cash) being recognized during the period	1,320	–
Cash received in advance of performance and not recognized as revenue during the period	–	4,601
As at 31 December 2018	1,320	5,681

	Contract Assets	Contract Liabilities
	EUR'000	EUR'000
As at 1 January 2019	1,320	5,681
Transfer in the period from contract assets to trade receivables	(1,320)	–
Amounts included in contract liabilities that was recognized as revenue during the period	–	(5,398)
Excess of revenue recognized over cash (or rights to cash) being recognized during the period	1,821	–
Cash received in advance of performance and not recognized as revenue during the period	–	9,616
As at 31 December 2019	1,821	9,899

Contract assets and contract liabilities are included within "Other receivables and other current assets" and "Other payables" respectively on the face of the statement of financial position. They arise at each facility because cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognized on the contracts.

In 2018, the Group took advantage of the relief in IFRS 15 to reflect the aggregate effect of all modifications that occur before 1 January 2017. Had IFRS 15 not been adopted, the Group would have reported the following amounts in 2018 by applying IAS 18, IAS 11 and related interpretations:

	As reported under IFRS 15	Effect	As would have been reported
	EUR'000	EUR'000	EUR'000
Revenue	179,574	(473)	179,101
	179,574	(473)	179,101

	2019	2018
	EUR'000	EUR'000
Other operating income		
Research refund	633	1,374
Invoiced freight and insurance	184	137
Export incentives	175	89
Investment grants	51	54
Other	112	190
	1,155	1,844

The research refund EUR 633,000 (2018: EUR 898,000) relates to a deduction on tax paid due qualified research in chemistry. The investment grant relates to improving air emission handling etc. for an amount of EUR 51,000 (2018: EUR 530,000).

	2019	2018
	EUR'000	EUR'000
Marketing and sales expenses		
Salaries and employee benefits	(2,555)	(2,098)
Marketing and promotion costs	(585)	(614)
Other	(652)	(700)
	(3,792)	(3,412)

	2019	2018
Research expenses		
Salaries and employee benefits	(11,579)	(9,693)
Other	(2,796)	(2,614)
	(14,375)	(12,307)

	2019	2018
General and administrative expenses		
Salaries and employee benefits	(8,792)	(7,988)
Other staff expenses	(1,495)	(1,715)
Service fee group related company	(539)	(433)
Depreciation and amortization	(1,657)	(2,111)
Professional services	(3,153)	(2,613)
Dwelling costs	–	(1,094)
Insurance costs	(966)	(890)
Other	(4,411)	(3,645)
	(21,013)	(20,489)

	2019	2018
	EUR'000	EUR'000
Financial income		
Release of contingent consideration (refer to Note 14)	–	5,407
Interest income due from third parties	20	29
Interest income due from parent company	50	49
Foreign currency exchange gains	–	355
	70	5,840

	2019	2018
Financial expenses		
Interest expenses due to third parties	(1,453)	(1,275)
Fair value increase contingent consideration (refer to Note 14)	(119)	–
Interest on contingent consideration (refer to Note 14)	(1,790)	(2,842)
Foreign currency exchange losses	(12)	–
Other	(12)	(29)
	(3,386)	(4,146)

Staff costs and employee information

	2019		2018	
	Indirect	Direct	Indirect	Direct
	EUR'000	EUR'000	EUR'000	EUR'000
Salaries and wages	(17,209)	(33,116)	(14,917)	(29,241)
Social charges	(3,790)	(11,079)	(3,401)	(9,333)
Pension costs	(1,927)	(2,146)	(1,461)	(1,847)
	(22,926)	(46,341)	(19,779)	(40,421)

An amount of EUR 46,341,000 (2018: EUR 40,421,000) relating to salaries and employee benefits has been included in cost of revenues.

The average number of employees, all employed outside the Netherlands, of the principal departments is as follows:

	2019	2018
Production	511	486
Marketing and sales	17	15
Research and development	75	66
General and administration	69	63
Quality control	87	81
Quality assurance	80	73
	839	784

Depreciation, amortization and impairment losses included in the income statement

	2019	2018
	EUR'000	EUR'000
Included in cost of revenues:		
Depreciation	(12,875)	(11,302)
Amortization	(1,276)	(607)
Impairment losses	–	(402)
Included in general and administrative expenses:		
Depreciation	(1,140)	(822)
Amortization	(517)	(1,289)
	(15,808)	(14,422)

4 Taxation

Taxation includes local and foreign taxation. Major components of the tax expense were:

	2019	2018
	EUR'000	EUR'000
Consolidated income statement		
Current income tax charge	(4,132)	(3,989)
Deferred income tax charge	(364)	(1,645)
Total income tax charge	(4,496)	(5,634)

	2019	2018
	EUR'000	EUR'000
Consolidated statement of comprehensive income		
Income tax directly to comprehensive income	1,446	(13)
Total income tax charge/(credit)	1,446	(13)

Amounts recorded in the consolidated statement of comprehensive income relate to deferred income taxes on actuarial gains and losses on defined benefit plans as a result of IAS19.

