POLYPEPTIDE LABORATORIES HOLDING B.V.

Consolidated Financial Statements 2020

CONTENTS

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2020

	2020	2019
	EUR'000	EUR'000
Revenue (3)	223,033	202,613
Other operating income (3)	1,778	1,155
Total income	**224,811**	**203,768**
Cost of sales	-151,108	-144,323
Gross profit	**73,703**	**59,445**
Marketing and sales expenses (3)	-3,640	-3,792
Research expenses (3)	-1,312	-1,091
General and administrative expenses (3)	-24,373	-21,013
Total operating expenses	**-29,325**	**-25,896**
Operating result	**44,378**	**33,549**
Financial income (3)	106	70
Financial expenses (3)	-6,799	-3,386
Total financial result	-6,693	-3,316
Result before income taxes	**37,685**	**30,233**
Income tax charge (4)	-6,350	-4,496
Result for the year	**31,335**	**25,737**
Attributable to:		
Equity holders of the parent	31,335	25,737
Result for the year	**31,335**	**25,737**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	2020	**2019**
	EUR'000	EUR'000
Result for the year	31,335	25,737
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	-2,922	-252
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-2,922**	**-252**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Re-measurement gains (losses) on defined benefit plans	-240	-8,589
Income tax effect (4)	71	1,446
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**-169**	**-7,143**
Other comprehensive result for the year, net of taxes	**-3,091**	**-7,395**
Total comprehensive result for the year, net of taxes	**28,244**	**18,342**
Attributable to:		
Equity holders of the parent	28,244	18,342
Total comprehensive result for the year, net of taxes	**28,244**	**18,342**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2020

Assets

	2020	2019
	EUR'000	EUR'000
Non-current assets		
Intangible assets (5)	12,556	12,312
Property, plant and equipment (6)	156,930	126,530
Right-of-use assets (19)	12,878	10,105
Deferred income tax assets (4)	13,548	13,067
Other financial assets	201	459
Total non-current assets	**196,113**	**162,473**
Current assets		
Inventories (8)	94,269	73,490
Trade receivables (9)	53,494	33,628
Contract assets (3)	2,044	1,821
Corporate income tax receivable	5,826	6,733
Other current assets (10)	7,021	9,489
Cash and cash equivalents (11)	17,208	17,508
Total current assets	**179,862**	**142,669**
Total assets	**375,975**	**305,142**

Equity and liabilities

	2020	2019
	EUR'000	EUR'000
Equity attributable to equity holders of the parent		
Issued capital	33,000	33,000
Share premium	2,340	2,340
Translation reserve	-5,616	-2,694
Retained earnings	116,601	91,033
Result for the year	31,335	25,737
Total equity	**177,660**	**149,416**
Non-current liabilities		
Deferred income tax liabilities (4)	876	1,121
Pensions (12)	39,128	36,106
Provisions (13)	4,312	4,677
Interest-bearing loan and borrowings (14)	25,000	25,000
Lease liabilities (19)	10,454	8,869
Other financial liabilities (15)	16,697	22,016
Total non-current liabilities	**96,467**	**97,789**
Current liabilities		
Lease liabilities (19)	1,979	1,491
Other financial liabilities (15)	10,199	6,828
Corporate income tax payable	8,276	4,598
Trade payables (17)	28,359	18,460
Contract liabilities (3)	33,480	9,899
Other current liabilities (17)	19,555	16,661
Total current liabilities	**101,848**	**57,937**
Total liabilities	**198,315**	**155,726**
Total equity and liabilities	**375,975**	**305,142**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	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 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**
Balance as at 1 January 2020	**33,000**	**2,340**	**-2,694**	**91,033**	**25,737**	**149,416**
Result for the year	–	–	–	–	31,335	31,335
Re-measurement losses on defined benefit plans	–	–	–	-169	–	-169
Currency exchange differences	–	–	-2,922	–	–	-2,922
Total comprehensive income	–	–	-2,922	-169	31,335	28,244
Appropriation profit previous year	–	–	–	25,737	-25,737	–
Balance as at 31 December 2020	**33,000**	**2,340**	**-5,616**	**116,601**	**31,335**	**177,660**

The issued and authorized share capital as at 31 December 2020 comprised 50,000,000 shares (2019: 50,000,000 shares) of EUR 0.66 each (2019: EUR 0.66), 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 2020

	2020	**2019**
	EUR'000	EUR'000
Cash flows from operating activities		
Result for the year	31,335	25,737
Adjustments to reconcile cash generated by operating activities:		
Depreciation and amortization	17,545	15,808
Financial income	-106	-70
Financial expenses	6,799	3,386
Income tax charge	6,350	4,496
Changes in working capital:		
Increase in inventories	-22,101	-1,231
(Increase) / decrease in trade receivables	-21,213	8,666
Increase in contract assets	-223	-501
Decrease in other current assets	2,727	1,590
Increase / (decrease) in trade payables	4,870	-3,022
Increase in contract liabilities	23,581	4,218
Increase / (decrease) in other current liabilities	2,894	-1,976
Changes in other liabilities:		
Increase in provisions	613	3,669
Cash generated from operations	**53,071**	**60,770**
Interest income received	106	70
Interest expenses paid	-1,018	-1,201
Income taxes paid	-2,419	-4,039
Net cash flow from operating activities	**49,740**	**55,600**
Cash flows from investing activities		
Net proceeds from disposal of subsidiary	–	4,444
Acquisition of intangible assets	-2,580	-2,181
Acquisition of property, plant and equipment	-40,621	-17,524
Disposal of property, plant and equipment	383	–
Proceeds from other financial assets	–	3,000
Net cash flows used in investing activities	**-42,818**	**-12,261**
Carried forward	6,922	43,339