A reconciliation of the income tax charge applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December was as follows:

	2019	2018
	EUR'000	EUR'000
Result before income taxes	30,233	29,454
At Dutch statutory income tax rate of 25.0% (2018: 25.0%)	(7,558)	(7,363)
Different income tax rates of other countries	557	288
Non-deductible expenses	(854)	(1,413)
Tax exempt income	438	1,856
Non-capitalized tax losses	(63)	(66)
R&D tax credits	2,620	880
Utilization of previously unrecognized tax losses	–	176
Adjustments in respect of current income tax of previous year	364	8
At an effective income tax rate of 14.9% (2018: 19.1%)	(4,496)	(5,634)

Deferred income tax assets as at 31 December relate to the following:

	2019	2018
	EUR'000	EUR'000
Differences in commercial and fiscal valuation of assets and liabilities	8,297	6,419
Capitalized tax losses carried forward	4,770	6,194
Total deferred income tax assets	13,067	12,613

The deferred tax asset for losses carried forward mainly relates to the taxable losses of PolyPeptide S.A. and will be settled with future taxable profits to be realized by this group company. The deferred tax asset for temporary differences mainly relate to the IAS 19 pension provision of PolyPeptide S.A. and PolyPeptide Laboratories (Sweden) AB.

Deferred income tax liabilities as at 31 December relate to the following:

	2019	2018
	EUR'000	EUR'000
Differences in commercial and fiscal valuation of assets and liabilities	1,121	2,149
Total deferred income tax liabilities	1,121	2,149

Differences in commercial and fiscal valuation of assets and liabilities mainly relate to differences in valuation of land & buildings and machinery & equipment.
The Group has unrecognized tax loss carry forwards available for related losses incurred in various countries approximating EUR 2,679,488 which will expire after 2020. No deferred income tax asset has been recognized due to uncertainty with respect to available taxable profits in the future for these tax jurisdictions and the limitations imposed in tax legislation in order to utilize the tax losses.

The deferred income tax charge relates to the following:

	2019	2018
	EUR'000	EUR'000
Movement in deferred tax assets	454	(2,955)
Movement due to disposal of a subsidiary (ref to Note 7)	(429)	–
Movement in deferred tax liability	1,028	1,198
Translation differences	28	99
Total deferred income tax charge	1,081	(1,658)

	2019	2018
	EUR'000	EUR'000
Deferred tax charge in income statement	(365)	(1,645)
Deferred tax (credit)/ charge in statement of comprehensive Income	1,446	(13)
Total deferred income tax charge	1,081	(1,658)

Translation differences mainly relate to the Swedish Krona, Indian Rupee and United States Dollar.

5 Intangible assets

	Goodwill	Software	Other	**Total**
	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition value				
Balance as at 1 January 2018	13,609	10,956	9,330	33,895
Additions	–	3,772	–	3,772
Disposal	(13,609)	(25)	–	(13,634)
Transfer	–	–	600	600
Currency exchange differences	–	(133)	–	(133)
Balance as at 31 December 2018	–	14,570	9,930	24,500
Accumulated amortization and impairment losses				
Balance as at 1 January 2018	(13,609)	(3,984)	(6,887)	(24,480)
Amortization	–	(1,285)	(612)	(1,897)
Transfer	–	–	(547)	(547)
Disposal	13,609	–	–	13,609
Impairment losses	–	–	(402)	(402)
Currency exchange differences	–	127	–	127
Balance as at 31 December 2018	–	(5,142)	(8,448)	(13,590)
Carrying value as at 31 December 2018	–	9,428	1,482	10,910
Acquisition value				
Balance as at 1 January 2019	–	14,570	9,930	24,500
Additions	–	3,199	–	3,199
Disposal	–	(1,078)	(6)	(1,084)
Currency exchange differences	–	7	5	12
Balance as at 31 December 2019	–	16,698	9,929	26,627
Accumulated amortization and impairment losses				
Balance as at 1 January 2019	–	(5,142)	(8,448)	(13,590)
Amortization	–	(1,314)	(479)	(1,793)
Disposal	–	1,078	6	1,084
Currency exchange differences	–	(7)	(9)	(16)
Balance as at 31 December 2019	–	(5,385)	(8,930)	(14,315)
Carrying value as at 31 December 2019	–	11,313	999	12,312

Other intangible assets mainly consist of customer contracts and supply agreements.

The impairment of EUR 402,000 in 2018 relates to customer contracts of PolyPeptide S.A. and is caused by a lower future sales forecast for these contracts. For this reason, the contingent consideration related to the acquisition of PolyPeptide S.A has been lowered as well during 2018 (reference is made to Note 14)

The Group has assessed whether there are any indicators for impairment for all non-financial assets at each reporting date. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the asset and its carrying value and recognizes the amount in the income statement.

6 Property, plant and equipment

	Land & Buildings	Machinery & Equipment	Assets under construction	Other operating assets	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition value					
Balance as at 1 January 2018	90,191	110,798	15,880	818	217,687
Additions	1,884	4,759	10,564	51	17,258
Disposals	(7)	(772)	(85)	(63)	(927)
Transfers	(85)	5,661	(5,995)	(181)	(600)
Currency exchange differences	(247)	(830)	(189)	(12)	(1,278)
Balance as at 31 December 2018	91,736	119,616	20,175	613	232,140
Accumulated depreciation					
Balance as at 1 January 2018	(40,319)	(65,455)	–	(710)	(106,484)
Depreciation	(3,399)	(8,678)	–	(46)	(12,123)
Disposal	2	688	–	63	753
Transfer	(34)	454	–	127	547
Currency exchange differences	342	612	–	15	969
Balance as at 31 December 2018	(43,408)	(72,379)	–	(551)	(116,338)
Carrying value as at 31 December 2018	48,328	47,237	20,175	62	115,802