	2020	2019
	EUR’000	EUR’000
Brought forward	6,922	43,339
Cash flow from financing activities		
Proceeds from loans and borrowings	–	6,936
Proceeds from other financial liabilities	2,353	–
Repayment of short-term borrowings from banks	–	-18,264
Repayment of lease liabilities	-1,967	-1,520
Repayment of other financial liabilities	-7,116	-6,489
Repayment of share capital	–	-16,600
Net cash flows used in financing activities	**-6,730**	**-35,937**
Net movement in cash and cash equivalents	**192**	**7,402**
Cash and cash equivalents at the beginning of the year	17,508	10,037
Net foreign currency exchange differences	-492	69
Cash and cash equivalents at the end of the year	**17,208**	**17,508**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2020

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 a dormant company located in Denmark and two dormant companies in the process of liquidation in Czech Republic and Germany, respectively.

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 2020, 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.

1 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 15 March 2021.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), 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 15).

All amounts are stated in thousands of Euros, unless otherwise indicated.

Going concern

Due to the pharmaceutical industry the Group is operating in, PolyPeptide has weathered the pandemic reasonably well through 2020, even capitalizing on new opportunities. We expect to continue to capitalize on some of these new opportunities in 2021. The pandemic is therefore not expected to impact the going concern of the Group.

Changes in accounting policies

As of 1 January 2020, the Group has adopted the following amendments and interpretations:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 on the definition of a business
- Amendments to IAS 1 and IAS 8 on the definition of material;
- Amendments to IFRS 9, IAS 39 and IFRS 9 in the Interest Rate Benchmark Reform
- Amendments to IFRS 16 on Covid-19 related Rent concessions

The adoption of these amendments to the IFRS Standards has not had any significant impact on the financial statements of the Group.

Changes in presentation

Effective 1 January 2020, the group changed its presentation of research & development expenses relating to customer projects. In previous years, the group presented these expenses as a separate category in the consolidated income statement. As of 2020, these expenses form part of cost of sales as management believes that this improves the understanding of the financial statements. The effect of this change resulted in an increase of cost of sales and a corresponding decrease of gross margin with EUR 15.2 million (2019: EUR 13.3 million). The change had no further impact on total operating expenses or net result for the year. The comparative figures in the consolidated income statement have been restated accordingly.

Effective 1 January 2020, the group changed its presentation of liabilities relating to uncertain tax treatments accounted for in accordance with IFRIC 23. These liabilities were previously presented as part of ‘other provisions’ within the non-current liabilities. As of 2020, these are presented as part of the current tax liabilities in accordance with the conclusions of the IFRS Interpretations Committee (IC) as issued in September 2019. The effect of changes resulted in an increase of the ‘current other tax liabilities’ with EUR 1.7 million (2019: EUR 1.6 million) and a corresponding decrease of ‘other provisions’. The comparative figures in the consolidated statement of financial position have been restated accordingly. This change had no further impact on total liabilities, equity or result for the year.

Effective 1 January 2020, the group changed its presentation of contract assets in the amount of EUR 2.0 million (2019: EUR 1.8 million) and contract liabilities in the amount of EUR 33.5 million (2019: EUR 9.9 million) by presenting them as a separate category on the face of the consolidated statement of financial position. In previous years, contract assets were presented as part of 'other receivables and other current assets' and contract liabilities were presented as part of 'other payables'. Management believes that this change improves the understanding of the financial statements. The comparative figures in the consolidated statement of financial position have been restated accordingly. Furthermore, 'other receivables and current assets' are renamed into 'other current assets' and 'other payables' are renamed into 'other current liabilities'.

Principles of consolidation

The consolidated financial statements include the Company and its subsidiaries as at 31 December of each year. Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases.

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.

Translation of foreign currencies

The Group's consolidated financial statements are presented in Euro's, 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.

Translation of 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.

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. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of subsidiaries
The functional currencies of the foreign operations are predominately the Euro, US Dollar and the Swedish Krona. 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 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 it 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, VAT and other taxes and duties. 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. 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. For these services, the Group recognizes revenues based upon stage of completion which is estimated by comparing the number of hours actually spent 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 an order or order confirmation, between the Group and its customer. Prices are also included in the master service agreements which are usually updated every year. However, the price in the order confirmation is leading. There are no other variable components included in the transaction price such as financing components, payables to the customer, non-cash considerations etc. All other special considerations such as volume discounts, are calculated on a calendar year basis and therefore do not result in any uncertainties about the amount of the transaction price at the end of the financial year. 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.