	Land & Buildings	Machinery & Equipment	Assets under construction	Other operating assets	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition value					
Balance as at 1 January 2019	91,736	119,616	20,175	613	232,140
Additions	1,081	4,054	18,036	11	23,182
Disposals	(2,000)	(10,734)	(32)	(34)	(12,800)
Transfers	4,092	12,188	(16,026)	(254)	–
Currency exchange differences	(57)	(367)	(64)	–	(488)
Balance as at 31 December 2019	94,852	124,757	22,089	336	242,034
Accumulated depreciation					
Balance as at 1 January 2019	(43,408)	(72,379)	–	(551)	(116,338)
Depreciation	(4,013)	(8,461)	–	(30)	(12,504)
Disposal	1,997	10,685	–	33	12,715
Transfer	–	(249)	–	249	–
Currency exchange differences	(65)	688	–	–	623
Balance as at 31 December 2019	(45,489)	(69,716)	–	(299)	(115,504)
Carrying value as at 31 December 2019	49,363	55,041	22,089	37	126,530

All assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The amount of borrowing costs capitalized during the year was nil (2018: nil). Other operating assets comprise office equipment.

The Group has assessed whether there are any indicators for impairment for all non-financial assets at each reporting date. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the asset and its carrying value and recognizes the amount in the income statement. During the year no impairment losses were recognized (2018: nil).

As at 31 December 2019, the carrying amount of land & buildings include an amount of approximately EUR 10.1 million for which the legal ownership is no longer with the Group due to the sale and leaseback transaction as further disclosed in Note 14.

7 Investment in subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed below. Details of investments in subsidiaries as at 31 December are as follows:

Name	Location	Percentage of ownership **2019**	2018
PolyPeptide Laboratories Holding (PPL) AB	Malmö, Sweden	100%	100%
PolyPeptide S.A.	Braine, Belgium	100%	100%
PolyPeptide Laboratories (Sweden) AB	Malmö, Sweden	100%	100%
PolyPeptide Fastighets AB	Malmö, Sweden	–	100%
PolyPeptide Laboratories A/S	Hillerød, Denmark	100%	100%
PolyPeptide Institute Spol S.r.o.	Prague, Czech Republic	100%	100%
PolyPeptide Laboratories GmbH	Wolfenbüttel, Germany	100%	100%
PolyPeptide Laboratories Inc.	Torrance, USA	100%	100%
PolyPeptide Laboratories San Diego LLC	San Diego, U.S.A.	100%	100%
PolyPeptide Labs Pvt Ltd	Mumbai, India	100%	100%
PolyPeptide Laboratories France SAS	Strasbourg, France	100%	100%

Percentage of voting shares is equal to percentage of ownership.

In December 2019, PolyPeptide Fastighets AB was sold to related party Draupnir Holding B.V. for a total consideration of EUR 4,700,000. No gain or loss was realized on this transaction.

8 Inventories

	2019	2018
	EUR'000	EUR'000
Raw materials and supplies	21,737	19,167
Work in progress	32,878	41,856
Finished goods	18,875	11,311
Balance as at 31 December	73,490	72,334

Raw materials that are expired or that are no longer used in production are fully written off at balance sheet date. Finished goods for which no future sales are expected are fully written off at balance sheet date. Finished goods that are expected to be sold after retesting are written off for the expected loss during this retesting. The estimated loss is approximately 10% of the original weight of the batch.

Costs of inventories recognized in cost of revenues in the income statement during the financial year amount to EUR 58,912,000 (2018: EUR 51,980,000).

Provisions for obsolete stock amounted to EUR 21,170,000 as at 31 December 2019 (2018: EUR 22,261,000). Inventory write-offs recognized in cost of revenues in the income statement during the financial year amounted to EUR 2,610,000 mainly due to inventory write-offs in the US and Sweden (2018: EUR 2,817,000).

9 Trade receivables

	2019	2018
	EUR'000	EUR'000
Trade receivables	33,628	42,369
Balance as at 31 December	33,628	42,369

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

The ageing analysis of trade receivables looks as follows:

	Total	<30 days	30-60 days	60-90 days	90-120 days	>120 days
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2019	33,628	27,042	5,694	493	150	249
31 December 2018	42,369	33,914	4,706	1,077	909	1,763

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

A significant part of the outstanding accounts receivable balance relates to large reputable pharmaceutical companies with no known history of write-offs. The expected credit loss for these large pharmaceutical companies is estimated at nil. For smaller outstanding debtors, the expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. These historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Movements in the bad debt allowance for trade receivables are as follows:

	2019	2018
	EUR'000	EUR'000
Balance as at 1 January	(459)	(924)
Receivable written-off during the year as uncollectible	101	–
Unused amounts reversed	182	686
Impairment loss during the year	–	(221)
Balance as at 31 December	(176)	(459)

10 Other receivables and other current assets

	2019	2018
	EUR'000	EUR'000
Prepaid expenses and accrued income	3,515	4,663
VAT receivable	5,344	5,402
Minimum alternate tax in India	930	805
Other	2,451	2,667
Balance as at 31 December	12,240	13,537

Other receivables and other current assets are non-interest-bearing and are normally settled on 60-days terms.

11 Cash and cash equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following as at 31 December of each year:

	2019	2018
	EUR'000	EUR'000
Cash and cash equivalents	17,508	10,037
Balance as at 31 December	17,508	10,037

Cash and cash equivalents in SEK earned (0.5%) negative interest during 2018 (2018: (0.8%) negative interest), in USD nil % (2018: 2.0%) and in INR 6.0 % (2018: 4.5%).

For the purpose of the Consolidated Statement of Cash Flows, changes in liabilities arising from financing activities for the years were as follows. An overview of changes in total lease liabilities is separately disclosed in Note 18:

	Non-current interest bearing loans and borrowings	Non-current other financial liabilities	Lease liabilities	Current other financial liabilities	Short-term borrowings from banks
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 1 January 2018	25,000	24,042	-	6,863	14,736
Cash flows	-	-	-	(6,863)	3,528
<u>Non-cash flows:</u>					
Accrued interest	-	2,842	-	-	-
Fair value loss/(gain)	-	(5,407)	-	-	-
Transfer from non-current to current	-	(6,489)	-	6,489	-
Balance as at 31 December 2018	25,000	14,988	-	6,489	18,264
Change in accounting policies IFRS 16 (refer to Note 18)	-	-	10,464	-	-
Balance as at 1 January 2019	25,000	14,988	10,464	6,489	18,264

	Non-current interest bearing loans and borrowings	Non-current other financial liabilities	Lease liabilities	Current other financial liabilities	Short-term borrowings from banks
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 1 January 2019	25,000	14,988	10,464	6,489	18,264
Cash flows	-	-	(1,520)	(6,489)	(18,264)
Non-cash flows:					
New financial liability (refer to Note 14)	-	11,947		-	-
New leases	-	-	1,167	-	-
Remeasurements	-	-	(15)	-	-
Accrued interest	-	1,790	264	-	-
Fair value loss/(gain)	-	119	-	-	-
Transfer from non-current to current	-	(6,828)	-	6,828	-
Balance as at 31 December 2019	25,000	22,016	10,360	6,828	-

12 Provisions

	2019	2018
	EUR’000	EUR’000
Provision for pensions	36,106	27,428
Other provisions	6,312	2,643
Balance as at 31 December	42,418	30,071

Provision for pensions

The Group participates in local pension plans in countries in which they operate. There are principally two types of pension plans:

- Defined contribution plans, where the Group's only obligation is to pay a pension premium to a fund or insurance company on behalf of the employee. Contributions to defined contribution pension schemes are charged to the consolidated income statement in the year to which they relate.

- Defined benefit plans, where the Group's undertaking is to provide pension benefits related to services rendered based on final salary levels. This plan is managed by recording the total accumulated pension obligation as a provision on the statement of financial position with no assigned plan assets. This method is used in Sweden and Belgium.

In PolyPeptide Laboratories (Sweden) AB and PolyPeptide S.A. the total pension benefits are mixed plans. Some parts are defined contribution-type plans and some parts are defined benefit-type plans. For each of the defined benefit plans no trust is established and the full liability is recorded in the statement of financial position with compulsory insurance coverage. The Swedish actuarial determined liability is calculated by a third-party institution, the Pension Registration Institute (PRI), using assumptions defined by the company. PRI also administrates the pension payments to employees, which are subsequently charged to the company. The Belgium fund is outsourced to an insurance company called AXA Insurance. All funds requested to cover the year are called by and paid to the insurance company. Additionally, an actuarial evaluation is performed under IFRS rules in order to determine the liability. This computation is performed by a third-party institution.

PolyPeptide Laboratories France SAS has, in accordance with French law, accounted for a lump sum to be paid to employees upon retirement. In the consolidated numbers IAS 19 is followed regarding the accounting treatment of pensions. The French actuarial determined liability is calculated by a third-party institution, using assumptions defined by the company.

Movement in the provision for pensions for the years was as follows:

	2019	2018
	EUR'000	EUR'000
Defined benefit obligation as at 1 January	27,428	26,572
Interest costs	554	542
Current service costs	1,995	1,816
Net actuarial losses through other comprehensive income	7,706	297
Benefits paid	(1,306)	(1,328)
Currency translation differences	(271)	(472)
Defined benefit obligation as at 31 December	36,106	27,427

Pension expenses reflected in the income statement:

	2019	2018
	EUR'000	EUR'000
Current service costs	(1,995)	(1,816)
Interest costs on benefit obligation	(554)	(542)
Net benefit expenses	(2,549)	(2,358)
Defined contribution pension expenses	(2,078)	(1,492)
Total pension expenses	(4,627)	(3,850)

The principal assumptions used in determining pension obligations are shown hereunder:

	2019		2018	
	Belgium	Sweden	Belgium	Sweden
Discount rate	0.61 %	1.50 %	1.58 %	2.57 %
Future salary increases	3.30 %	2.50 %	2.80 %	2.70 %
Future pension increases	3.30 %	2.50 %	2.70 %	2.70 %
Long-term assumptions inflation	1.80 %	1.80 %	1.80 %	2.00 %

The forecasted defined benefit obligation for the year 2020 is assessed at EUR 37,795,000 (2019: EUR 28,515,000).

Sensitivity to changes in assumptions
Changes in the assumptions will impact the defined benefit pension obligation as at 31 December 2019 as follows:

	EUR'000	EUR'000
Discount rate (increase 0.5% / decrease 0.5%)	(3,947)	4,594
Future salary increases (increase 0.5% / decrease 0.5%)	2,446	(1,835)
Long term assumption inflation (increase 0.5% / decrease 0.5%)	2,984	(2,673)

Other provisions

	2019	2018
	EUR'000	EUR'000
Provision for pension taxes	2,291	1,411
Provision for product warranty	1,832	107
Provision for litigation	554	621
Provision for R&D tax credits	1,635	504
Balance as at 31 December	6,312	2,643

Provision for pension taxes relates to wage taxes of 24.26% on Swedish pension premiums.

The provision for product warranty relates to an extremely rare undetected equipment issue, which impacted multiple batches produced for one customer in 2019.