Other income and expenses

Interest
For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate. 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 can only be realized by a reduction of current or future corporate tax payments, rather than being directly settled in cash, are presented as part of the income tax charge for the year.

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, through other comprehensive income or directly in equity.

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, 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. Internal development of software for internal use is recognized as intangible assets if the recognition criteria are met. Otherwise, the expenditure is reflected in the income statement in the year in which it 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.

The Group's intangible assets consist of software and other intangible assets. Software is amortized on a straight-line basis over five to ten years whereas other intangible assets are amortized on a straight-line basis over five years.

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 16 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.

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 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 current assets

All 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 the contingent consideration payable following from the acquisition of Lonza Braine S.A. (renamed into PolyPeptide S.A.) on 3 January 2017 as further disclosed in Note 15. 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.

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

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.

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. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of 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 revised net present value of future lease payments. The carrying amount of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or an index is revised. In both cases an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated 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 accounts with banks (including short-term deposits with an original maturity of three months or less) 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 2022 or later but are not expected to have significant impact on the financial statements of the Group:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
- Insurance Contracts: Deferral of IFRS 9 (Amendments to IFRS 4)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS16 and IAS 41)
- IFRS 17 – Insurance Contracts

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.

Impact of Covid-19

Covid-19 provided more opportunities than issues for PolyPeptide in 2020 and this is expected to continue into 2021. Through 2020 our supply chain was in relatively good shape. Although some delays were experienced, we were able to modify and prioritize production schedules to accommodate delays. We will continue to monitor material supplies and adjust as needed. To date, we are able to maintain full production schedules at all sites. We have not experienced any significant cancellation of orders in 2020 due to Covid-19. On the contrary, we were presented with a number of new opportunities in 2020 for therapeutic and vaccine peptide components for Covid-19, including the Matrix-M adjuvant components for the Novavax Covid vaccine. These opportunities, especially the Novavax Matrix-M components, are expected to continue to contribute to our growth in 2021. The impact of Covid-19 on the world economy and the financial markets could impact some of our smaller biotech customer in 2021, but we do not expect any significant impact since the pharmaceutical industry we operate in is globally considered a critical business that is generally not subject to significant changes in demand.

Impairment of non-financial assets

The Group assesses whether there are any indicators for impairment for all non-financial assets at each reporting date and tests 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 (refer to Note 5, 6 and 19). As discussed above, Covid-19 did not result in any significant negative impact for the Group and hence did not result in any impairment of non-current assets during the year.

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 (refer to Note 12).

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. Management's 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 (refer 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 (refer to Note 15).

2 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.

	2020	2019
	EUR'000	EUR'000
Revenues – business segments		
Custom Projects	101,872	84,288
Contract Manufacturing	100,108	99,505
Generics and Cosmetics	21,053	18,820
Total Revenue	223,033	202,613

Revenues – major customers (10% or more of total revenue)

In 2020, revenues of approximately EUR 39,100,000 were derived from a single customer.
In 2019, revenues of approximately EUR 37,000,000 and EUR 28,700,000 were derived from two 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 2020	EUR'000	EUR'000	EUR'000
Revenues	70,993	152,040	223,033
Additions to intangible assets and PP&E	19,906	28,277	48,183
Non-current assets, carrying amount	53,363	129,001	182,364
For the year ended 31 December 2019			
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

3 Revenue and expenses

Revenue from contracts with customers

	API	Related services	**Total**
For the year ended 31 December 2020	EUR'000	EUR'000	EUR'000
Timing of transfer of goods and services			
Point in time	197,604	–	197,604
Over time	–	25,429	25,429
Total Revenue	197,604	25,429	223,033

	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

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.

	2020	**2019**
	EUR'000	EUR'000
Revenue by geographical area		
Americas	98,825	101,575
Europe	94,960	87,764
Asia Pacific	28,300	11,728
Others	948	1,546
Total Revenue	223,033	202,613

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

Contract assets and contract liabilities

	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	Contract Liabilities
	EUR’000	EUR’000
As at 1 January 2020	1,821	9,899
Transfer in the period from contract assets to trade receivables	-1,769	–
Amounts included in contract liabilities that was recognized as revenue during the period	–	-9,899
Excess of revenue recognized over cash (or rights to cash) being recognized during the period	1,994	–
Cash received in advance of performance and not recognized as revenue during the period	–	33,778
Currency exchange differences	-2	-298
As at 31 December 2020	2,044	33,480

Contract assets and contract liabilities 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. Contract assets and liabilities are presented on the face of the consolidated statement of financial position.

	2020	2019
	EUR'000	EUR'000
Other operating income		
Research refund	1,122	633
Invoiced freight and insurance	373	184
Export incentives	141	175
Investment grants	67	51
Other	75	112
	1,778	1,155

The research refund EUR 1,122,000 (2019: EUR 633,000) 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 67,000 (2019: EUR 51,000).