The provision for litigation relates to labour law claims from former employees.

The provision for R&D tax credit relates to uncertainty in receiving full claimed amount.

Movement of the provision for the years was as follows:

	2019	2018
	EUR'000	EUR'000
Balance as at 1 January	2,643	1,890
Additions	3,770	751
Release	(81)	(128)
Additions through other comprehensive income	–	180
Currency exchange differences	(20)	(50)
Balance as at 31 December	6,312	2,643

13 Interest-bearing loans and borrowings

	2019	2018
	EUR'000	EUR'000
Loan from Danske Bank A/S at twelve-month EURIBOR plus a margin of 1.75%, due on 29 August 2022	25,000	25,000
Balance as at 31 December	25,000	25,000

14 Other financial liabilities

	2019	2018
	EUR'000	EUR'000
Contingent consideration due to acquisition of a subsidiary	16,824	21,123
Other financial liabilities	12,020	354
	28,844	21,477
Of which current other financial liabilities	(6,828)	(6,489)
Balance as at 31 December	22,016	14,988

Contingent consideration due to acquisition of a subsidiary

A reconciliation of the contingent consideration for the years is as follows:

	2019	2018
	EUR'000	EUR'000
Balance as at 1 January	21,123	30,286
Payment of contingent liability	(6,208)	(6,598)
Fair value adjustment of contingent consideration (refer to Note 3)	119	(5,407)
Accrued interest on contingent consideration (refer to Note 3)	1,790	2,842
Total contingent consideration as at 31 December	16,824	21,123
Of which current contingent consideration as at 31 December	(5,959)	(6,208)
Non-current consideration as at 31 December	10,865	14,915

During the year the Group adjusted the sales forecast based upon new information which resulted in an addition of the contingent consideration of EUR 119,000 (2018: release of EUR 5,407,000).

The non-current part of the contingent consideration is payable over the years 2021-2022 and is calculated as a fixed percentage (14.75% - 15.25%) over revenues to be realized in the financial years 2020 and 2021. The undiscounted payable amounts to EUR 12,883,000 (2018: EUR 18,745,000).

This contingent consideration as at balance sheet date is based upon a two-year sales projection discounted against a WACC of 12%. In case this WACC would have been 2% higher, the contingent consideration would have been EUR 300,000 lower while in case the WACC would have been 2% lower, the contingent consideration would have been EUR 300,000 higher.

The current part of the contingent consideration of EUR 5,959,000 is based on the agreed percentage over actual revenues realized in 2019. This payable is due within one year and therefore not further discounted.

Other financial liabilities
In December 2019, PolyPeptide Laboratories (Sweden) AB signed a share purchase agreement with related party Draupnir Holding B.V. for the sale of all its shares in PolyPeptide Fastighets AB for a total consideration of EUR 4,700,000 (reference is made to Note 7).

PolyPeptide Fastighets AB is owner of the premises that are leased by PolyPeptide Laboratories (Sweden) AB. At transaction date, PolyPeptide Laboratories (Sweden) AB and PolyPeptide Fastighets AB also extended the existing lease agreement to 31 December 2035.

Although the legal ownership of the premises has been transferred to the buyer, management concludes that the transfer of the premises does not satisfy the requirements of IFRS 15 and hence that the transaction should not be accounted for as a sale of the asset. Therefore, the existing carrying value of the premises as at transaction date remained on the consolidated balance sheet of the Group. The consideration received for the premises in the amount of EUR 11,947,000 is recognized as other financial liability. Both in accordance with IFRS 16.103(a).

The financial liability is subsequently measured at amortized cost using an effective interest rate of 5.57%. The financial liability matures on 31 December 2035 and will be settled with future lease terms payable to PolyPeptide Fastighets AB. This equals quarterly instalments of EUR 199,000, starting as of 1 January 2020.

15 Short-term borrowings from banks

As at 31 December, the Group is granted multiple overdraft facilities for a total amount of EUR 26,200,000 (2018: EUR 21,200,000).

An amount of EUR 25,000,000 is granted by Danske Bank (2018: EUR 20,000,000) of which nil was drawn as at 31 December 2019 (2018: EUR 18,264,000). The interest rate on the DANSKE Bank facility amounts to DANSKE BOR plus a margin of 1.05% (2018: 1.30%) on the amounts drawn.

The remaining EUR 1,200,000 was granted by ING Bank (2018: EUR 1,200,000) of which nil was drawn as at 31 December 2019 (2018: nil). The interest rate on the ING Bank credit facility amounts to EURIBOR plus a margin of 1.5% (2018: 1.5%) on the amounts drawn.

16 Trade and other payables

	2019	2018
	EUR'000	EUR'000
Trade payables	18,460	14,731
Total trade payables	18,460	14,731
Taxes and social securities	5,273	2,292
Advance payments from customers	9,899	5,681
Other payable to customer	–	1,180
Government grants	494	545
Accrued expenses	9,534	12,044
Other	1,360	2,713
Total other payables	26,560	24,455

Trade and other payables are non-interest-bearing.

17 Contingent liabilities and commitments

	2018
	EUR'000
Maturity:	
• One year	1,549
• 1 to 5 years	4,859
• > 5 years	6,168
Balance as at 31 December	12,576

Due to the implementation of IFRS 16 – Leases as of 1 January 2019, all leases have been recognized on balance as right-of-use assets and lease liabilities, except from leases of low-value assets and short-term leases. As at 31 December 2019, the Group is not committed to a portfolio of short-term leases that is dissimilar to the portfolio of short-term leases possessed during the year. As a result, the table above only includes lease commitments for the comparative figures. Reference is made to Note 18 for disclosures regarding leases in 2019.