	2020	2019
	EUR'000	EUR'000
Marketing and sales expenses		
Salaries and employee benefits	-2,815	-2,555
Marketing and promotion costs	-502	-585
Other	-323	-652
	-3,640	-3,792
Research expenses		
Salaries and employee benefits	-652	-471
Other	-660	-620
	-1,312	-1,091
General and administrative expenses		
Salaries and employee benefits	-10,556	-8,792
Other staff expenses	-1,639	-1,495
Service fee group related company	-469	-539
Depreciation and amortization	-1,781	-1,657
Professional services	-3,517	-3,153
Insurance costs	-1,395	-966
Other	-5,016	-4,411
	-24,373	-21,013

	2020	2019
	EUR'000	EUR'000
Financial income		
Interest income due from third parties	106	20
Interest income due from parent company	–	50
	106	70

	2020	2019
Financial expenses		
Interest expenses due to third parties	-2,037	-1,453
Interest on contingent consideration (refer to Note 15)	-1,278	-1,790
Fair value increase of contingent consideration (refer to Note 15)	-329	-119
Foreign currency exchange losses	-3,155	-12
Other financial expenses	–	-12
	-6,799	-3,386

Staff costs and employee information

	2020		2019	
	Indirect	Direct	Indirect	Direct
	EUR'000	EUR'000	EUR'000	EUR'000
Salaries and wages	-10,334	-46,590	-8,671	-41,654
Social charges	-2,288	-14,123	-2,055	-12,814
Pension costs	-1,401	-3,537	-1,092	-2,981
	-14,023	-64,250	-11,818	-57,449

An amount of EUR 64,250,000 (2019: EUR 57,449,000) relating to salaries and employee benefits has been included in cost of sales.

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

	2020	2019
Production	503	469
Marketing and sales	17	17
Research and development	133	117
General and administration	72	69
Quality control	99	87
Quality assurance	86	80
	910	839

Depreciation, amortization and impairment losses included in the income statement

	2020	2019
	EUR'000	EUR'000
Included in cost of sales:		
Depreciation	-14,258	-12,875
Amortization	-1,506	-1,276
	-15,764	-14,151
Included in general and administrative expenses:		
Depreciation	-1,314	-1,140
Amortization	-467	-517
	-1,781	-1,657

4 Taxation

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

	2020	2019
	EUR'000	EUR'000
Consolidated income statement		
Current income tax charge	-7,225	-4,132
Deferred income tax charge	875	-364
Total income tax charge	-6,350	-4,496
Consolidated statement of comprehensive income		
Income tax directly to comprehensive income	71	1,446
Total income tax charge/(credit)	71	1,446

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 IAS 19.

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:

	2020	**2019**
	EUR'000	EUR'000
Result before income taxes	37,685	30,233
At Dutch statutory income tax rate of 25.0% (2019: 25.0%)	-9,421	-7,558
Different income tax rates of other countries	278	557
Non-deductible expenses	-935	-854
Tax exempt income	939	438
Non-capitalized tax losses	-45	-63
R&D tax credits	2,363	2,620
Utilization of previously unrecognized tax losses	38	–
Adjustments in respect of current income tax of previous year	433	364
At an effective income tax rate of 16,9% (2019: 14.9%)	-6,350	-4,496

The current corporate income tax liabilities include an amount of EUR 1,683,000 (2019: EUR 1,635,000) relating to US R&D tax credits that have been claimed but for which uncertainty exists on whether these will be sustained by the US tax authorities.

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

	2020	**2019**
	EUR'000	EUR'000
Differences in carrying amount and fiscal valuation of assets and liabilities	9,939	8,297
Capitalized tax losses carried forward	3,609	4,770
Total deferred income tax assets	13,548	13,067

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:

	2020	**2019**
	EUR'000	EUR'000
Differences in carrying amount and fiscal valuation of assets and liabilities	876	1,121
Total deferred income tax liabilities	876	1,121

Differences in carrying amount 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 2,888,145 (2019: EUR 2,679,488) which will expire after 2021. 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:

	2020	**2019**
	EUR'000	EUR'000
Movement in deferred tax assets	481	454
Movement due to disposal of a subsidiary (refer to Note 7)	-	-429
Movement in deferred tax liability	245	1,028
Translation differences	220	28
Total deferred income tax charge	946	1,081

	2020	**2019**
	EUR'000	EUR'000
Deferred tax charge in income statement	875	-365
Deferred tax (credit)/ charge in statement of comprehensive income	71	1,446
Total deferred income tax charge	946	1,081

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

5 Intangible assets

	Software	Other	**Total**
	EUR'000	EUR'000	EUR'000
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
Acquisition value			
Balance as at 1 January 2020	16,698	9,929	26,627
Additions	2,175	–	2,175
Disposal	–	–	–
Transfers	–	47	47
Currency exchange differences	3	2	5
Balance as at 31 December 2020	18,876	9,978	28,854
Accumulated amortization and impairment losses			
Balance as at 1 January 2020	-5,385	-8,930	-14,315
Amortization	-1,460	-513	-1,973
Disposal	–	–	–
Currency exchange differences	-5	-5	-10
Balance as at 31 December 2020	-6,850	-9,448	-16,298
Carrying value as at 31 December 2020	12,026	530	12,556

As at 31 December 2020, the carrying amount of software includes an amount of EUR 4.5 million (2019: EUR 3.2 million) that is still under construction. This software will be taken into use in subsequent periods and hence no amortization has been recognized over this software yet.

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

The Group assesses 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. The Group has not identified any indicators for impairment during the year.

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 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

	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 2020	94,852	124,757	22,089	336	242,034
Additions	757	1,874	43,377	–	46,008
Disposals	–	-262	-383	–	-645
Transfers	1,112	14,314	-15,503	30	-47
Currency exchange differences	-2,063	-1,855	-10	–	-3,928
Balance as at 31 December 2020	94,658	138,828	49,570	366	283,422
Accumulated depreciation					
Balance as at 1 January 2020	-45,489	-69,716	–	-299	-115,504
Depreciation	-3,943	-9,647	–	-23	-13,613
Disposal	–	262	–	–	262
Transfer	–	–	–	–	–
Currency exchange differences	557	1,804	–	2	2,363
Balance as at 31 December 2020	-48,875	-77,297	–	-320	-126,492
Carrying value as at 31 December 2020	45,783	61,531	49,570	46	156,930

The Group assesses 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. The Group has not identified any indicators for impairment during the year.

The amount of borrowing costs capitalized during the year was nil (2019: nil). Other operating assets comprise office equipment.

As at 31 December 2020, the carrying amount of land & buildings includes an amount of approximately EUR 9.8 million (2019: 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 15.

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 2020	2019
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 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.

PolyPeptide Institute Spol S.r.o. and PolyPeptide Laboratories GmbH are in the process of liquidation and no further financial impact is expected related to the final liquidation of these companies.

In December 2019, Monedula AB (previously named 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

	2020	2019
	EUR'000	EUR'000
Raw materials and supplies	32,467	21,737
Work in progress	42,750	32,878
Finished goods	19,052	18,875
Balance as at 31 December	94,269	73,490

Raw materials that are expired or that are no longer used in production, and 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 sales in the income statement during the financial year amount to EUR 53,989,000 (2019: EUR 58,912,000).

Provisions for obsolete stock amounted to EUR 24,282,000 as at 31 December 2020 (2019: EUR 21,170,000). Inventory write-offs recognized in cost of sales in the income statement during the financial year amounted to EUR 2,171,000 mainly due to inventory write-offs in the US and Sweden (2019: EUR 2,610,000).

9 Trade receivables

	2020	**2019**
	EUR'000	EUR'000
Trade receivables	53,494	33,628
Balance as at 31 December	53,494	33,628

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 2020	53,494	52,324	690	480	–	–
31 December 2019	33,628	27,042	5,694	493	150	249

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:

	2020	**2019**
	EUR'000	EUR'000
Balance as at 1 January	-176	-459
Receivable written-off during the year as uncollectible	1	101
Unused amounts reversed	24	182
Translation difference	10	–
Balance as at 31 December	-141	-176

10 Other current assets

	2020	**2019**
	EUR'000	EUR'000
Prepaid expenses	2,530	1,694
VAT receivable	3,773	5,344
Other	718	2,451
Balance as at 31 December	7,021	9,489

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:

	2020	**2019**
	EUR'000	EUR'000
Cash and cash equivalents	17,208	17,508
Balance as at 31 December	17,208	17,508

Cash and cash equivalents in SEK earned (1.1%) positive interest during 2020 (2019: (0.5%) negative interest), in USD 1.4 % (2019: nil%) and in INR 5.1 % (2019: 6.0%).

For the purpose of the Consolidated Statement of Cash Flows, changes in liabilities arising from financing activities for the years were as follows:

	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
<u>Non-cash flows:</u>					
New financial liability (refer to Note 15)	-	11,947	-	-	-
New lease liabilities	-	-	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	-
Balance as at 1 January 2020	25,000	22,016	10,360	6,828	-
Cash flows	-	-288	-1,967	-4,473	-
<u>Non-cash flows:</u>					
Reclassification to other provisions (Note 13)	-	-	-796	-	-
New lease liabilities	-	-	4,842	-	-
Remeasurements	-	-	287	-	-
Accrued interest	-	1,991	314	-	-
Fair value loss/(gain)	-	329	-	-	-
Transfer from non-current to current	-	-7,844	-	7,844	-
Currency exchange difference	-	493	-607	-	-
Balance as at 31 December 2020	25,000	16,697	12,433	10,199	-

12 Pensions

	2020	**2019**
	EUR'000	EUR'000
Provision for pensions	39,128	36,106
Balance as at 31 December	39,128	36,106

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:

	2020	2019
	EUR'000	EUR'000
Defined benefit obligation as at 1 January	36,106	27,428
Interest costs	381	554
Current service costs	2,802	1,995
Net actuarial losses through other comprehensive income	267	7,706
Benefits paid	-1,201	-1,306
Currency translation differences	773	-271
Defined benefit obligation as at 31 December	39,128	36,106

Pension expenses reflected in the income statement:

	2020	2019
	EUR'000	EUR'000
Current service costs	-2,802	-1,995
Interest costs on benefit obligation	-381	-554
Net benefit expenses	-3,183	-2,549
Defined contribution pension expenses	-2,136	-2,078
Total pension expenses	-5,319	-4,627

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

	2020		2019	
	Belgium	Sweden	Belgium	Sweden
Discount rate	0,44%	1,30%	0.61 %	1.50 %
Future salary increases	3,35%	2,20%	3.30 %	2.50 %
Future pension increases	1,60%	1,50%	3.30 %	2.50 %
Long-term assumptions inflation	1,60%	1,50%	1.80 %	1.80 %

The forecasted defined benefit obligation for the year 2021 is assessed at EUR 40,826,000 (2020: EUR 37,795,000).