The commitments as at 31 December 2018, are related to operating lease and rental commitments. These lease and rental commitments consist primarily of rentals of premises and leased cars. During the year 2018, an amount of EUR 1,466,000 for operational lease expenses has been recognized in the consolidated statement of income.

Contingent liability due to Swedish defined benefit plan

All members of the PRI Pensionsgaranti, the issuer of the defined benefit plan in Sweden, are subject to a mutual liability. This liability would only be invoked in the event that PRI Pensionsgaranti had consumed all its assets. The mutual liability of the group is limited to a maximum of two per cent of the Groups' individual pension liability with PRI Pensionsgaranti. As such, the Group has a contingent liability of EUR 154,000 as at 31 December 2019 (2018: EUR 143,000).

18 Leases

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Land & Buildings	Machinery & Equipment	Other	**Total**
	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition value				
Balance as at 1 January 2019	9,290	526	648	10,464
Additions	254	819	94	1,167
Remeasurements	–	(14)	–	(14)
Disposals	–	(47)	(41)	(88)
Balance as at 31 December 2019	9,544	1,284	701	11,529
Accumulated depreciation				
Balance as at 1 January 2019	–	–	–	–
Depreciation	(808)	(367)	(336)	(1,511)
Disposal	–	47	41	88
Currency exchange differences	(1)	–	–	(1)
Balance as at 31 December 2019	(809)	(320)	(295)	(1,424)
Carrying value as at 31 December 2019	8,735	964	406	10,105

Set out below are the carrying amounts of the lease liabilities (included in other financial liabilities) and the movements during the year:

	Land & Buildings	Machinery & Equipment	Other	**Total**
	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 January 2019	(9,290)	(526)	(648)	(10,464)
Additions	(254)	(819)	(94)	(1,167)
Interest expenses	(227)	(23)	(14)	(264)
Remeasurements	–	14	–	14
Lease payments	798	378	344	1,520
Currency exchange differences	(1)	–	–	(1)
Balance as at 31 December 2019	(8,972)	(976)	(412)	(10,360)

The maturity of the undiscounted lease liability as at 31 December 2019 is disclosed in Note 21.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	2019
	EUR'000
Operating lease commitments as at 31 December 2018	(12,576)
Effect of discounting those lease commitments at an annual rate of 2.75%	1,320
Discounted operating lease commitments as at 1 January 2019	(11,256)
Commitments relating to short-term and low-value leases	471
Lease term adjustments caused by extension on termination of lease	501
Currency exchange differences	(165)
Lease liabilities as 1 January 2019	(10,449)

The following amounts are recognized in the income statement:

	2019
	EUR'000
Depreciation expenses of right-of-use assets	1,511
Expenses related to variable lease payments not included in the lease-liabilities	10
Expenses related to short-term leases (included in G&A expenses)	194
Expenses included in leases of low-value assets (included in G&A expenses)	317
Total amount recognized in the income statement	2,032

The Group had total cash outflows for leases of EUR 2,041,000 in 2019.
The total lease liability of the Group mainly relates to fixed monthly lease payments for buildings in Torrance, USA. The underlying lease contracts mature on 31 December 2028 and 31 December 2034 respectively. The remaining lease liability largely consists of machinery and company cars in various group companies, all having fixed monthly lease payments.

19 Guarantees

The Group issued a guarantee in the amount of EUR 154,000 (2018: 143,000) to insurance company Försäkringsbolaget PRI Pensionsgaranti in connection with the contingent pension liability as disclosed in Note 17.

20 Related party disclosure

The following transactions have been entered into with related parties:

		Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
		EUR'000	EUR'000	EUR'000	EUR'000
Entity with control over the Company:					
Draupnir Corporation N.V.	**2019**	49	–	–	–
	2018	49	–	3,036	–
Other related entities:					
Draupnir Holding B.V.	**2019**	–	(732)	–	(57)
	2018	–	(562)	–	(155)
Thalamus AB	**2019**	–	(159)	–	(1,151)
	2018	–	(160)	–	–
Ferring Group	**2019**	37,043	(35)	3,807	–
	2018	37,532	(54)	1,078	–
SVAR Life Science AB	**2019**	–	–	–	–
	2018	49	–	–	–
PolyPeptide Fastighets AB	**2019**	–	–	–	(11,974)
	2018	–	–	–	–
Amzell B.V.	**2019**	6	–	–	–
	2018	778	–	50	–
Blekebo	**2019**	–	(38)	–	(38)
	2018	–	–	50	–

All disclosed related parties are either related through the C&P Group ownership structure or through managerial control.

Income from Draupnir Corporation N.V. relates to interest. Amounts due from Draupnir Corporation N.V. relate to a credit facility with a maximum of EUR 3,000,000. The facility terminates on 31 December 2020 and bears an interest of 3-month London Interbank Offered rate per year. The credit facility was repaid in full by the end of 2019.

During 2019, the Company repaid EUR 16.6 million of share capital to Draupnir Corporation N.V.

Purchases from and amounts due from Draupnir Holding B.V. relate to service fees and insurance fees.

During 2019, the Group sold all its shares in PolyPeptide Fastighets AB to Draupnir Holding B.V. for a total consideration of EUR 4,700,000 (reference is made to Note 7).

Amounts due to PolyPeptide Fastighets AB relate to the financial liability as disclosed in Note 14.

Purchases from and amounts due to Thalamus AB relate to rental of premises.

Income from and amounts due from the Ferring Group relate to sale of goods. Income from SVAR Life Science AB and Amzell B.V. relates to sale of goods.

Purchases from Blekebo relate to consultancy fees for a board member.

During the year, no provisions for doubtful debt and no write-offs on receivables from related parties were recognized (2018: nil).

Transactions with key management personnel

Compensation of key management personnel of the Group:

	2019	2018
	EUR’000	EUR’000
Salaries and short-term benefits	1,992	2,057
Post-employment benefits	97	179
Total remuneration	2,089	2,236

The Supervisory Director received no remuneration during the year (2018: EUR 0).

21 Financial risk management objectives and policies

The Group’s principal financial instruments comprise short- and longterm bank loans, loan to the parent company and cash. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial instruments such as trade debtors and trade creditors, other financial assets and liabilities and other assets which arise directly from its operations. It is the Group’s policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group’s financial instruments are market risk, credit risk and liquidity risk.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and foreign currency risk. The sensitivity analyses in the following sections relate to the position

as at 31 December 2019 and 2018. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

Interest rate risk:

– The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at balance sheet date.

Foreign currency risk:

– The sensitivity of the profit before tax is the effect of the assumed changes in currency rates of third party financial instruments in a foreign currency other than the functional currency of the respective subsidiaries.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate cash flow risk as interest-bearing loans and borrowings have been granted at fixed and variable interest rates. Revision of the fixed interest rate is possible at renewal of the liability. The Group decides whether to enter into fixed or variable interest contract based on the most favourable conditions at the time of entering in the contract. The Group does not enter into derivatives to hedge interest rate risks.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Effect on profit before tax	
	2019	2018
	EUR'000	EUR'000
Change in interest rates		
Increase in basis points:		
15	(38)	(65)
20	(50)	(87)
Decrease in basis points:		
(10)	25	43
(15)	38	65

Foreign currency risk

Due to operations in Sweden, India and the United States of America, the Group's statement of financial position is affected by movements in the foreign exchange rates. The Group does not enter into derivative transactions. The Group has also transactional currency exposures, such exposures arising from sales or purchases in currencies other than the currency of the operating subsidiaries. As the volumes of these transactions are relatively low compared to the total volume, the foreign currency risk exposure is considered low.

The Group has no currency exposure on financial instruments as all third-party interest-bearing loans and borrowings are due in the functional currency of the respective subsidiary that has subscribed to the interest-bearing loans and borrowings. The trade debtors, trade creditors and other financial liabilities are primarily stated in functional currency of the operations.

The table below demonstrates the sensitivity to a reasonable possible change in currencies, with all other variables held constant, of the Group's profit before tax and the Group's equity (through the impact on non-functional currencies).

	Effect on profit before tax		Effect on equity	
	2019	2018	**2019**	2018
	EUR'000	EUR'000	EUR'000	EUR'000
Change in currency percentage				
5%	(637)	(527)	(4,963)	(4,757)
(5%)	705	582	5,485	5,258

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has no significant credit risks, other than those, which have already been allowed for, nor any concentrations of credit with a single customer or in an industry or geographical region, which carries an unusually high credit risk.

Credit risks relating to the trade receivables and cash balances are monitored regularly. Clients are assessed according to Group criteria prior to entering into agreements. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Notes 9, 10, and 11.

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow forecast model. This model considers the maturity of both its non-current and current assets (trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and funding from and to other entities within the Group. Payments will be covered out of cash flow from operating activities, cash and facility available.

The table hereunder summarizes the maturity profile of the Group's financial liabilities at 31 December of each year based on contractual undiscounted payments.

	On demand	Less than 3 months	3 -12 months	1-5 years	More than 5 years	**Total**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Year ended 2019						
Interest-bearing loans and borrowings	–	(109)	(334)	(25,776)	–	(26,219)
Contingent consideration	–	(5,959)	–	(12,883)	–	(18,842)
Other financial liabilities	–	(279)	(838)	(4,469)	(12,291)	(17,877)
Lease liabilities	–	(372)	(1,117)	(4,174)	(5,391)	(11,054)
Trade payables	(2,162)	(16,109)	(189)	–	–	(18,460)
Other payables	(4,639)	(9,182)	(2,860)	–	–	(16,681)
Balance as at 31 December	(6,801)	(32,010)	(5,338)	(47,302)	(17,682)	(109,133)
Year ended 2018						
Interest-bearing loans and borrowings	–	(108)	(334)	(26,220)	–	(26,662)
Contingent consideration	–	(6,208)	–	(18,745)	–	(24,953)
Lease liabilities	–	(74)	(222)	(74)	–	(370)
Short-term borrowings from banks	(18,264)	–	–	–	–	(18,264)
Trade payables	(1,559)	(12,669)	(504)	–	–	(14,732)
Other payables	(1,602)	(13,563)	(2,948)	(116)	–	(18,229)
Balance as at 31 December	(21,425)	(32,622)	(4,008)	(45,155)	–	(103,210)

Capital management

The primary objective of the Group's capital management is to maintain sound capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using shareholder equity ratio, being total shareholder equity divided by total equity and liabilities, based on the consolidated financial statements. The Group has no formally approved ratio range but considers a ratio above 25% as being sound.
The table stated hereunder shows development in the shareholder equity ratio for the year's 2019 and 2018.