Sensitivity to changes in assumptions
Changes in the assumptions will impact the defined benefit pension obligation as at 31 December 2020 as follows:

	EUR'000	EUR'000
Discount rate (increase 0.5% / decrease 0.5%)	-4,210	4,886
Future salary increases (increase 0.5% / decrease 0.5%)	2,494	-1,858
Long term assumption inflation (increase 0.5% / decrease 0.5%)	3,210	-2,879

13 Provisions

	2020	2019
	EUR’000	EUR’000
Provision for pension taxes	2,448	2,291
Provision for product warranty	712	1,832
Provision for restoration costs	981	-
Provision for litigation	94	554
Other provisions	77	-
Balance as at 31 December	4,312	4,677

The provision for pension taxes relates to wage taxes of 24.26% on Swedish pension premiums. The provision for product warranty mainly relates to an extremely rare undetected equipment issue, which impacted multiple batches produced for one customer in 2020.

The provision for product warranty relates to an extremely rare undetected equipment issue, which impacted multiple batches produced in 2019. A provision was recognized for the estimated cost to reproduce or reprocess these batches.

The provision for restoration costs relates to the requirement to return the leased property of the Torrance facility into its old condition at the end of the lease term.

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

Movement of the provision for the years was as follows:

	2020	2019
	EUR’000	EUR’000
Balance as at 1 January	4,677	2,139
Reclassification from lease liabilities (Note 19)	796	-
Utilization	-1,252	-81
Additions through profit or loss	582	1,766
Release through profit or loss	-908	-
(Release)/additions through other comprehensive income	-27	883
Other movements	185	-
Currency exchange differences	259	-30
Balance as at 31 December	4,312	4,677

14 Interest-bearing loans and borrowings

	2020	2019
	EUR'000	EUR'000
Loan from Danske Bank A/S at twelve-month EURIBOR plus a margin of 1.50% (2019: 1.75 %), due on 29 August 2022	25,000	25,000
Balance as at 31 December	25,000	25,000

15 Other financial liabilities

	2020	2019
	EUR'000	EUR'000
Contingent consideration due to acquisition of a subsidiary	12,497	16,824
Financial liability to Monedula AB	12,044	11,947
Paycheck Protection Program ('PPP') Loans	2,355	-
Other	-	73
	26,896	28,844
Of which current other financial liabilities	-10,199	-6,828
Balance as at 31 December	16,697	22,016

Contingent consideration due to acquisition of a subsidiary
The contingent consideration relates to the acquisition of Lonza Braine S.A. (renamed into PolyPeptide S.A.) on 3 November 2017.

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

	2020	2019
	EUR'000	EUR'000
Balance as at 1 January	16,824	21,123
Payment of contingent liability	-5,934	-6,208
Fair value adjustment of contingent consideration (refer to Note 3)	329	119
Accrued interest on contingent consideration (refer to Note 3)	1,278	1,790
Total contingent consideration as at 31 December	12,497	16,824
Of which current contingent consideration as at 31 December	-6,702	-5,959
Non-current consideration as at 31 December	5,795	10,865

The non-current part of the contingent consideration is payable in 2022 and is calculated as a fixed percentage (15.25%) over revenues to be realized in the financial year 2021. The undiscounted payable amounts to EUR 6,490,000 (2019: EUR 12,883,000).

During the year the Group adjusted the sales forecast based upon new information which resulted in an addition of the contingent consideration of EUR 329,000 (2019: EUR 119,000).

This non-current part of the contingent consideration is discounted against 12%. In case the discount rate would have been 2% higher, the contingent consideration would have been EUR 100,000 lower while in case the discount rate would have been 2% lower, the contingent consideration would have been EUR 100,000 higher.

The current part of the contingent consideration of EUR 6,702,000 is based on the agreed percentage over actual revenues realized in 2020. This payable is due within one year and therefore not further discounted.

Financial liability to Monedula AB
In December 2019, PolyPeptide Laboratories (Sweden) AB sold all its shares in PolyPeptide Fastighets AB to related party Draupnir Holding B.V. for a total consideration of EUR 4,700,000 (refer to Note 7). PolyPeptide Fastighets AB was subsequently renamed into Monedula AB.

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

Although the legal ownership of the premises was transferred to the buyer, management concluded that the transfer of the premises did 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 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 SEK 124.8 million (EUR 11,947,000) was recognized as other financial liability accounted for in accordance with IFRS 9 as prescribed in IFRS 16.103(a).

The financial liability is currently measured at amortized cost using an effective interest rate of 5.57% (2019: 5.57%). The financial liability matures on 31 December 2035 and will be settled with future lease terms payable to Monedula AB, being quarterly instalments of SEK 2.8 million (EUR 286,000). The total carrying value of the liability as at 31 December 2020 amounts to SEK 120.7 million (EUR 12,044,000) of which SEK 11.4 million (EUR 1,147,000) is presented as current financial liability. The total carrying value of the liability as at 31 December 2019 amounted to SEK 124.8 million (EUR 11,947,000) of which SEK 9.0 million (2019: EUR 869,000) was presented as current financial liability.