	2019	2018
	EUR'000	EUR'000
Total shareholder equity	149,416	147,674
Total equity and liabilities	305,142	283,826
	49%	52%

22 Financial instruments

Fair values

In view of their short-term nature, the fair values of financial instruments of cash, trade receivables and payables, and short-term liabilities approximate their carrying amounts. All financial assets and liabilities are measured at amortized cost except for the contingent consideration payable (Note 14) following from the acquisition of Lonza Braine S.A. on 3 January 2017 which is measured at fair value through profit or loss.

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial non-current instruments that are carried in the financial statements.

	Carrying value		*Fair value*	
	2019	2018	**2019**	2018
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Other financial assets	459	3,251	438	3,100
Financial liabilities				
Interest-bearing loans and borrowings	(25,000)	(25,000)	(23,866)	(23,837)
Contingent consideration	(16,824)	(14,915)	(16,824)	(14,915)
Other financial liabilities	(12,020)	(73)	(12,020)	(73)

The financial instruments have been valued based on the expected cash flows discounted at current interest rates.

Fair value hierarchy
Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy (described in Note 2) as at 31 December 2019 are as follows:

	Level 1	Level 2	Level 3
	EUR'000	EUR'000	EUR'000
Other financial assets	–	438	–
Interest-bearing loans and borrowings	–	(23,866)	–
Contingent consideration	–	–	(16,824)
Other financial liabilities	–	(12,020)	–

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values are determined by using the discounted cash flow method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2019 was assessed and considered to be insignificant.

23 Subsequent events

The Covid-19 pandemic will have an impact on the world's economy and certain sectors like the airline industry will be heavily impacted. Nevertheless, PolyPeptide expects to weather the pandemic reasonably well through 2020. PolyPeptide manufactures pharmaceutical APIs that are medically necessary, so a mandatory shut down of the manufacturing by the government seems unrealistic at this stage. Nevertheless, the situation is currently a moving target and we can only make predictions based on current conditions and expectations.

Through mid-March 2020 our supply chain was in relatively good shape. Although some delays have been experienced, we were able to modify and prioritize production schedules to accommodate delays. As the situation continues, we will continue to monitor material supplies and make adjustments as needed. To date, we are able to maintain close to full production schedules at all sites. We are not expecting any significant cancellation of orders for 2020. The impact on the financial markets are more likely to impact sales in 2021 rather than in 2020.

There have been no additional significant events subsequent to the financial year 2019, which would require additional disclosure in the financial statements.

24 Segment Information

The segment disclosures provided below reflect the information used by the Managing Directors for allocating resources and assessing the performance of the business.

The segments have been derived from internal reporting and the performance is assessed by revenues generated.

	2019	2018
	EUR'000	EUR'000
Revenues – business segments		
Custom Projects	84,288	64,684
Contract Manufacturing	99,505	98,018
Generics and Cosmetics	18,820	16,872
Total Revenue	202,613	179,574

Revenues – major customers (10% or more of total revenue)
In 2019, revenues of approximately EUR 37,000,000 and EUR 28,700,000 were derived from two customers.
In 2018, revenues of approximately EUR 37,500,000; EUR 27,900,000 and EUR 22,100,000, respectively, were derived from three customers.

Geographical areas
Shown below are the carrying amounts of non-current assets other than deferred income tax assets and other financial assets, broken down by location of the assets. Related additions to intangible assets and property, plant and equipment (PP&E) during the year and revenues generated from the location of the assets are shown as well.

	USA	Europe & Asia	**Total**
For the year ended 31 December 2019	EUR'000	EUR'000	EUR'000
Revenues	56,978	145,635	202,613
Additions to intangible assets and PP&E	4,840	21,541	26,381
Non-current assets, carrying amount	37,357	111,590	148,947
For the year ended 31 December 2018			
Revenues	48,976	130,598	179,574
Additions to intangible assets and PP&E	3,925	17,105	21,030
Non-current assets, carrying amount	26,730	99,982	126,712

* * * * *

Hoofddorp, the Netherlands

31 March 2020, except as to the paragraph ‘Basis of preparation’ on page 9, and Note 24 ‘Segment Information’ on page 60 of the consolidated financial statements, which is as of 15 March 2021.

Managing Directors

J.D. Hobbs

J.A. Salik

L.G.P. Nilsson

E.H.M. Schropp

Independent auditor’s report

To: the Board of PolyPeptide Laboratories Holding B.V.

A. Report on the audit of the consolidated financial statements 2019

Our opinion

We have audited the consolidated financial statements 2019 of PolyPeptide Laboratories Holding B.V. based in Hoofddorp, The Netherlands.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of PolyPeptide Laboratories Holding B.V. as at 31 December 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2019;
2. the following statements for 2019: the consolidated income statement, the consolidated statements of other comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ‘Our responsibilities for the audit of the consolidated financial statements’ section of our report.

We are independent of PolyPeptide Laboratories Holding B.V. in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - basis of accounting

We draw attention to page 9 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist Polypeptide Laboratories Holding B.V. to meet the requirements of SIX Exchange Regulation. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matter

PolyPeptide Laboratories Holding B.V. has prepared a separate set of statutory financial statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code in order to comply with Dutch law, on which we issued a separate auditor's report to the shareholders of PolyPeptide Laboratories Holding B.V. dated 31 March 2020.

B. Description of responsibilities regarding the consolidated financial statements

Responsibilities of management and the Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the IASB. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the consolidated financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

The Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the consolidated financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 consolidated financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing and with ISAs, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- Obtaining 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 entity's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures.
- Evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Amstelveen, 31 March 2020, except as to the paragraph 'Basis of preparation' on page 9, and Note 24 'Segment Information' on page 60 of the consolidated financial statements, which is as of 15 March 2021.

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
A.P. van Veen RA