Paycheck Protection Program (‘PPP’) Loans
On 2 May 2020, the two US group companies both obtained a forgivable Paycheck Protection Program (‘PPP’) loan from First Republic Bank for a total amount of USD 2.8 million (EUR 2,355,000). The loans are subject to the Coronavirus Aid, Relief, and Economic Security Act and bear a fixed interest rate of 1.0%. As of January 2021, the loans are to be repaid in monthly instalments before 2 May 2022 unless the US group companies apply for forgiveness and such forgiveness is provided. As at 31 December 2020, the group is still in the process of applying for the forgiveness for these loans.

16 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 (2019: EUR 26,200,000).

An amount of EUR 25,000,000 is granted by Danske Bank (2019: EUR 25,000,000) of which nil was drawn as at 31 December 2020 (2019: nil). The interest rate on the DANSKE Bank facility amounts to DANSKE BOR plus a margin of 1.05% (2019: 1.05%) on the amounts drawn.

The remaining EUR 1,200,000 was granted by ING Bank (2019: EUR 1,200,000) of which nil was drawn as at 31 December 2020 (2019: nil). The interest rate on the ING Bank credit facility amounts to EURIBOR plus a margin of 1.5% (2019: 1.5%) on the amounts drawn.

17 Trade payables and other current liabilities

	2020	**2019**
	EUR'000	EUR'000
Trade payables	28,359	18,460
Total trade payables	28,359	18,460
Taxes and social securities	5,486	5,273
Government grants	589	494
Accrued expenses	13,225	9,534
Other	255	1,360
Total other current liabilities	19,555	16,661

Trade payables and other current liabilities are non-interest-bearing.

18 Contingent liabilities and guarantees

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 173,000 as at 31 December 2020 (2019: EUR 154,000) for which it has issued a guarantee to PRI Pensionsgaranti.

19 Leases

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

	Buildings	Cars	Other Equipment	**Total**
	EUR'000	EUR'000	EUR'000	EUR'000
Cost of right-of-use assets				
Balance as at 1 January 2019	9,290	526	648	10,464
Addition	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
Cost of right-of-use assets				
Balance as at 1 January 2020	9,544	1,284	701	11,529
Addition	2,795	716	1,589	5,100
Remeasurements	291	-4	–	287
Disposals	–	-120	-394	-514
Currency exchange differences	-731	1	1	-729
Balance as at 31 December 2020	11,899	1,877	1,897	15,673
Accumulated depreciation				
Balance as at 1 January 2020	-809	-320	-295	-1,424
Depreciation	-981	-484	-494	-1,959
Disposal	–	120	394	514
Currency exchange differences	89	-12	-3	74
Balance as at 31 December 2020	-1,701	-696	-398	-2,795
Carrying value as at 31 December 2020	10,198	1,181	1,499	12,878

Set out below are the carrying amounts of the lease liabilities and the movements during the year:

	Buildings	Cars	Other Equipment	**Total**
	EUR'000	EUR'000	EUR'000	EUR'000
Lease liabilities				
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
Lease liabilities				
Balance as at 1 January 2020	8,972	976	412	10,360
Additions	2,563	711	1,568	4,842
Interest expenses	260	28	26	314
Remeasurements	291	-4	–	287
Lease payments	-954	-508	-505	-1,967
Reclassification to provisions (Note 13)	-796	–	–	-796
Currency exchange differences	-604	-3	–	-607
Balance as at 31 December 2020	9,732	1,200	1,501	12,433

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

The following amounts are recognized in the income statement:

	2020	**2019**
	EUR'000	EUR'000
Depreciation expenses of right-of-use assets	1,959	1,511
Variable lease payments not included in the lease liabilities	88	10
Short-term leases (included in G&A expenses)	218	194
Leases of low-value assets (included in G&A expenses)	397	317
Total amount recognized in the income statement	2,662	2,032

The Group had total cash outflows for leases of EUR 2,670,000 in 2020 (2019: EUR 2,041,000).

The total lease liability of the Group mainly relates to leases of buildings in Torrance, USA. A new building lease was signed in Torrance during 2020. The current terms of these leases end between 2024 and 2035. The remaining lease liability largely consists of machinery and company cars in various group companies, primarily having fixed monthly lease payments.

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 S.a.r.l.	**2020**	–	–	–	–
(Formerly: Draupnir Corporation N.V.)	2019	49	–	–	–
Other related entities:					
Draupnir Holding B.V.	**2020**	–	-649	21	–
	2019	–	-732	–	-57
Thalamus AB	**2020**	–	-247	–	-542
	2019	–	-159	–	-1,151
Ferring Group	**2020**	39,217	–	2,372	–
	2019	37,043	-35	3,807	–
Monedula AB	**2020**	703	-1,144	189	-12,169
(Formerly: PolyPeptide Fastighets AB)	2019	–	–	–	-11,974
Amzell B.V.	**2020**	266	–	33	–
	2019	6	–	–	–
Blekebo	**2020**	–	-30	–	–
	2019	–	-38	–	-38

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

Income from Draupnir Corporation S.a.r.l. relates to interest on a credit facility provided by the Group with a maximum of EUR 3,000,000. The facility originally terminated on 31 December 2020 and had an interest of 3-month London Interbank Offered rate per year. The credit facility was repaid in full by the end of 2019 and was not utilized for the remaining period until termination.

During 2019, the Company repaid EUR 16.6 million of share capital to Draupnir Corporation N.V. (currently named Draupnir Corporation S.a.r.l.).

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

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

Income from the Ferring Group and amounts due from the Ferring Group relate to sale of goods.

During 2019, the Group sold all its shares in PolyPeptide Fastighets AB to Draupnir Holding B.V. for a total consideration of EUR 4,7000,000 (reference is made to Note 7). PolyPeptide Fastighets AB was subsequently renamed into Monedula AB.

Purchases from Monedula AB relates to the lease of premises. Income from Monedula relates to property management fees and recharged improvements to the premises. Amounts due to Monedula AB relate to the financial liability as disclosed in Note 15.

Income from and amounts due from Amzell B.V. relates to sale of goods.

Purchases from and amounts due to 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 (2019: nil). No guarantees were given or received for any outstanding related party balances (2019: nil).

Transactions with key management personnel

Compensation of key management personnel of the Group:

	2020	**2019**
	EUR'000	EUR'000
Salaries and short-term benefits	2,089	1,992
Post-employment benefits	113	97
Total remuneration	2,202	2,089

Key management personnel are considered all members of the Executive Committee consisting of the Group's CEO (also member of the Board of Directors), CFO, Director Global Sales & Marketing and Director Global Operations, together with the three remaining members of the Board of Directors.

21 Financial risk management objectives and policies

The Group's principal financial instruments comprise short- and long term bank loans, lease liabilities, other financial assets and liabilities 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 and other current assets and liabilities 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 2020 and 2019. 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

	2020	2019
	EUR'000	EUR'000
Change in interest rates		
Increase in basis points:		
15	-38	-38
20	-50	-50
Decrease in basis points:		
(10)	25	25
(15)	38	38

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	
	2020	**2019**	**2020**	**2019**
	EUR'000	EUR'000	EUR'000	EUR'000
Change in currency percentage				
5%	-1,760	-637	-6,386	-4,963
(5%)	1,945	705	7,059	5,485

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.

	Less than 1 year	1-5 years	More than 5 years	**Total**
	EUR'000	EUR'000	EUR'000	EUR'000
Year ended 2020				
Interest-bearing loans and borrowings	-375	-25,250	–	-25,625
Contingent consideration	-6,702	-6,490	–	-13,192
Other financial liabilities	-3,525	-4,681	-11,703	-19,909
Lease liabilities	-2,004	-5,871	-6,382	-14,256
Trade payables	-28,359	–	–	-28,359
Other current liabilities	-19,555	–	–	-19,555
Balance as at 31 December	-60,520	-42,292	-18,085	-120,896
Year ended 2019				
Interest-bearing loans and borrowings	-443	-25,776	–	-26,219
Contingent consideration	-5,959	-12,883	–	-18,842
Other financial liabilities	-1,117	-4,469	-12,291	-17,877
Lease liabilities	-1,489	-4,174	-5,391	-11,054
Trade payables	-18,460	–	–	-18,460
Other current liabilities	-16,661	–	–	-16,661
Balance as at 31 December	-44,129	-47,302	-17,682	-109,113

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 2020 and 31 December 2019.

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 2020 and 2019.

	2020	**2019**
	EUR'000	EUR'000
Total shareholder equity	177,660	149,416
Total equity and liabilities	375,975	305,142
	47%	49%

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 15) 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.

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*	
	2020	**2019**	**2020**	**2019**
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Other financial assets	201	459	191	438
Financial liabilities				
Interest-bearing loans and borrowings	-25,000	-25,000	-23,924	-23,866
Contingent consideration	-12,497	-16,824	-12,497	-16,824
Other financial liabilities	-14,399	-12,020	-14,399	-12,020

The financial instruments have been valued based on the expected cash flows discounted at current interest rates. Further details on the calculation of the fair value of the contingent consideration have been provided in Note 15.

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy (described in Note 1) are as follows:

31 December 2020	Level 1	Level 2	Level 3
	EUR'000	EUR'000	EUR'000
Other financial assets	–	191	–
Interest-bearing loans and borrowings	–	-23,924	–
Contingent consideration	–	–	-12,497
Other financial liabilities	–	-14,399	–

31 December 2019	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 2020 was assessed and considered to be insignificant.

23 Subsequent events

There have been no significant events subsequent to the financial year 2020, which would require additional disclosure in the financial statements.

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Hoofddorp, the Netherlands, 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 2020

Our opinion

We have audited the consolidated financial statements 2020 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 2020 and of its result and its cash flows for 2020 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 2020;
2. the following statements for 2020: 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 2020 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 15 March 2021.

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, 15 March 2021

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

sgd.
A.P. van Veen RA
